

## ISDA Operations Committee - Interest Rates Products Working Group

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### Market Practice Statement

#### Adjustment of Termination Date

##### Background:

Section 3.3 of the 2006 ISDA Definitions states that "The Termination Date shall not be subject to adjustment in accordance with any Business Day Convention unless the parties specify in the related Confirmation that the Termination Date will be adjusted in accordance with a specified Business Day Convention".

**The following note applies to those transactions where both parties elect to adjust the Termination Date.**

##### Example:

For a 3-month swap effective Friday, July 25, 2008, the Termination Date is Saturday, October 25, 2008. The agreement below applies to those transactions where

- Party A confirms the Termination Date as '*Saturday, October 25, subject to adjustment in accordance with the [Modified Following] Business Day Convention*' and
- due to system limitations, Party B confirms the Termination Date as '*Monday, October 27*'.

Therefore, both parties agree that the adjusted Termination Date should be Monday, October 27, and there is no dispute over the length of the Final Calculation Period or accrued interest. However, the two different ways of expressing the same result lead to mismatches in the confirmation space.

##### Agreements for Adjustment of a Termination Date:

For those transactions where adjustment is applicable, it is understood that due to system limitations some firms cannot confirm a non-business day Termination Date and therefore state the adjusted Termination Date instead, on a date-certain basis.

The group agrees that if the original Termination Date falls on a weekend, firms will not reject a confirmation stating the adjusted Termination Date rather than the unadjusted original Termination Date with the adjustment provision. However firms will not accept an adjusted Termination Date if the original, unadjusted date falls on a Bank Holiday, as there is a risk that the holiday could be cancelled and stating the adjusted Termination Date on a date-certain basis would lead (in the event of the holiday's cancellation) to an outcome at odds with stating the unadjusted date.

##### Example: London Bank Holiday, August 25, 2008:

- Party A confirms the Termination Date as '*Monday, August 25, subject to adjustment in accordance with the [Modified Following] Business Day Convention*'
- It will not be acceptable for Party B to confirm the Termination Date as '*Tuesday, August 26*', but it will need to state the original Termination Date plus rolling convention (like Party A).

Generally, the group clarified that should a firm adjust the Termination Date to the next good Business Day, they will still need to include a Business Day Convention in each confirmation to cover the possibility of the adjusted date becoming a non-business day at a later date.

Firms are reminded that where electronically confirmed, the Termination Date should show the non-business day to avoid electronic breaks.

October 2008

Capitalised terms have the meaning given to them in the relevant ISDA definitional booklet

The precise documentation of each Transaction remains the responsibility of the parties concerned. ISDA assumes no responsibility for any use to which this Best Practice Statement may be put.

Each party following the recommendations contained in this Best Practice Statement should satisfy itself that those recommendations are appropriate to reflect the commercial intentions of the parties.