

Explanatory Statement – winding down of London Silver Fix

*On 14 May 2014, the London Silver Market Fixing Limited announced that it would be winding down the administration of the London Silver Fix on 14 August 2014. Further to a market consultation run by the London Bullion Market Association, an alternative London daily silver price mechanism, the London Silver Price, is expected to be available from 15 August 2014, such price to be administered by CME Group and Thomson Reuters.*

*Members of the ISDA Energy, Commodities and Developing Products Committee met by teleconference on 20 May, 18 June, 9 July and 15 July to discuss the implications of these changes for outstanding transactions that reference the London Silver Fix and have a term beyond 14 August 2014 (such transactions, the “Affected Transactions”). In accordance with Sub-Annex A of the 2005 ISDA Commodity Definitions, the Commodity Reference Price “SILVER-FIX” means that the price for a Pricing Date will be that day’s Silver fixing price per troy ounce of Silver for delivery in London through a member of the LBMA authorized to effect such delivery, stated in U.S. cents, as calculated by the London Silver Market and displayed on Reuters Screen page “SIFO” that displays prices effective on that Pricing Date. ISDA notes that other variations of a London Silver Fix reference price may also be referenced in outstanding OTC derivative and/or physical silver transactions.*

*ISDA, in consultation with market participants, is issuing this statement in addition to the Amendment Agreement as a means of assisting market participants in treating Affected Transactions. Parties are not obligated to enter into the Amendment Agreement and may choose to negotiate alternative means of treating Affected Transactions.*

*The Amendment Agreement seeks to replace references to “SILVER-FIX” with a reference to a new Commodity Reference Price, which may include a reference to the new London Silver Price. Parties electing to amend the Affected Transactions through the Amendment Agreement may do so with effect from 15 August 2014.*

*ISDA encourages member firms to refer their clients (who may not be ISDA members) to this Statement (and the Amendment Agreement) in the interest of informing all market participants of the changes to the administration of the London Silver Fix. ISDA notes that many Affected Transactions may be governed by bilateral agreements that offer other responses to this situation, unless the parties agree otherwise.*