

April 18, 2023

Closed Days Guidance – 2022 ISDA Securities Financing Transactions Definitions

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 repurchase and stock lending transactions documented under an ISDA Master Agreement 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 UK Government announced 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, UK commercial banks are expected to be closed for general business (including for dealings in foreign exchange and foreign currency deposits).

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 provisions described in the 2022 ISDA Securities Financing Transactions Definitions (the “**SFT Definitions**”). This guidance does not provide views on conventions or consequences, which parties may have bilaterally agreed, that deviate from such provisions, nor does it cover transactions which are not subject to the SFT Definitions and for which no bilateral agreement has been reached regarding the subject matter of this guidance. This guidance includes a description of provisions contained in the SFT Definitions that may be relevant to market participants. **This guidance is not legal advice and market participants should consult their legal advisors and other 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.

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

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.

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

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Guidance

1 SFT Definitions

1.1 Business Day

ISDA understands that commercial banks and foreign exchange markets in London will be closed for general business (including dealings in foreign exchange) and that financial markets in London will also be closed on May 8, 2023 (the “**Relevant Date**”).

Consequently, the Relevant Date should not be treated as:

- a Business Day for the purposes of an SFT Transaction where ‘Business Day’ is used in relation to a Transfer of cash or other property (with the exception of Securities) or for other purposes (subject to the below);
- a Business Day for the purposes of an SFT Transaction where ‘Business Day’ is used in relation to a Transfer of Securities in respect of which delivery of the Securities is contemplated by means other than through a clearance system agreed between the parties,

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

If ‘Business Day’ is used for the purposes of an SFT Transaction in relation to a Transfer of Securities in respect of which delivery of the Securities is through a clearance system, the Relevant Date should be treated as a Business Day for the purposes of such delivery if the clearance system agreed between the parties is open for the acceptance and execution of settlement instructions. However, if the relevant clearance system is not open for those purposes, then the Relevant Date should not be treated as a Business Day in relation to a Transfer of Securities.

ISDA understands that Clearstream Banking will carry out free of payment security transactions and against payment security transactions against GBP (including repurchase transactions and other collateral activities) within Clearstream on the Relevant Date². To the extent that parties have agreed to use Clearstream Banking for the purposes of delivering Securities pursuant to an SFT Transaction, the Relevant Date will be a Business Day in respect of that SFT Transaction for the purpose of that transfer.

ISDA also understands that Euroclear’s CREST system will only be open for EUR and free of payment settlement on the Relevant Date. The CREST system will not be available for GBP or USD settlement on the Relevant Date. Consequently, settlement of any GBP or USD transactions with an intended settlement date of the Relevant Date will settle on the following Business Day, expected to be May 9, 2023. To the extent that parties have agreed

² <https://www.clearstream.com/clearstream-en/keydocuments-1-/icsd-1-/referencedata/cash-and-securities-holidays-1288708>

to use CREST for the purposes of delivering Securities pursuant to a GBP or USD SFT Transaction, the Relevant Date will not be a Business Day in respect of that SFT Transaction.

If, pursuant to the above, the Relevant Date should be treated as a non-Business Day where London is a relevant financial center, the Relevant Date will not be a Business Day for the purposes of a Repricing Date, an Adjustment Date or a Customary Termination Date.

1.2 *Any additional impact*

The following dates as defined in the SFT Definitions are not defined by reference to a Business Day and, unless otherwise specified in a Confirmation, will not adjust as a result of the Relevant Date falling on a non-Business Day:

- Initial Settlement Date, Purchase Date, Acceleration Date, Repurchase Date, Termination Date and Relevant Determination Date.

If the Relevant Date is a Distribution Date and, pursuant to paragraph 1.1 above, the Relevant Date is treated as a non-Business Day, the Distribution Date will adjust such that the Distribution Date shall instead be the next following Business Day (which is expected to be Tuesday, May 9, 2023).

Section 1.13.6 of the SFT Definitions provides that:

- under each relevant Loan Transaction, each Transfer of Transferred Securities or Equivalent Transferred Securities shall be made simultaneously with the related Transfer of Margin or Equivalent Margin; and
- under each relevant Repurchase Transaction, each Transfer of Transferred Securities or Equivalent Transferred Securities shall be made simultaneously with the related Transfer of the Purchase Price or Repurchase Price.

Accordingly, a party to a relevant Loan Transaction or Repurchase Transaction will not be expected to make a Transfer of Transferred Securities or Equivalent Transferred Securities if such a Transfer is due to occur on the Relevant Date and no related simultaneous Transfer of Margin or Equivalent Margin under the relevant Loan Transaction or Transfer of the Purchase Price or Repurchase Price under the relevant Repurchase Transaction can be made to the extent that the Relevant Date is not a Business Day.