

September 20, 2022

Closed Days Guidance – 2021 ISDA Interest Rate Derivatives Definitions and 2006 ISDA Definitions

Australia National Day of Mourning 2022 for Her Majesty Queen Elizabeth II

The International Swaps and Derivatives Association, Inc. (“ISDA”) announces the following guidance for parties to over-the-counter interest rate derivative transactions that are affected by the National Day of Mourning in Australia for Her Majesty Queen Elizabeth II.

On September 11, 2022, the Australian Prime Minister announced that a National Day of Mourning will be observed on Thursday, September 22, 2022, in honour of the life and service of Her Majesty Queen Elizabeth II.¹

Subsequently, on September 13, 2022 and September 12, 2022, respectively, the National Day of Mourning was declared a public holiday in the states of New South Wales² and Victoria³.

As a consequence, it is ISDA’s understanding that on September 22, 2022, Australian commercial banks are expected to be closed for general business (including for dealings in foreign exchange and foreign currency deposits).⁴

ISDA understands that the Australian Dollar interbank overnight cash rate (known as AONIA) and the Australian Dollar mid and bid rates for prime bank eligible securities (known as Bank Bill Swap Rate or BBSW⁵ and Bank Bill Swap Bid Rate or BBSY, respectively) will not be published on September 22, 2022.

On that basis, the following Floating Rate Options will not be published on September 22, 2022:

- under the 2021 Definitions, AUD-AONIA, AUD-AONIA-OIS Compound, AUD-BBSW, and AUD-BBSY Bid; and*

¹ <https://www.pm.gov.au/media/commemorating-her-majesty-queen-elizabeth-ii>

² <https://www.nsw.gov.au/media-releases/public-holiday-declared-nsw-for-national-day-of-mourning>

³ <https://www.premier.vic.gov.au/national-day-mourning-public-holiday>

⁴ <https://www.rba.gov.au/schedules-events/bank-holidays-2022.html>

⁵ <https://www.asxonline.com/public/notices/2022/september/0989.22.09.html>

- under the 2006 Definitions, AUD-AONIA, AUD-AONIA-OIS-COMPOUND, AUD-AONIA-OIS-COMPOUND-SwapMarker, AUD-BBR-AUBBSW, AUD-BBR-BBSW, AUD-BBR-BBSW-Bloomberg and AUD-BBR-BBSY (BID).

In addition, Bloomberg has announced that September 22, 2022 will not constitute a ‘Business Day’, an ‘IBOR Business Day’ or a ‘Reference Rate Business Day’, as those terms are defined under the IBOR Fallback Rate Adjustment Rule Book, for the purposes of Fallback Rate (AONIA) (as defined in the 2021 Definitions and the 2006 Definitions). On that basis, no ‘Reference Rates’ will be published and no IBOR fallback rates will be calculated and published in or for the Australian markets on September 22, 2022.⁶

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 above market closures based on the default provisions described in the 2021 ISDA Interest Rate Derivatives Definitions (the “**2021 Definitions**”) and the 2006 ISDA Definitions (the “**2006 Definitions**”). This guidance does not provide views on conventions or consequences, which parties may have bilaterally agreed, that deviate from such presumed provisions, nor does it cover transactions which are not subject to the 2021 Definitions or the 2006 Definitions and for which no bilateral agreement has been reached regarding the subject matter of this guidance. This guidance includes a description of provisions contained in the 2021 Definitions and the 2006 Definitions that may be relevant to market participants. **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 to discuss the consequences for their transactions.

For cleared transactions and transactions executed on electronic confirmation platforms, market participants should refer to the contractual terms of the applicable clearing house or confirmation platform, as applicable.

Please note that this guidance may be updated from time to time.

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⁶ https://assets.bbhub.io/professional/sites/10/IBOR-Fallbacks_UPDATE_Additional-Non-Business-Days-Sep22.pdf

Guidance

1 2021 Definitions and 2006 Definitions

ISDA understands that commercial banks and foreign exchange markets in Sydney and Melbourne will be closed for general business (including dealings in foreign exchange) and that financial markets in Sydney and Melbourne will also be closed on September 22, 2022 (the “**Relevant Date**”).

Consequently, the Relevant Date should not be treated as:

- a Business Day (under the 2021 Definitions) or a Banking Day (under the 2006 Definitions) for the purposes of Floating Rate Options where the rate for a Reset Date is fixed by reference to Business Days or Banking Days, as applicable;
- a Business Day for the purposes of Payment Dates, Period End Dates and Reset Dates;
- a Valuation Business Day; or
- an Exercise Business Day,

in each case, in respect of Sydney or Melbourne as the relevant financial center.

In respect of any Floating Rate Option that is fixed on a Sydney or a Melbourne Business Day⁷, under the 2021 Definitions, or a Sydney or a Melbourne Banking Day (or only a Sydney Banking Day), under the 2006 Definitions, parties should consult the terms of the relevant Floating Rate Option as to the consequences (e.g., if the fixing is one Sydney Business Day or Melbourne Business Day following a Reset Date falling on Wednesday, September 21, 2022, the fixing day⁸ will move to Friday, September 23, 2022). In respect of any Floating Rate Option that is fixed on the Reset Date, parties should refer to the Business Day Convention that is applicable to Reset Dates, which if a Business Day Convention is not specified will be the Business Day Convention applicable to Floating Amount Payer Period End Dates (2021 Definitions) or Floating Rate Payer Payment Dates (2006 Definitions).

In respect of each Date for Payment (under the 2021 Definitions), Payment Date

⁷ In the 2021 Definitions, the definition of Fixing Day for AUD-BBSW and AUD-BBSY Bid is the Reset Date. The equivalent Floating Rate Options in the 2006 Definitions also use the Reset Date for the fixing date. AUD-AONIA and AUD-AONIA-OIS Compound in the 2021 Definitions refer to either a Sydney Business Day or a Melbourne Business Day. The equivalent Floating Rate Options in the 2006 Definitions also refer to either a Sydney Banking Day or a Melbourne Banking Day, although AUD-AONIA-OIS-COMPOUND-SwapMarker refers to Sydney Banking Day only.

⁸ In the 2021 Definitions, this day is referred to as the “Fixing Day”. There is no equivalent defined term in the 2006 Definitions.

(under the 2006 Definitions) and each Period End Date (under both the 2021 Definitions and the 2006 Definitions), the relevant day will adjust in accordance with the Business Day Convention specified by the parties or, if none is specified, the default Business Day Convention set out in the relevant definitional booklet as follows:

2021 Definitions

- Initial Exchange Date; Premium Payment Date: Following Business Day Convention;
- Interim Exchange Date; Final Exchange Date; Payment Date: Modified Following Business Day Convention;
- Period End Dates: Modified Following Business Day Convention; and
- Cash Settlement Valuation Date: Preceding Business Day Convention.

2006 Definitions

- Initial Exchange Date; Premium Payment Date: Following Business Day Convention;
- Interim Exchange Date; Periodic Exchange Date; Final Exchange Date; Payment Date: Modified Following Business Day Convention; and
- Period End Date; Cash Settlement Valuation Date (in respect of an Exercise Date or Mandatory Early Termination Date): Modified Following Business Day Convention.

Under the 2021 Definitions, the Effective Date and Termination Date are both subject to the No Adjustment Business Day Convention, unless otherwise specified in the Confirmation. Under the 2006 Definitions neither date is subject to adjustment in accordance with any Business Day Convention (unless otherwise specified in the Confirmation).

Note that, under both the 2021 Definitions and the 2006 Definitions, in respect of a Termination Date that is also a Payment Date falling on the Relevant Date, unless otherwise specified in the relevant Confirmation, the Payment Date that falls on such Termination Date will be adjusted in accordance with the Business Day Convention specified for such Payment Dates even though the actual Termination Date will not adjust (unless adjustment in accordance with the Following, Modified Following or Preceding Business Day Convention has been specified to apply).

Swaptions

In respect of any single currency swaption involving U.S. Dollars (a “**USD Swaption**”) for which ‘Sydney’ or ‘Melbourne’ has been specified as an additional

financial center in the Confirmation for the purpose of Exercise Business Days, for the purposes of an Expiration Date⁹ falling on the Relevant Date, under both the 2021 Definitions and the 2006 Definitions the Expiration Date shall instead be the immediately preceding Exercise Business Day (which, for Sydney, Melbourne and New York financial centers, is expected to be Wednesday, September 21, 2022).

Under both the 2021 Definitions and the 2006 Definitions, for any single currency swaption other than a USD Swaption, in respect of an Expiration Date¹⁰ falling on the Relevant Date, where ‘Sydney’ or ‘Melbourne’ is a financial center for the purpose of Exercise Business Days¹¹, the Expiration Date shall roll to the next following Exercise Business Day (expected to be September 23, 2022).

Physically Settled Swaptions

Under both the 2021 Definitions and the 2006 Definitions, in respect of a Physically Settled Swaption, the terms of the underlying transaction are set out in the Confirmation. Consequently, if the underlying transaction has an Effective Date of September 22, 2022, this will not adjust for the Relevant Date, unless otherwise specified in the Confirmation.

Under both the 2021 Definitions and the 2006 Definitions, in respect of a Cleared Physically Settled Swaption where the underlying transaction has an Effective Date of September 22, 2022 and to which Cleared Physical Settlement applies, once the Swaption is exercised and the underlying transaction submitted for clearing, the terms of the underlying transaction will become subject to any agreement related to clearing in place between the parties and the rules of any relevant clearinghouse, unless the underlying transaction fails to clear in which case the terms of any agreement to clearing between the parties will apply.

Cash Settled Swaptions

Under both the 2021 Definitions and the 2006 Definitions, in respect of a Cash Settled Swaption, the terms of the underlying transaction are set out in the Confirmation. Consequently, if the underlying transaction has an Effective Date of September 22, 2022, this will not adjust for the Relevant Date, unless otherwise specified in the Confirmation.

The Cash Settlement Payment Date, unless otherwise specified in the Confirmation, will be the date specified in the ISDA Settlement Matrix. For AUD Swaptions, this

⁹ This consequence applies only if Exercise Business Days are defined to include Business Days (under the 2021 Definitions) or Banking Days (under the 2006 Definitions) in Sydney and/or Melbourne.

¹⁰ See Footnote 3 above.

¹¹ Unless otherwise specified in the Confirmation, where the ISDA Settlement Matrix applies, Exercise Business Days are set out in the ISDA Settlement Matrix.

is specified in the ISDA Settlement Matrix to be two Sydney Business Days following the Exercise Date. The Exercise Date is the date on which the Swaption is exercised. Where exercise takes place at expiration on the Expiration Date, this date adjusts as set out above if this is specified to be September 22, 2022. The Cash Settlement Payment Date will accordingly adjust in line with the Expiration Date.

The Cash Settlement Amount (2006 Definitions) and the Fallback Cash Settlement Amount (2021 Definitions) is determined as at the Cash Settlement Valuation Date. Unless otherwise specified in the Confirmation, the Cash Settlement Valuation Date will be the date specified in the ISDA Settlement Matrix. For AUD Swaptions, this is the Exercise Date. Where exercise takes place at expiration on the Expiration Date, this date adjusts as set out above. The Cash Settlement Valuation Date will accordingly adjust in line with the Expiration Date. Where Collateralized Cash Price or Par Yield Curve – Unadjusted is the applicable Cash Settlement Method¹² the Settlement Rate will be determined as of the adjusted Cash Settlement Valuation Date.

AUD AONIA Swaps

For the purposes of AUD-AONIA-OIS Compound (in the 2021 Definitions), AUD-AONIA-OIS-COMPOUND and AUD-AONIA-OIS-COMPOUND-SwapMarker (in the 2006 Definitions) or AUD-AONIA when used with OIS Compounding¹³ in either the 2021 Definitions or the 2006 Definitions, September 22, 2022 will not be an Applicable Business Day.

If September 22, 2022 falls on a day other than the first day of the Calculation Period, the rate for September 22, 2022 as a relevant day “i” will be the level of AONIA for the immediately preceding Applicable Business Day (which is expected to be Wednesday, September 21, 2022).

If September 22, 2022 is the first calendar day in the Calculation Period, the 2021 Definitions expressly includes such day within the definition of “do” so that the rate for AONIA for such day will be the rate for the immediately preceding Applicable Business Day (which is expected to be Wednesday, September 21, 2022). This language was introduced into the 2021 Definitions to more accurately reflect what ISDA understands to have been standard practice under the 2006 Definitions.¹⁴

¹² Collateralized Cash Price is the default Cash Settlement Method for AUD BBSW and AUD AONIA Swaptions set out in the ISDA Settlement Matrix under the 2021 Definition and Par Yield Curve – Unadjusted is the default Cash Settlement Method for those AUD Swaptions under the 2006 Definitions.

¹³ This analysis applies equally to Compounding with Lookback and Compounding with Lockout.

¹⁴ To the extent firms have documented a swap referencing AONIA using AUD-AONIA and OIS Compounding pursuant to the 2006 Definitions, the analysis set out in respect of the 2021 Definitions will apply.