

April 3, 2023

Closed Days Guidance – Equity Derivatives

UK Coronation 2023 - His Majesty King Charles III

The International Swaps and Derivatives Association, Inc. (“ISDA”) announces the following guidance for parties to over-the-counter equity derivative transactions that are affected by the additional bank holiday in the UK to mark the Coronation of His Majesty King Charles III.

*On November 6, 2022 (the “**Announcement Date**”), the UK Government announced (the “**Announcement**”) that an additional bank holiday will be observed on Monday, May 8, 2023 in honour of the Coronation of His Majesty King Charles III, which will take place on Saturday, May 6, 2023.¹*

As a consequence, it is ISDA’s understanding that on May 8, 2023, the London Stock Exchange², the equity securities clearance and settlement systems in the UK and UK commercial banks are expected to be closed (including for dealings in foreign exchange and foreign currency deposits) and that Euronext and ICE Futures Europe will each be closed for trading in respect of derivatives instruments linked to UK underlyings.³

ISDA understands that the London Stock Exchange updated its trading calendar in response to the Announcement on February 9, 2023.

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 main equity definitional booklets, master confirmation agreement templates and other ISDA published documentation expressly referred to in this guidance. ISDA understands that parties frequently bilaterally agree to amend the provisions of those definitional booklets, those master confirmation agreement templates and other ISDA published documentation when executing trades or agreeing the terms of their trading relationships. This guidance does not cover any such deviations. This guidance includes a description of provisions contained in the main equity definitional booklets, those master confirmation agreement templates and other ISDA published documentation expressly

¹ <https://www.gov.uk/government/news/bank-holiday-proclaimed-in-honour-of-the-coronation-of-his-majesty-king-charles-iii>

² <https://www.londonstockexchange.com/trade/trading-access/business-days>

³ https://www.theice.com/publicdocs/futures/Trading_Schedule_Migrated_Liffe_Contracts.pdf

referred to in this guidance 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 transactions executed on electronic confirmation platforms, market participants should refer to the contractual terms of the applicable confirmation platform.

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

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Guidance

1 2002 ISDA Equity Derivatives Definitions (the “2002 Equity Definitions”)⁴

1.1 *Exchange Business Days; Scheduled Trading Days*

ISDA understands that the London Stock Exchange, Euronext and ICE Futures Europe (the “**London Exchanges**”) will not be open for trading for their respective regular trading sessions⁵ on May 8, 2023 (the “**Relevant Date**”) and therefore the Relevant Date should not be treated as an Exchange Business Day for those exchanges (either because it is not deemed to be a Scheduled Trading Day (see second paragraph below) or because it is deemed to be a Scheduled Trading Day, but the London Exchanges do not open (see third paragraph below)).

The Announcement was made six months prior to the Relevant Date. This guidance has therefore been produced on the basis that the closures of the London Exchanges are scheduled and that the Relevant Date is therefore not a Scheduled Trading Day when either the Exchange or Related Exchange is one of the London Exchanges. This is consistent with the approach adopted in relation to previous guidance ISDA has issued in relation to market closure events.

However, ISDA is aware that some market participants have interpreted ‘Scheduled Trading Day’ by reference to the schedule of an Exchange/Related Exchange as at the Trade Date of the relevant Transaction and may therefore consider the Relevant Date to be a Scheduled Trading Day when either the Exchange or Related Exchange is one of the London Exchanges and the Transaction has a Trade Date prior to the Announcement Date⁶. Where parties agree that the Relevant Date constitutes a non-scheduled closure for the purposes of such Transaction, then the Relevant Date should not be treated as an Exchange Business Day but should be treated as a Scheduled

⁴ This Section of the guidance covers Transactions documented under the 2002 Equity Definitions and also Transactions documented under the master confirmation agreements detailed below. It does not cover any additional supplements, master confirmations or standard terms used in conjunction with the 2002 Equity Definitions.

⁵ ISDA understands that on May 8, 2023, it will not be possible to trade derivatives instruments linked to UK underlyings on the Euronext trading platform and that this should be considered as a ‘closure’ of Euronext for its regular trading session on that day. ISDA also understands that on May 8, 2023, it will not be possible to trade derivatives instruments linked to UK underlyings on the ICE Futures Europe trading platform and that this should be considered as a ‘closure’ of ICE Futures Europe for its regular trading session on that day.

⁶ On the basis that each of the London Exchanges updated their trading calendars to reflect the public holiday for the Coronation of His Majesty King Charles III on different dates following the Announcement Date, for purposes of simplicity and in light of the general market expectation as at the Announcement Date that May 8, 2023 would be a legal public and bank holiday in the United Kingdom, ISDA has referred here to the “Announcement Date”. This means that if parties adopt the interpretation set out in sub-paragraph three of paragraph 1.1, parties may agree to treat May 8, 2023 as a Non-Scheduled Trading Day if the Trade Date is on or after the Announcement Date but treat it as a Scheduled Trading Day if the Trade Date is prior to the Announcement Date. However, each market participant should form its own view as to whether May 8, 2023 should be treated as a non-Scheduled Trading Day as of the Announcement Date or whether it should only be treated as a non-Scheduled Trading Day from the date on which the relevant London Exchange updated its trading schedule to reflect May 8, 2023 as a non-trading day.

Trading Day that is a Disrupted Day and, unless otherwise discussed below, the guidance set out in this document should be adjusted accordingly in accordance with the consequences for Disrupted Days set out in the 2002 Equity Definitions and, if relevant, in the applicable Master Confirmation Agreement.

1.2 *Exercise/expiration of Option Transactions*

If a Commencement Date, Potential Exercise Date (Bermuda Option) or Expiration Date falls on the Relevant Date, such Commencement Date, Potential Exercise Date or Expiration Date should instead be the next following Scheduled Trading Day (expected to be May 9, 2023). If the Relevant Date falls in the Exercise Period for an American Option and the notice of exercise is given on the Relevant Date, then that notice will be deemed given on the next following Scheduled Trading Day (expected to be May 9, 2023).

1.3 *Valuation of Options, Swaps and Forwards*

Valuation Date

If a Valuation Date in respect of a Transaction falls on the Relevant Date, such Valuation Date should instead be the next following Scheduled Trading Day (which is expected to be May 9, 2023).

If Futures Price Valuation applies to an Index Transaction, and the Official Settlement Price is published on the Valuation Date, such day should be treated as the Valuation Date irrespective of whether such day is a Scheduled Trading Day.

Averaging Dates

If an Averaging Date in respect of a Transaction falls on the Relevant Date, such Averaging Date should instead be the next following Scheduled Trading Day (which is expected to be May 9, 2023).

1.4 *Payments and deliveries*

It is ISDA's understanding that commercial banks and equity securities clearance and settlement systems will not be open on the Relevant Date. Accordingly, the Relevant Date will not be a Currency Business Day or a Clearance System Business Day in London.

In respect of a Transaction where the Settlement Currency is GBP, if any of the Cash Settlement Payment Date, Premium Payment Date, Dividend Payment Date or Prepayment Date that is specified in the Confirmation falls on the Relevant Date (or is otherwise determined by the terms of the Confirmation to fall on the Relevant Date), such date will instead be the next following Currency Business Day for GBP, expected to be May 9, 2023. Payments in respect of a Transaction where the Settlement Currency is GBP which are due on an Initial Exchange Date, Final Exchange Date or

Prepayment Date (where the Prepayment Payment Date is not otherwise specified in the Confirmation) that is specified to fall on the Relevant Date (or is otherwise determined by the terms of the Confirmation to fall on the Relevant Date) should instead be due on the next following Currency Business Day for GBP that is also an Exchange Business Day, expected to be May 9, 2023.

Deliveries due on a Settlement Date falling on the Relevant Date will be made on the next following Clearance System Business Day, expected to be May 9, 2023.

2 2007 European Variance Swap Master Confirmation Agreement and Revised 2007 European Variance Swap Master Confirmation Agreement⁷ (together, the “European Variance Swap MCAs”).

The following guidance is for Index Variance Swap Transactions and Share Variance Swap Transactions confirmed under the European Variance Swap MCAs.

2.1 *Scheduled Trading Day*

- In respect of Index Variance Swaps only, if “Multiple Exchange” applies, a Scheduled Trading Day is a day on which (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session. This guidance assumes that either:

1. the Relevant Date is not a day on which the Index Sponsor is scheduled to publish the level of the Index; or
2. one of the London Exchanges is a Related Exchange for the relevant Transaction and, as set out in paragraph 1.1 (*Exchange Business Days; Scheduled Trading Days*) above, the closures of the London Exchanges are scheduled,

(i.e., the guidance assumes that the Relevant Date is not a Scheduled Trading Day for the purposes of the Multiple Exchange Index Annex because of either 1 or 2 above being satisfied).

- In respect of Share Variance Swaps under the Revised 2007 European Variance Swap Master Confirmation Agreement only, the guidance below assumes that one of the London Exchanges is the “Exchange” for the Transaction. If a London Exchange is specified as a “Related Exchange” for

⁷ Including Annex IVS (*Index Variance Swap*) and the Multiple Exchange Index Annex, and Annex SVS (*Share Variance Swap*).

the Transaction but no London Exchange is an “Exchange”, then the Relevant Date will continue to be a Scheduled Trading Day.⁸

2.2 N

“N” is defined in the European Variance Swap MCAs as *“The number specified as such in the relevant Transaction Supplement or, if not so specified, the number of days that, as of the Trade Date, are expected to be Scheduled Trading Days for the period from, but excluding, the Observation Start Date to, and including, the Scheduled Valuation Date”*.

Unless otherwise specified, if the Trade Date of such a Variance Swap Transaction is before the Announcement Date (November 6, 2022)⁹, N will include the Relevant Date if such date falls in the period from, but excluding, the Observation Start Date to, and including, the Scheduled Valuation Date.

Unless otherwise specified, if the Trade Date of such a Variance Swap Transaction is on or after the Announcement Date (November 6, 2022)¹⁰, N will not include the Relevant Date if such date falls in the period from, but excluding, the Observation Start Date to, and including, the Scheduled Valuation Date.

2.3 Observation Days (other than the Valuation Date)

Observation Days are defined in the European Variance Swap MCAs as *“Each Scheduled Trading Day during the Observation Period, whether or not such day is a Disrupted Day. Section 6.6 [(or, if “Futures Price Valuation” is applicable, Sections 6.8(a) and 6.8(e))]¹¹ of the Equity Definitions shall not be applicable to any Observation Day other than the Valuation Date, in which case P_t [(as defined below)] in respect of the Valuation Date shall be determined in accordance with the applicable Section.”*.

Observation Period is defined as *“the period from, but excluding, the Observation Start Date to, but excluding, the Observation End Date, and the Valuation Date”*. The Observation Start Date is the Trade Date (unless otherwise specified), and the Observation End Date is the Scheduled Valuation Date.

In order to align the number of Observation Days with “N” for the purposes of the Final Realized Volatility formula, as the definition of “N” is determined (as specified in paragraph 2.2 (N) above) by reference to the number of days that, as at the Trade Date, are Scheduled Trading Days in the period from, but excluding, the Observation

⁸ The Share Variance Swap General Terms Confirmation under the Revised 2007 European Variance Swap Master Confirmation Agreement provides that there shall be no Related Exchange for the purpose of the definition of Scheduled Trading Day.

⁹ See footnote 6 above.

¹⁰ See footnote 6 above.

¹¹ Applies to Index Variance Swaps only.

Start Date to, and including, the Scheduled Valuation Date, parties should consider whether, as at the Trade Date, each day during the Observation Period should be treated as a Scheduled Trading Day for the purposes of determining the Observation Days. For such purposes, and unless otherwise agreed between the parties:

- i) if the Trade Date of such a Variance Swap Transaction is before the Announcement Date (November 6, 2022)¹² and a day during the Observation Period falls on the Relevant Date, it will be treated as a Scheduled Trading Day that is a Disrupted Day (see paragraph 1.1 (*Exchange Business Days; Scheduled Trading Days*) above), with the result that P_t for such Observation Day shall be deemed to equal P_{t-1} ; and
- ii) if the Trade Date of such a Variance Swap Transaction is on or after the Announcement Date (November 6, 2022)¹³ and a day during the Observation Period falls on the Relevant Date, it will not be an Observation Day.

2.4 Valuation Date

If the parties treat the Relevant Date as a non-Scheduled Trading Day¹⁴, if the Observation End Date (i.e. the Valuation Date) falls on the Relevant Date, the Valuation Date will be adjusted to instead be the next Scheduled Trading Day (which is expected to be May 9, 2023).

If the parties treat the Relevant Date as a Scheduled Trading Day that is a Disrupted Day, the Observation End Date (i.e. the Valuation Date) will be adjusted in accordance with Section 6.6 of the 2002 Equity Definitions (i.e. it will move to the next following Scheduled Trading Day that is not a Disrupted Day) and P_t in respect of such Observation End Date will be determined on such adjusted Valuation Date.

If Futures Price Valuation is applicable and the Valuation Date falls on the Relevant Date and the Official Settlement Price is not published on such date, the Valuation Date will be postponed and will be the first succeeding Scheduled Trading Day on which the Official Settlement Price is published (which is expected to be May 9, 2023).

2.5 Payment

The Cash Settlement Payment Date falls the specified number of Currency Business Days after the Valuation Date. Unless otherwise specified, if the Valuation Date falls on the Relevant Date, the Cash Settlement Payment Date will be moved to two

¹² See footnote 6 above.

¹³ See footnote 6 above.

¹⁴ See the second paragraph of section 1.1 above.

Currency Business Days after the adjusted Valuation Date (the adjusted Valuation Date is expected to be May 9, 2023).

3 2007 European Master Equity Derivatives Confirmation Agreement¹⁵

The guidance set out in paragraph 1 above should be equally applicable to Transactions documented under the 2007 European Master Equity Derivatives Confirmation Agreement (and the Annexes attached to it). However, in addition, the following points should be noted:

3.1 *Multiple Exchange Index Annex:* With respect to any Index Transaction, if the “Multiple Exchange Index Annex” applies, a Scheduled Trading Day is a day on which (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session. This guidance assumes that either:

1. the Relevant Date is not a day on which the Index Sponsor is scheduled to publish the level of the Index; or
2. one of the London Exchanges is a Related Exchange for the relevant Transaction and, as set out in paragraph 1.1 (*Exchange Business Days; Scheduled Trading Days*) above, the closures of the London Exchanges are scheduled,

(i.e., the guidance assumes that the Relevant Date is not a Scheduled Trading Day for the purposes of the Multiple Exchange Index Annex because of either 1 or 2 above being satisfied).

3.2 *Component Security Index Annex:* With respect to any Index Swap under Annex IS to which the Component Security Index Annex applies,¹⁶ a Scheduled Trading Day is a day on which the Index Sponsor is scheduled to publish the level of the Index. Accordingly, the guidance above in paragraph 1.3 (*Valuation of Options, Swaps and Forwards*) only applies if the Relevant Date is not a day on which the Index Sponsor is scheduled to publish the level of the Index.

3.3 *Forward starting transactions:* In respect of an Index/Share Option Transaction or an Index Swap, where the Transaction is forward starting and a Strike Date is specified in the Transaction Supplement, if the Strike Date falls on the Relevant Date and such day is not a Scheduled Trading Day (as to which, see paragraph 3.1 (*Multiple Exchange Index Annex*) and 3.2 (*Component Security Index Annex*) above in respect

¹⁵ Including Annex ISO (Cash/Physically-Settled Index/Share Option), Annex EFS (Cash-settled Equity Finance Share Swap), Annex IS (Cash-settled Index Swap) and the Multiple Exchange Index Annex.

¹⁶ The Component Security Index Annex applies by default unless disapplied in the Transaction Supplement.

of Index Transactions) it should be moved to the next following Scheduled Trading Day (which is expected to be May 9, 2023).

3.4 Cash Settlement Payment Date:

- In respect of an Index or Share Option Transaction, the Cash Settlement Payment Date falls two Currency Business Days after each Valuation Date and in respect of an Index Transaction, the specified number of Currency Business Days following the relevant Valuation Date. If a Valuation Date falls on the Relevant Date, the Cash Settlement Payment Date will be moved to two, or the specified number (as applicable), Currency Business Days after the adjusted Valuation Date (the adjusted Valuation Date is expected to be May 9, 2023).
- In respect of an Equity Finance Share Swap Transaction, the Cash Settlement Payment Date falls one Settlement Cycle after the Valuation Date (or if that date is not a Currency Business Day, the next Currency Business Day). If the Valuation Date falls on the Relevant Date, the Cash Settlement Payment Date will be moved to one Settlement Cycle after the adjusted Valuation Date (the adjusted Valuation Date is expected to be May 9, 2023).

4 2009 European Interdealer Master Equity Derivatives Confirmation Agreement¹⁷

The guidance set out in paragraph 1 above should be equally applicable to Transactions documented under the 2009 European Interdealer Master Equity Derivatives Confirmation Agreement (and the Annexes attached to it). However, in addition, the following points should be noted:

4.1 Interdealer Index Swap (Annex IIS):

- *Scheduled Trading Day*: In respect of any Index Swap under Annex IIS (Cash Settled Interdealer Index Swap) for which “Component Security Price” is not specified to apply, a Scheduled Trading Day is a day on which the Index Sponsor is scheduled to publish the level of the Index. Accordingly, the guidance above applies if the Relevant Date is not a day on which the Index Sponsor is scheduled to publish the level of the Index.
- *Component Security Scheduled Trading Day*: In respect of any Index Swap under Annex IIS (Cash Settled Interdealer Index Swap) for which “Component Security Price” is specified to apply, a Scheduled Trading Day is determined individually for each Component Security based on the relevant Exchange for such Component Security. If some (but not all) of the Component Securities are listed on a London Exchange and the Valuation Date or (for forward starting

¹⁷ Including Annex FVSS (Fair Value Share Swap General Terms Confirmation), Annex IIS (Index Swap General Terms Confirmation) and Annex SS (Share Swap General Terms Confirmation).

transactions and in respect of the Initial Price), the Strike Date falls on the Relevant Date, the Valuation Date for such Component Securities only will be postponed to the next Scheduled Trading Day for such Component Securities (expected to be May 9, 2023). For any Component Securities for which the relevant Exchange is not a London Exchange, the price for such Component Securities will be determined on the Valuation Date or (for forward starting transactions and in respect of the Initial Price) the Strike Date that falls on the Relevant Date.

4.2 *Forward starting transactions:* Where the Transaction specifies “Forward Starting” in the Transaction Supplement for the Initial Price, the Strike Date shall be treated as a Valuation Date for the purposes of the Equity Definitions. Therefore, if the Strike Date falls on the Relevant Date it should instead be the next following Scheduled Trading Day (which is expected to be May 9, 2023).

4.3 *Effective Date:* In respect of a Transaction under Annex FVSS (Cash-settled Fair Value Share Swap) or Annex IIS (Cash-settled Interdealer Index Swap), if the Strike Date is adjusted, the Effective Date may also be adjusted accordingly.

5 2011 ISDA Equity Derivatives Definitions (the “2011 Equity Definitions”) – Index Volatility Swaps

The following guidance is for equity derivative transactions confirmed under the Equity Matrix for Index Volatility Swaps (General Terms Confirmation, Definitions, and Terms Supplement) where the terms defined in such Equity Matrix are sourced from the 2011 Equity Definitions (“Index Volatility Transactions”).

5.1 *Scheduled Trading Day*

For such Index Volatility Transactions, a Scheduled Trading Day is a day that is both a scheduled Exchange Business Day (determined as of the Trade Date) and a day on which the Index Sponsor is scheduled to publish a value for the Index (determined as of the Trade Date). As such, where a London Exchange is an “Exchange” (as defined in the 2011 Equity Definitions) for the purposes of a Transaction, if the Trade Date of the relevant Transaction is before the Announcement Date (November 6, 2022)¹⁸, the Relevant Date should be a Scheduled Trading Day.

¹⁸ See footnote 6 above.