

**31 January 2020 (updated on 3 and 6 February 2020)**

**Closed Days Guidance – 2006 ISDA Definitions**

**2020 Chinese Lunar New Year Holiday Extension**

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 extension to the holiday period described below.

*The General Office of the State Council announced on Monday 27 January 2020 that the Lunar New Year holiday, which was originally scheduled to run from Friday 24 January 2020 to Thursday 30 January 2020 (inclusive), will now be extended to Sunday 2 February 2020 (inclusive). The announcement can be found [here](#).*

*As a consequence, it is ISDA’s understanding that the financial markets under the regulatory supervision of the People’s Bank of China<sup>1</sup> (including the interbank lending market, interbank bond market, China foreign exchange trading system, gold market and commercial paper market) and commercial banks in the People’s Republic of China (excluding Hong Kong, Macau and Taiwan) (“Mainland China”) are expected to remain closed (including for dealings in foreign exchange and foreign currency deposits) until Sunday 2 February 2020 (inclusive). Furthermore, ISDA understands that the following Chinese Renminbi rates referenced in the 2006 Definitions are not expected to be published on Friday 31 January 2020: “CNY-Semi-Annual Swap Rate-11:00-BGCANTOR”; “CNY-CNREPOFIX=CFXS-Reuters”; “CNY-Quarterly 7 day Repo Non Deliverable Swap Rate-TRADITION”; “CNY-PBOCB-Reuters”; and “CNY-SHIBOR-Reuters”.*

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 is not legal advice and market participants should consult their legal advisors as appropriate. 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 31 January 2020 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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<sup>1</sup> <http://m.safe.gov.cn/safe/2020/0128/15267.html>

## *Guidance*

### **1 2006 ISDA Definitions**

It is ISDA's understanding that, as a consequence of the extension to the Chinese Lunar New Year holiday, commercial banks and foreign exchange markets in Beijing will now also be closed for general business (including dealings in foreign exchange and foreign currency deposits) on Friday 31 January 2020 (the "**Relevant Date**"), which are days on which they would have otherwise have been open but for the holiday extension.

Consequently, the Relevant Date should not be treated as

- a Banking Day<sup>2</sup> 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 and Reset Dates,
- a Valuation Business Day, or
- an Exercise Business Day,

in each case, in respect of Beijing as the relevant financial center.

In respect of any Rate Option that is fixed on a Beijing Banking Day or Business Day, parties should consult the terms of the relevant Rate Option as to the consequences.

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

- Initial Exchange Date and 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.
- Reset Dates: Modified Following Business Day Convention.

The Effective Date and Termination Date will not adjust in accordance with a Business Day Convention unless one is specified in the Confirmation.

#### *Payment Date*

Where Beijing is a relevant financial center for the purposes of the Modified Following Business Day Convention or the Preceding Business Day Convention, the application of that convention to a Payment Date falling on 31 January 2020 would strictly require the relevant payment to be made on a date that has already passed. This is because the extension to the Chinese Lunar New Year holiday was announced on 27 January 2020 and the Modified Following Business Day Convention, if applied strictly, would move the Payment Date back to 23 January 2020 (the first day preceding 31

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<sup>2</sup> The "CNY-Semi-Annual Swap Rate-11:00-BGCANTOR" and "CNY-Semi-Annual Swap Rate-Reference Banks" Rate Options reference Beijing and New York "Settlement Days". To align with the recommended approach in respect of Beijing Banking Days, ISDA considers that the Relevant Date should similarly not be treated as a Beijing Settlement Day.

January 2020 that was a Business Day). This does create some uncertainty as to when the payment is required to be made as a matter of practice and so market participants should consider their individual positions and seek advice where necessary. It seems reasonable for the payment to be made on the first day on which payment can be made that falls on or after 31 January 2020, in effect adjusting the Payment Date to 3 February 2020 as if the Following Business Day Convention applied.

#### *Period End Date*

On the basis that Period End Dates are not specified or otherwise predetermined, and “No Adjustment” is not specified for Period End Dates, then the Period End Date will be each Payment Date as described in the preceding paragraph. If Period End Dates are specified or otherwise predetermined, then unless another Business Day Convention is specified, a Period End Date falling on 31 January 2020 would be adjusted in accordance with the Modified Following Business Day Convention and so result in a Period End Date of 23 January 2020.

#### *Termination Date*

If the Termination Date is 31 January 2020, then:

- if the Confirmation does not specify a Business Day Convention for the purpose of the Termination Date, the Termination Date will not be adjusted and the final Calculation Period will end on (but exclude) 31 January 2020;
- if the Termination Date is specified to be subject to the Modified Following Business Day Convention or the Preceding Business Day Convention, the Termination Date will be adjusted to 23 January 2020 (i.e. the final Calculation Period will commence on, and include, the preceding Period End Date and end on, but exclude 23 January 2020); and
- if the Termination Date is specified to be subject to the Following Business Day Convention, the Termination Date will be adjusted to 3 February 2020 (i.e. the final Calculation Period will commence on, and include, the preceding Period End Date and end on, but exclude 3 February 2020).

This is the case irrespective of whether Period End Dates are, or are not, specified or otherwise predetermined.

#### *Expiration Date*

In respect of an Expiration Date falling on the Relevant Date, the Expiration Date will roll to the next following Exercise Business Day which, if Beijing is the only relevant financial center, is expected to be Monday 3 February 2020.

## **2 Additional Disruption Event Provisions for an Offshore Deliverable CNY Transaction**

If parties have executed offshore Deliverable Chinese Renminbi (“CNY”) Swap Transactions on terms which incorporate the “Additional Disruption Event Provisions for an Offshore Deliverable CNY Transaction” published by ISDA on 14 October 2011, as amended and restated on 28 January 2014, (the “**Additional Provisions**”) certain CNY Disruption Events will apply to those

Transactions and the specified consequences thereof (which include postponing settlement) will prevail over the terms of the 2006 ISDA Definitions described above and the 1998 FX and Currency Option Definitions (“**FX Definitions**”)<sup>3</sup>.

However, ISDA does not expect any CNY Disruption Event to occur as a result of the closures on the Relevant Date. This is on the basis that the CNY Disruption Events are only triggered by illiquidity, inconvertibility or non-transferability of CNY in offshore markets such as Hong Kong, Singapore and Taipei, which ISDA understands will not be affected by the closures in Mainland China on the Relevant Date.

It should be noted that the Additional Provisions also amend the default financial center(s) for CNY in the 2006 ISDA Definitions and the FX Definitions (namely, Beijing) by adding Hong Kong. However, this is only relevant in circumstances in which parties have not specified Business Day locations in their Confirmation. If Beijing is included as a financial centre, then the fact that 31 January 2020 will not be a Business Day in Beijing means that the Business Day Convention will apply as contemplated above.

### **3 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.

Where Beijing is a financial center for the purposes of Business Days, 31 January 2020 will be an Unscheduled Holiday. This is because 31 January 2020 will not be a Business Day and the market was not aware of such fact two Business Days prior to the Scheduled Valuation Date. If the specified Settlement Date (Payment Date) is 31 January 2020, this means that:

- where the Following Business Day Convention applies, the Payment Date will be 3 February 2020. The Scheduled Valuation Date falls two Scheduled Business Days prior to that date, which would be 23 January 2020;
- where the Modified Following Business Day Convention or Preceding Business Day Convention applies, the Settlement Date will be 23 January 2020. Given that it would be impossible to have made payment on that date, as with the position under the 2006 ISDA Definitions, a reasonable alternative is for payment to be made on the first Business Day on which payment can be made thereafter. The Scheduled Valuation Date falls two Scheduled Business Days prior to such Settlement Date. If this is an Unscheduled Holiday, the Following Business Day Convention will apply.

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<sup>3</sup> Please refer to the “Closed Days Guidance – 1998 FX and Currency Option Definitions; 2020 Chinese Lunar New Year Holiday Extension” for a description of the implications of the extension to the Chinese Lunar New Year holiday under the 1998 FX and Currency Option Definitions.

Where the Settlement Date is 4 February 2020 and Beijing is a financial center for purposes of Business Days, the Scheduled Valuation Date falls two Scheduled Business Days prior to that date, which would be 31 January 2020. 31 January 2020 is an Unscheduled Holiday and therefore the Valuation Date is adjusted in accordance with the Following Business Day Convention such that it becomes 3 February 2020. The Settlement Date is as soon as practicable after the Valuation Date but not later than two Business Days for Settlement Date (New York Business Days if the Settlement Currency is USD) after the date on which the Spot Rate is determined, i.e. no later than 5 February 2020.

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**Application of the above to Non-Deliverable Swap Transactions documented pursuant to the NDS STS**

What follows below are examples of the above guidance applied to four hypothetical scenarios, assuming that the Transactions have been documented using the standard terms as per the ISDA NDS STS.

**1. Payment Date is 31 January 2020 and Modified Following Business Day Convention applies to Payment Dates**

**Alternative A: Period End Dates not specified and not pre-determined (mid-Term)**

The below assumes that 31 January 2020 is a specified Payment Date, the Modified Following Business Day Convention has been specified to apply to Payment Dates, no Period End Dates have been specified and 31 January 2020 is a Payment Date mid-Term (i.e. it is not the final Payment Date of the Transaction).

- The Payment Date will be adjusted in accordance with the Modified Following Business Day Convention to 23 January 2020.
- The Settlement Date is the Payment Date and so would fall on 23 January 2020. As it is not possible to make payment in the past, the Payment Date will instead move forward to the first Business Day on which payment can be made thereafter, in effect adjusting the Settlement Date to 3 February 2020.
- The Period End Date (being ‘tied’ to the Payment Date because no separate Period End Dates are specified) also moves to 3 February 2020
- The Scheduled Valuation Date is the date falling two Scheduled Business Days prior to the Settlement Date. Given that the Settlement Date (Payment Date) is 3 February 2020, the Scheduled Valuation Date is 23 January 2020. 23 January 2020 was a good Business Day for the purposes of valuation and consequently the Valuation Date falls on the Scheduled Valuation Date.
- The provision headed “Adjustments to Settlement Date(s) and Termination Date” does not apply because the Valuation Date is not adjusted in accordance with the Following Business Day Convention and the Settlement Date is also accordingly not adjusted to follow the Valuation Date.

- Consequently, the final sentence of “Adjustments to Settlement Date(s) and Termination Date” (which provides as follows: “*and provided further that no such adjustments shall be made in respect of Period End Dates [...]*”) does not apply as this sentence is only applicable when the Settlement Date has been adjusted following an adjustment to the Valuation Date for an Unscheduled Holiday.

**Alternative B: Specified Period End Dates that are subject to the Modified Following Business Day Convention (mid-Term)**

If the parties have specified both Payment Dates and Period End Dates, each of which are subject to the Modified Following Business Day Convention (either as a result of the Modified Following Business Day Convention being specified in the Confirmation or, if the Confirmation is silent as to the applicable Business Day Convention, as a result of the application of the default position under Section 4.9 or Section 4.10 (as applicable) of the 2006 ISDA Definitions) the following will apply.

- The Payment Date specified as 31 January 2020 would ordinarily be adjusted in accordance with the Modified Following Business Day Convention to 23 January 2020.
- The Period End Date specified as 31 January 2020 would be adjusted in accordance with the Modified Following Business Day Convention (independently) to 23 January 2020.
- The Settlement Date is the Payment Date and so would fall on 23 January 2020. However, as it is not possible to make payment in the past, the Payment Date will instead move forward to the first date on which payment can be made thereafter, in effect adjusting the Settlement Date to 3 February 2020.
- As the Period End Dates are subject to adjustment independently of the Payment Dates, the Period End Date will not move forward when the Payment Date moves forwards to 3 February 2020 and so will be 23 January 2020.
- The Scheduled Valuation Date is the date falling two Scheduled Business Days prior to the Settlement Date. Given that the Settlement Date (Payment Date) is 3 February 2020, the Scheduled Valuation Date is 23 January 2020. 23 January 2020 was a good Business Day for the purposes of valuation and, consequently, the Valuation Date falls on the Scheduled Valuation Date.
- The provision headed “Adjustments to Settlement Date(s) and Termination Date” does not apply because the Valuation Date is not adjusted in accordance with Following Business Day Convention and, accordingly, the Settlement Date is also not adjusted to follow the Valuation Date.
- Consequently, the final sentence of “Adjustments to Settlement Date(s) and Termination Date” (which provides as follows: “*and provided further that no such adjustments shall be made in respect of Period End Dates [...]*”) does not apply as this sentence is only applicable when the Settlement Date has been adjusted following an adjustment to the Valuation Date for an Unscheduled Holiday.

**Alternative C: Final Calculation Period – Termination Date specified as 31 January 2020 and Termination Date not subject to a Business Day Convention**

If the Termination Date is also specified as 31 January 2020 (i.e. 31 January 2020 is the final Payment Date of the Transaction and the last day of the Term of the Transaction), and there is no specified Business Day Convention in respect of the Termination Date the following applies.

- The default position in respect of the Termination Date is that it is not subject to adjustment in accordance with a Business Day Convention (Section 3.3 of the 2006 ISDA Definitions).
- The Termination Date therefore remains 31 January 2020 (the final Calculation Period will be each day from, and including, the preceding Period End Date to, and excluding, the 31 January 2020).
- The Settlement Date would ordinarily be moved to 23 January 2020 but because payment in the past is not possible, it is instead moved to 3 February 2020 (please see Alternative A/B above).
- The Scheduled Valuation Date is 23 January 2020 (please see Alternative A/B above).

**Alternative D: Final Calculation Period – Termination Date specified as 31 January 2020 and Termination Date subject to the Modified Following Business Day Convention**

If the Termination Date is also specified as 31 January 2020 (i.e. 31 January 2020 is the final Payment Date of the Transaction and the last day of the Term of the Transaction), and the Termination Date is specified to be subject to the Modified Following Business Day Convention, the following applies.

- The Termination Date will be adjusted to 23 January 2020 (the final Calculation Period will be each day from, and including, the preceding Period End Date, to and excluding 23 January 2020).
- The Settlement Date would ordinarily be moved to 23 January 2020 but because payment in the past is not possible, the Settlement Date is then moved to 3 February 2020 (please see Alternative A/B above).
- The Scheduled Valuation Date is 23 January 2020 (please see Alternative A/B above).

**2. Payment Date is 31 January 2020 and Following Business Day Convention applies to Payment Dates**

**Alternative A: Period End Dates not specified and not pre-determined (mid-Term)**

The below assumes that 31 January 2020 is a specified Payment Date, the Following Business Day Convention has been specified to apply to the Payment Dates, no Period End Dates have been specified and 31 January 2020 is a Payment Date mid-Term (i.e. it is not the final Payment Date of the Transaction).

- The Payment Date will be adjusted in accordance with the Following Business Day Convention to 3 February 2020.
- The Period End Date (which is tied to the Payment Date as no separate Period End Dates are specified) will also be adjusted along with the Payment Date to 3 February 2020.
- The Settlement Date is the Payment Date and so falls on 3 February 2020. This is a good Business Day for the purposes of settlement and consequently will be the Settlement Date.
- The Scheduled Valuation Date is the date falling two Scheduled Business Days prior to the Settlement Date. The Settlement Date (Payment Date) is 3 February 2020, and so the Scheduled Valuation Date is 23 January 2020. 23 January 2020 was a good Business Day for the purposes of valuation and, consequently, the Valuation Date falls on the Scheduled Valuation Date.
- The provision headed “Adjustments to Settlement Date(s) and Termination Date” does not apply because the Valuation Date is not adjusted in accordance with Following Business Day Convention and, accordingly, the Settlement Date is also not adjusted to follow the Valuation Date.
- Consequently, the final sentence of “Adjustments to Settlement Date(s) and Termination Date” (which provides as follows: “*and provided further that no such adjustments shall be made in respect of Period End Dates [...]*”) does not apply as this sentence is only applicable when the Settlement Date has been adjusted following an adjustment to the Valuation Date for an Unscheduled Holiday.

**Alternative B: Specified Period End Dates that are subject to the Following Business Day Convention (mid-Term)**

If the parties have specified both Payment Dates and Period End Dates, each of which are specified to be subject to the Following Business Day Convention, the following will apply.

- The Payment Date will be adjusted in accordance with the Following Business Day Convention to 3 February 2020.
- The Period End Date will be adjusted in accordance with the Following Business Day Convention (independently) to 3 February 2020.
- The Settlement Date is the Payment Date and so falls on 3 February 2020. This is a good Business Day for payments and so will be the Settlement Date.
- The Scheduled Valuation Date is the date falling two Scheduled Business Days prior to the Settlement Date. The Settlement Date (Payment Date) is 3 February 2020, and so the Scheduled Valuation Date is 23 January 2020. 23 January 2020 was a good Business Day for the purposes of valuation and, consequently, the Valuation Date falls on the Scheduled Valuation Date.



- The provision headed “Adjustments to Settlement Date(s) and Termination Date” does not apply because the Valuation Date is not adjusted in accordance with Following Business Day Convention and, accordingly, the Settlement Date is also not adjusted to follow the Valuation Date.
- Consequently, the final sentence of “Adjustments to Settlement Date(s) and Termination Date” (which provides as follows: “*and provided further that no such adjustments shall be made in respect of Period End Dates [...]*”) does not apply as this sentence is only applicable when the Settlement Date has been adjusted following an adjustment to the Valuation Date for an Unscheduled Holiday.
- The outcome for both the Payment Date and the Period End Date is therefore the same as under Alternative A above.

**Alternative C: Final Calculation Period – Termination Date specified as 31 January 2020 and Termination Date not subject to a Business Day Convention**

- If the Termination Date is also specified as 31 January 2020 (i.e. 31 January 2020 is the final Payment Date of the Transaction and the last day of the Term of the Transaction), and there is no specified Business Day Convention in respect of the Termination Date (in which case the default position in respect of the Termination Date is that this is not subject to adjustment in accordance with a Business Day Convention (section 3.3 of the 2006 ISDA Definitions)) the following applies.
- The Termination Date remains 31 January 2020 (the final Calculation Period will be each day from, and including, the preceding Period End Date to, and excluding, 31 January 2020).
- The Settlement Date is adjusted to 3 February 2020 (please see Alternative A/B above).
- The Scheduled Valuation Date is the date falling two Scheduled Business Days prior to the Settlement Date, which is 23 January 2020 (please see Alternative A/B above).

**Alternative D: Final Calculation Period – Termination Date specified as 31 January 2020 and Termination Date subject to the Following Business Day Convention**

If the Termination Date is also specified as 31 January 2020 (i.e. 31 January 2020 is the final Payment Date of the Transaction and the last day of the Term of the Transaction), and the Termination Date is specified to be subject to the Following Business Day Convention, the following applies.

- If the Termination Date is specified to be adjusted in accordance with the Following Business Day Convention (separately to the application of the Following Business Day Convention to Payment Dates), the Termination Date will be adjusted to 3 February 2020 (the final Calculation Period will be each day from, and including, the preceding Period End Date, to and excluding 3 February 2020).
- The Settlement Date is adjusted to 3 February 2020 (please see Alternative A/B above).

- The Scheduled Valuation Date is the date falling two Scheduled Business Days prior to the Settlement Date, which is 23 January 2020 (please see Alternative A/B above).

### **3. Payment Date (and/or Termination Date) is 4 February 2020**

The below assumes that 4 February 2020 is a specified Payment Date and/or is specified as the Termination Date. The outcome below applies irrespective of the Business Day Convention that has been specified and irrespective of whether the Period End Date is specified or predetermined to be 4 February 2020 or is not specified (in which case 4 February 2020 is the Period End Date).

- 4 February 2020 will be the Payment Date and the Period End Date. This is a good Business Day and accordingly no adjustment is made to either the Payment Date or the Period End Date.
- If the Termination Date is specified as 4 February, this will be the Termination Date, irrespective of whether a, or which, Business Day Convention applies to the Termination Date.
- The Settlement Date is the Payment Date and so falls on 4 February 2020.
- The Scheduled Valuation Date is the date falling two Scheduled Business Days prior to the Settlement Date. The Settlement Date (Payment Date) is 4 February 2020, and so the Scheduled Valuation Date is 31 January 2020.
- 31 January 2020 is an Unscheduled Holiday. Pursuant to the definition of Valuation Date, the Valuation Date will be adjusted in accordance with the Following Business Day Convention and so will be adjusted to 3 February 2020.
- According to the paragraph “Adjustments to Settlement Date(s) and Termination Date”, the Settlement Date is as soon as practicable after 3 February 2020 but no later than two Business Days after the Valuation Date. Consequently, the Settlement Date will be 4 February or 5 February 2020.
- According to the paragraph “Adjustments to Settlement Date(s) and Termination Date”, if the Settlement Date is adjusted in accordance with that paragraph, “*no such adjustments shall be made in respect of Period End Dates.*” Consequently, even if the Settlement Date is adjusted to 5 February 2020, the Period End Date will not be adjusted and so will continue to be 4 February 2020.

### **4. Payment Date (and/or Termination Date) is 3 February 2020**

- The below assumes that 3 February 2020 is a specified Payment Date and/or is specified as the Termination Date. The outcome below applies irrespective of the Business Day Convention that has been specified and irrespective of whether the Period End Date is specified or predetermined to be 3 February 2020 or is not specified (in which case 3 February 2020 is the Period End Date).

- 3 February will be the Payment Date and the Period End Date. This is a good Business Day and accordingly no adjustment is made to either the Payment Date or the Period End Date.
- If the Termination Date is specified as 3 February, this will be the Termination Date, irrespective of whether a, or which, Business Day Convention applies to the Termination Date.
- The Settlement Date is the Payment Date and so falls on 3 February 2020.
- The Scheduled Valuation Date is the date falling 2 Scheduled Business Days prior to the Settlement Date. The Settlement Date (Payment Date) is 3 February 2020, so the Scheduled Valuation Date is 23 January 2020. For the purpose of determining the Scheduled Valuation Date, 31 January 2020 is a Scheduled Business Day, notwithstanding that 31 January 2020 is an Unscheduled Holiday.
- 23 January 2020 was a good Business Day for the purposes of valuation and accordingly the Valuation Date is the Scheduled Valuation Date (i.e. 23 January 2020).