

## 2006 ISDA Definitions

### Philippines Market Closures Guidance

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 closure of markets and systems described below.

*On March 16, 2020, in light of the escalating cases of the coronavirus disease (COVID-19), President Rodrigo Duterte of the Philippines announced in a televised address an enhanced community quarantine covering the entirety of Luzon, effective 12:00 a.m. March 17, 2020 and expiring 12:00 a.m. April 13, 2020.*

*This resulted in:*

- (i) *the announcement on March 16, 2020 by the Philippine Stock Exchange, Inc. (“**PSE**”) that no trading at PSE and no clearing and settlement at the Securities Clearing Corporation of the Philippines (“**SCCP**”) would take place, in each case, starting, March 17, 2020 until further notice. The announcement can be found here: [https://www.pse.com.ph/resource/memos/2020/CN\\_2020-0021.pdf](https://www.pse.com.ph/resource/memos/2020/CN_2020-0021.pdf).*
- (ii) *the announcement on March 17, 2020 by the PDS Group that PDS Fixed Income Trading, Clearing and Settlement, Payment and Transfer Operations (PDDTS and RTS), as well as Depository Operations were to be suspended from 17 March 2020, until further notice. The announcement can be found here: <https://www.pds.com.ph/index.html%3Fp=73748.html>*
- (iii) *the announcement on March 16, 2020 by the Bankers Association of the Philippines that there would be no trading of the BAP Spot USD/PHP on March 17, 2020. The announcement can be found here. <https://bap.org.ph/media/bap-advisory-re-bap-spot-usd-php/>*

*Subsequently:*

- (a) *On March 17, 2020, PDS Group published a further announcement that all PDS Operations would recommence on March 18, 2020 with the exception of the Equity Depository System which it stated will resume operations on Thursday, 19 March 2020. The announcement can be found here: <https://www.pds.com.ph/index.html%3Fcat=12.html>*
- (b) *On March 17, 2020, PSE published a further announcement that trading at PSE and clearing and settlement at the SCCP will resume on Thursday, March 19, 2020. The announcement can be found here: [https://www.pse.com.ph/resource/memos/2020/CN\\_2020-0025.pdf](https://www.pse.com.ph/resource/memos/2020/CN_2020-0025.pdf)*

(c) *On March 17, 2020, the Bankers Association of the Philippines published a further announcement that the BAP Spot USD/PHP market resumes on March 18, 2020. The announcement can be found here:*

<https://bap.org.ph/media/bap-fx-usd-php-spot-market-resumes-on-march-18-2020/>

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. Where this guidance assumes the reopening of markets as anticipated in the announcements detailed above, market participants should be aware that the guidance may change to the extent that the markets do not reopen as anticipated. **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.

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## *Guidance*

### **1. 2006 ISDA Definitions**

It is ISDA's understanding that as a consequence of the Enhanced Community Quarantine although commercial banks were open, foreign exchange markets in Manila were closed on 17<sup>th</sup> March 2020 (the "**Relevant Date**").

Consequently, the Relevant Date should not be treated as,

- a Banking Day for the purposes of Rate Options that are fixed on a Banking Day,
- a Business Day for the purposes of Payment Dates, Period End Dates, Reset Dates, or Rate options that are fixed on a Business Day
- a Valuation Business Day, or
- an Exercise Business Day,

in each case, in respect of Manila as the relevant financial centre.

#### ***Rate Options***

In respect of the following Rate Options that are fixed on a Manila Banking Day or Business Day, the fixing will effectively move backwards to the preceding Manila Banking Day/Business Day as those Rate Options are fixed one Manila Banking Day/Business Day (as applicable) prior to the Reset Date:

- PHP-Semi-Annual Swap Rate-Reference Banks
- PHP-PHIREF-Bloomberg
- PHP-PHIREF-Reference Banks

#### ***Payment Dates; Exchange Dates; Period End Dates***

In respect of Payment Dates and Period End Dates, 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 2006 Definitions as follows:

- **Initial Exchange Date; Premium Payment Date:** Following Business Day Convention.
- **Interim Exchange Date; Periodic Exchange Date; Final Exchange Date; Fixed Rate Payer and Floating Rate Payer Payment Dates:** Modified Following Business Day Convention.
- **Period End Dates:** Modified Following Business Day Convention.

#### ***Effective Date and Termination Date***

In respect of the Effective Date or Termination Date falling on the Relevant Date, this will not adjust in accordance with a Business Day Convention unless one is specified in the Confirmation as applicable to the Effective Date or Termination Date (as applicable). Note that, 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.

### ***Expiration Date***

In respect of an Expiration Date falling on the Relevant Date where ‘Manila’ is specified as a financial centre for the purpose of Exercise Business Days, the Expiration Date shall roll to the next following Exercise Business Day<sup>1</sup>.

## **2. Revised Non-Deliverable Swap Transaction Standard Terms Supplement**

If parties have executed Non-Deliverable Swap Transactions on terms which incorporate the “Revised Non-Deliverable Swap Transaction Standard Terms Supplement” published by ISDA on 14 March 2017 (the “**NDS STS**”), the Valuation Date and Settlement Date will be adjusted as described below instead of in accordance with the 2006 ISDA Definitions or the FX Definitions. The following guidance assumes that the parties have not amended any of these terms in their Confirmation and are applying the Fallback Matrix published by ISDA on 10 July 2018.

### ***Scheduled Valuation Date***

Where 17 March 2020 is the Scheduled Valuation Date and Manila is a financial centre for the purposes of Business Days, 17 March 2020 will be an Unscheduled Holiday. This is because 17 March 2020 was not a Business Day and the market was not aware of such fact two Business Days prior to the Scheduled Valuation Date.

Therefore the Valuation Date is adjusted in accordance with the Following Business Day Convention such that it becomes the next Manila Business Day, provided that if the Valuation Date has not occurred on or before the day that is 14 consecutive calendar days after the Scheduled Valuation Date (the “**Deferral Period**”), then the next day that would have been a Business Day but for the Unscheduled Holiday shall be deemed to be the Valuation Date. The Valuation Date will consequently move to 18<sup>th</sup> March 2020.

If there is a Price Source Disruption<sup>2</sup> on that day (18<sup>th</sup> March 2020), the Settlement Rate shall be determined in accordance with the Disruption Fallbacks for the relevant currency pair in the Fallback Matrix, with the first fallback of Valuation Postponement applying unless the Maximum Days of Postponement (14 calendar days) has already been reached.

### ***Settlement Date***

The Settlement Date (Payment Date) will be as soon as practicable after the Valuation Date but not later than one Business Day for the Settlement Date after the date on which the Settlement Rate is determined. Parties should refer to the Fallback Matrix to determine the relevant Business Days for

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<sup>1</sup> This is the outcome whether the option is a USD sw option or another other type of option.

<sup>2</sup> Note that if there is an Unscheduled Holiday there is not also a Price Source Disruption on that day under the NDS STS as that day is no longer the Valuation Date. It is possible that the Enhanced Community Quarantine results in a day being a good Business Day but that the Settlement Rate is not available. This would result in a Price Source Disruption. If this occurred on one or more consecutive days following directly after one or more days that was an Unscheduled Holiday, these days would be counted together for the purposes of determining the maximum valuation postponement of 14 calendar days.

the Settlement Date as this differs per currency pair. For the PHP/USD currency pair, Business Days for Settlement Date are 'Manila and New York'.

It is for the parties to the Transaction to determine whether it is practicable to make payment on the same day as the Valuation Date or whether the Settlement Date will fall on the following Business Day for Settlement Date. ISDA understands that LCH has announced that in respect of cleared transactions, the Settlement Date will be the Business Day following the Valuation Date and not the same day.

Where 17 March 2020 is specified in the Confirmation as the Payment Date (Settlement Date), and such Payment Date (Settlement Date) is adjusted in accordance with the relevant Business Day Convention (as described above), the Scheduled Valuation Date will be the date that falls one Scheduled Business Day (that is, a day that would have been a Business Day but the occurrence of a Market Disruption Event or Unscheduled Holiday on that day) prior to that adjusted date.

Where 18 March 2020 is specified in the Confirmation as the Payment Date (Settlement Date), the Scheduled Valuation Date will be 17 March 2020 and the consequences regarding adjusting such day set out above in this guidance will apply.