

## Closed Days Template Guidance – FX Definitions

### 2019 Japanese Golden Week

The International Swaps and Derivatives Association, Inc. (“ISDA”) announces the following guidance for parties to over-the-counter derivative transactions that are affected by the forthcoming holiday period described below.

*The Japanese government has approved a special national holiday corresponding with the accession of Crown Prince Naruhito as emperor. Under Japanese law, this will result in six consecutive weekday holidays in the spring of 2019 (for a ten-day total stretch of non-business days from and including Monday April 29, 2019 to and including Monday May 6, 2019). Further detail regarding the dates can be found [here](#), and detail evidencing the November 13, 2018 Cabinet approval of the related bill can be found [here](#).*

*As a consequence, it is ISDA’s understanding that the Bank of Japan<sup>1</sup> and Japanese commercial banks<sup>2</sup> are expected to be closed (including for dealings in foreign exchange and foreign currency deposits) during such period.*

ISDA is issuing this guidance in the interest of mitigating market risk and the promotion of orderly and efficient valuation and settlement of positions by market participants. This guidance illustrates the consequences of the market closure event based on the default provisions described in the main definitional booklet. This guidance does not provide views on conventions or consequences, which parties may have bilaterally agreed, that deviate from such defaults, nor does it cover transactions which are not subject to the definitional booklet and for which no bilateral agreement has been reached regarding the subject matter of this guidance. **This guidance is not legal advice and market participants should consult their legal advisors as appropriate.** Market participants should not rely on this guidance for any purpose but should review the contractual terms of each affected transaction in order to understand the effects of the events described above. ISDA does not assume any responsibility for this guidance and it is not intended to set a precedent. Parties are not obliged to follow this guidance and may choose alternate means of addressing the aforementioned event. In addition, firms should consider contacting their counterparties in advance of Friday April 26, 2019 to discuss the consequences for their transactions.

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<sup>1</sup> <https://www.boj.or.jp/en/about/outline/holi.htm/>

<sup>2</sup> <https://www.zenginkyo.or.jp/topic/era/> and <https://www.zenginkyo.or.jp/fileadmin/res/topic/era/era.pdf>

## 1 1998 FX and Currency Option Definitions<sup>3</sup>

### 1.1 Settlement Date; Premium Payment Date

It is ISDA's understanding that commercial banks in Tokyo, Japan will be closed and will not settle payments in the period from and including Monday April 29, 2019 to and including Monday May 6, 2019 (the "**Relevant Dates**"). Consequently, each of the Relevant Dates should be treated as a non-Business Day in Tokyo for the purposes of settlement and payment on the Settlement Date and Premium Payment Date and the relevant Business Day Convention should apply to those dates. Unless otherwise specified in documentation entered into by the parties<sup>4</sup>, the Following Business Day Convention will apply<sup>5</sup>.

ISDA is aware of the statement issued by the Tokyo Foreign Exchange Market Committee<sup>6</sup> concerning the settlement of payments during the Relevant Dates. That guidance is stated to be in relation to existing trades in the Inter-Bank market executed in the absence of existing bilateral agreements that are used to govern FX and currency transactions. ISDA notes that transactions which incorporate the 1998 ISDA FX and Currency Option Definitions would not generally fall within the scope of the guidance provided by the Tokyo Foreign Exchange Market Committee on this basis. The Tokyo Foreign Exchange Market Committee statement goes on to say that where existing agreements, which are used to govern FX and currency transactions, provide otherwise, bilateral agreement would be required in order for the settlement date to be adjusted to the first preceding business day.

ISDA has also been made aware that the settlement system CLS has, with notification to its members, applied the Modified Following Business Day Convention to payments falling on April 30, May 1 and May 2, and understands that parties who wish to override this default, upon bilateral agreement with their counterparty, are able to do so by rescinding the original instruction and submitting new settlement instructions in the system.

The information provided in the two preceding paragraphs is for existing agreements which are used to govern FX and currency transactions (or equivalent documents) and which provide that if the settlement date falls on the last business day of the month, the settlement date will be adjusted to the first following business day. If the settlement date for such transactions is required to be adjusted to the first preceding business day, a bilateral agreement with the counterparty is required. It does not

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<sup>3</sup> This guidance covers Transactions documented under the 1998 FX and Currency Option Definitions. It does not cover any additional supplements or standard terms used in conjunction with the 1998 FX and Currency Option Definitions, for example, the November 2018 Volatility Swap, Variance Swap and Correlation Swap Supplement to the 1998 FX and Currency Option Definitions, the 2005 Barrier Option Supplement to the 1998 FX and Currency Option Definitions, or EMTA Template Terms.

<sup>4</sup> For example, a Master Confirmation Agreement or any documentation confirming the terms of the Transaction.

<sup>5</sup> Section 1.24 of the 1998 FX and Currency Option Definitions.

<sup>6</sup> [http://www.fxcomtky.com/announce/index\\_e.html#public\\_doc05](http://www.fxcomtky.com/announce/index_e.html#public_doc05)

constitute a comment upon or an endorsement of either the statement issued by the Tokyo Foreign Exchange Market Committee or the position adopted by CLS.

ISDA note that EMTA has separately published guidance in relation to transactions that are executed under the terms of its template confirmations – [link to EMTA website](#).

### *1.2 Valuation Date; Averaging Date; exercise of Currency Options*

It is ISDA’s understanding that commercial banks and foreign exchange markets in Tokyo will be closed for dealings in foreign exchange on the Relevant Dates. Consequently, the Relevant Dates will not be Business Days in Tokyo for the purposes of valuation on a Valuation Date or Averaging Date, or for exercise of a Currency Option Transaction on an Expiration Date, Specified Exercise Date or any day during the Exercise Period. For Transactions that specify Tokyo as the relevant financial center for Business Days, the Valuation Date, Averaging Date, Expiration Date, and Specified Exercise Date will therefore adjust in accordance with the applicable Business Day Convention. Unless otherwise specified in documentation entered into by the parties, the Business Day Convention set out for the relevant day in the FX Definitions will apply (see below).

Certain transactions provide for separate Business Days for valuation and settlement. If Business Days for settlement specify Tokyo as the financial centre but Business Days for valuation do not, a Business Day adjustment of the Valuation Date should not be required for such transactions (unless there is a holiday in the financial centre specified for valuation Business Days), notwithstanding that the Settlement Date will be subject to adjustment in accordance with paragraph 1.1 of this guidance.

If a Relevant Date is the day for fixing a spot rate pursuant to the Settlement Rate Option (in respect of the Reference Currency and Settlement Currency as appropriate) where the rate is viewed on a day *other than* the Valuation Date, unless otherwise specified in documentation entered into by the parties, the day for fixing the spot rate will adjust as set out in the relevant Settlement Rate Option (i.e. [x] Business Days following the Rate Calculation Date (either the Valuation Date or the Averaging Date)).

It is ISDA’s understanding that the Bank of Japan is not expected to publish the relevant “BOJ01” Spot Rate for a Rate Calculation Date (Valuation Date and Averaging Date) falling on the Relevant Dates.

The default Business Day Conventions/adjustments that apply pursuant to the FX Definitions are as follows:

Valuation Date (Section 1.16(f)) Averaging Date (Section 3.8(a))	Preceding Business Day Convention
Expiration Date Section 3.5(d) Specified Exercise Date (Section 3.5(h))	Following Business Day Convention
A day during the Exercise Period (American Currency Options) (Section 3.6(b))	Exercise on a Relevant Date will be deemed as exercise on the next valid Business Day during the Exercise Period.