

9 July 2020

## Closed Days Template Guidance - Equity Derivatives

### Singapore elections 2020

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 June 23<sup>rd</sup>, 2020, the President of Singapore dissolved Parliament in Singapore and Singapore’s Elections Department declared July 10<sup>th</sup>, 2020 to be Polling Day<sup>1</sup>.*

*On June 24<sup>th</sup>, 2020 (the “Announcement Date”), Singapore’s Ministry of Manpower (“MOM”) announced July 10<sup>th</sup>, 2020 to be a public holiday in Singapore<sup>2</sup>.*

*As a consequence, it is ISDA’s understanding that on July 10<sup>th</sup>, 2020 trading, clearing and settlement<sup>3</sup> of securities and certain derivatives will not be available on the Singapore Exchange (“SGX”)<sup>4</sup>, and that Singaporean commercial banks<sup>5</sup> are expected to be closed (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 market closure event based on the default provisions described in the main definitional booklets and specified Master Confirmation Agreements. This guidance does not provide views on conventions or consequences, which parties may have bilaterally agreed, that deviate from such defaults. 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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<sup>1</sup> [https://www.eld.gov.sg/press/2020/Press\\_Release\\_on\\_General\\_Election\\_2020.pdf](https://www.eld.gov.sg/press/2020/Press_Release_on_General_Election_2020.pdf)

<sup>2</sup> <https://www.mom.gov.sg/newsroom/press-releases/2020/0624-public-holiday-on-polling-day---10-july-2020>

<sup>3</sup> <https://api2.sgx.com/sites/default/files/2020-06/Settlement%20Holiday%202020%20%28updated%2025%20Jun%202020%29.pdf>

<sup>4</sup> SGX securities market follows the Singapore holiday calendar available on the MOM website, as evidenced at the following link: <https://www.sgx.com/securities/trading>

<sup>5</sup> <https://www.mom.gov.sg/newsroom/press-releases/2020/0624-public-holiday-on-polling-day---10-july-2020>

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## *Guidance*

### **1 2002 ISDA Equity Derivatives Definitions<sup>6</sup>**

#### **1.1 *Exchange Business Days; Scheduled Trading Days***

It is ISDA's understanding that, as a consequence of the announcement of the MOM, the SGX will not be open for trading on Friday 10<sup>th</sup> July 2020 (the "**Relevant Date**") in respect of the securities market and as such, will not be an Exchange Business Day for Transactions where the Exchange is specified as the SGX.

It is also ISDA's understanding that instruments listed on the SGX equity derivatives market will be trading on the Relevant Date.<sup>7</sup> However, please note that, if the Exchange specified for a Transaction refers to the SGX as a stock exchange, notwithstanding that the Related Exchange specified in a Transaction refers to the SGX equity derivatives market that is trading on the Relevant Date, that Relevant Date should still not be treated as an Exchange Business Day, since an Exchange Business Day requires both the Exchange and the Related Exchange to be open.

This guidance has been produced on the basis that the Relevant Date is not a Scheduled Trading Day when the SGX is the Exchange for a Transaction. This is consistent with the approach adopted in relation to previous guidance by ISDA where the relevant announcement of a change in trading schedule has been made in advance of the relevant date.

However, ISDA is aware that some market participants have interpreted 'Scheduled Trading Day' by reference to the schedule of an Exchange/Related Exchange as at the Trade Date of the relevant Transaction (the "**Trade Date STD Approach**") and may therefore consider the Relevant Date to be a Scheduled Trading Day that is a Disrupted Day as a result of the failure of the Exchange to open. Where parties adopt this Trade Date STD Approach to a Scheduled Trading Day then, for the purposes of a Transaction with a Trade Date prior to the Announcement Date, the Relevant Date will be a Scheduled Trading Day for the SGX and should follow the relevant sections of the guidance set out in this document.

#### **1.2 *Exercise/expiration of Option Transactions***

##### **Exercise**

If a Commencement Date, Potential Exercise Date (Bermuda Option) or Expiration Date falls on the Relevant Date, such Commencement Date, Potential Exercise Date or Expiration Date should be moved to the next following Scheduled Trading Day. If

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<sup>6</sup> This Section of the guidance covers Transactions documented under the 2002 ISDA Equity Derivatives Definitions and also Transactions documented under the master confirmation agreements as detailed below. It does not cover any additional supplements, master confirmations or standard terms used in conjunction with the 2002 ISDA Equity Derivatives Definitions, as evidenced in the relevant Section of this document.

<sup>7</sup> ISDA understands that the SGX circulated to its members the list of derivative instruments that will not be trading on the Relevant Date. Equity derivative instruments do not appear on that list and are therefore expected to be trading on the SGX derivatives market on the Relevant Date.

the Relevant Date falls in the Exercise Period for an American Option and the Option Buyer purports to exercise the Option on such Relevant Date, exercise will be deemed to take place on the next following Scheduled Trading Day (expected to be July 13<sup>th</sup>, 2020).

Where parties use the Trade Date STD Approach:

- (i) if a Potential Exercise Date (Bermuda Option) or Expiration Date falls on the Relevant Date, that Potential Exercise Date or Expiration Date should be moved to the next following Scheduled Trading Day that is not a Disrupted Day (expected to be July 13<sup>th</sup>, 2020) subject to such date moving forward by a maximum of eight Scheduled Trading Days; and
- (ii) if the Relevant Date falls in the Exercise Period for an American Option and the Option Buyer purports to exercise the Option on that date, the exercise will be valid but the Valuation Date in respect of such exercise will be the next Scheduled Trading Day that is not a Disrupted Day (see 'Valuation Date' below).

### **1.3 Valuation of Options, Swaps and Forwards**

#### **Valuation Date**

If a Valuation Date in respect of a Transaction falls on the Relevant Date, such Valuation Date should be moved to the next following Scheduled Trading Day (expected to be July 13<sup>th</sup>, 2020).

If Futures Price Valuation applies to an Index Transaction, and the Official Settlement Price is published on the Valuation Date, such day should be treated as the Valuation Date irrespective of whether such day is a Scheduled Trading Day.

Where parties use the Trade Date STD Approach, if a Valuation Date in respect of a Transaction falls on the Relevant Date, that Valuation Date should be moved to the next following Scheduled Trading Day that is not a Disrupted Day (expected to be July 13<sup>th</sup>, 2020), subject to that Valuation Date moving forward by a maximum of eight Scheduled Trading Days.

#### **Averaging**

If an Averaging Date in respect of a Transaction falls on a Relevant Date, such Averaging Date should be moved to the next following Scheduled Trading Day (expected to be July 13<sup>th</sup>, 2020).

Where parties use the Trade Date STD Approach, parties should look at their Confirmation to see whether 'Omission', Postponement' or 'Modified Postponement' applies to Averaging Dates.

- (i) If 'Omission' applies, the Relevant Date will be omitted as an Averaging Date, unless the omission would result in there being no Averaging Date, in which case the Averaging Date that falls on the Relevant Date (which is also the Valuation Date) will move to the next Scheduled Trading Day that is not a

Disrupted Day (expected to be July 13<sup>th</sup>, 2020), subject to moving forward by a maximum of eight Scheduled Trading Days.

- (ii) If ‘Postponement’ applies, an Averaging Date that falls on the Relevant Date will move to the next Scheduled Trading Day that is not a Disrupted Day, subject to such date moving forward by a maximum of eight Scheduled Trading Days.
- (iii) If ‘Modified Postponement’ applies, an Averaging Date that falls on the Relevant Date will move to the next Scheduled Trading Day that is not a Disrupted Day and is not also another Averaging Date, subject to such date moving forward by a maximum of eight Scheduled Trading Days.

#### **1.4 Payments**

It is ISDA’s understanding that commercial banks and share clearance and settlement systems will not be open on the Relevant Date. Accordingly, such Relevant Date will not be a Currency Business Day or a Clearance System Business Day in Singapore.

Each Cash Settlement Payment Date, Premium Payment Date, Dividend Payment Date or Prepayment Date that is specified in the Confirmation will be moved to the next following Currency Business Day for the relevant currency. Payments falling due on an Initial Exchange Date, Final Exchange Date or Prepayment Date (where the Prepayment Payment Date is not otherwise specified in the Confirmation) should move to the next following Currency Business Day for the relevant currency that is also an Exchange Business Day (expected to be July 13<sup>th</sup>, 2020).

Deliveries due on a Settlement Date falling on the Relevant Date will be made on the next following Clearance System Business Day (expected to be July 13<sup>th</sup>, 2020).

## **2 Pan-Asia Interdealer Master Equity Derivatives Confirmation Agreement (the “Pan-Asia MCA”)**

**2.1** The guidance set out in paragraph 1 above should be equally applicable to Transactions documented under the 2009 Pan-Asia Interdealer Master Equity Derivatives Confirmation Agreement (and the Annexes attached to it).

**2.2** However, in addition, the following points should be noted for the Pan-Asia Interdealer Index Swap General Terms Confirmation (“**PAIIS**”):

### **2.2.1** *Scheduled Trading Day where Multiple Exchange applies*

For Index Transactions where Multiple Exchange applies, “Scheduled Trading Day” is defined as any day on which (a) the Index Sponsor is scheduled to publish the level of the Index, and (b) the Related Exchange is scheduled to be open for trading during its regular trading session.

As such, for Index Transactions where Multiple Exchange applies and assuming that the SGX is a Related Exchange (i.e. an exchange where trading has a material effect on the overall market for futures or options contracts

relating to the Index), if the Index Sponsor is scheduled to publish the level of the Index on the Relevant Date, the Relevant Date should be treated as a Scheduled Trading Day.

### **2.2.2** *Valuation where Multiple Exchange does not apply*

If Multiple Exchange does not apply and:

- (i) the Final Price election is ‘Close’ and the final Valuation Date falls on the Relevant Date (not being a Scheduled Trading Day), in accordance with Section 6.2, the Valuation Date would move to the next Scheduled Trading Day;
- (ii) the Final Price election is “Hedge Execution”, there will be no impact and the Final Execution Period will be extended out as necessary to allow the Hedging Party to terminate its Hedge Positions; and
- (iii) a Termination Notice (pursuant to an Optional Early Termination) is delivered on the Relevant Date, as such day will not be an Exchange Business Day, the Termination Notice shall be deemed to have been given at the opening of business on the next Exchange Business Day.

If Multiple Exchange does not apply, the parties use the Trade Date STD Approach and:

- (i) the Final Price election is ‘Close’, then if the final Valuation Date falls on the Relevant Date, the Final Price shall be determined by the Calculation Agent in accordance with limb (ii)(b) of the definition of “Final Price” in the PAIIS. This involves using the formula/method for calculation of the Index and taking the price of each non-affected security as at close on the Relevant Date and taking the price for each affected security as at close on the following Scheduled Trading Day that is not a Disrupted Day, up to a maximum of eight Scheduled Trading Days roll;
- (ii) the Final Price election is “Hedge Execution”, there will be no impact and the Final Execution Period will be extended out as necessary to allow the Hedging Party to terminate its Hedge Positions; and
- (iii) a Termination Notice (pursuant to an Optional Early Termination) is delivered on the Relevant Date, as such day will not be an Exchange Business Day, the Termination Notice shall be deemed to have been given at the opening of business on the next Exchange Business Day.

### **2.2.3** *Payments*

If the Payment Date and the Cash Settlement Payment Date<sup>8</sup> fall on the Relevant Date, the Payment Date and Cash Settlement Payment Date will be moved to the next Currency Business Day.

#### **2.2.4** *Component Security Scheduled Trading Day*

“Component Security Scheduled Trading Day” is defined as, in respect of a Component Security, any day on which the Exchange is scheduled to be open for trading for its regular trading session. As such, the Relevant Date, in respect of a Component Security, would not be a Component Security Scheduled Trading Day.

**2.3** In addition, the following points should be noted for the Pan-Asia Interdealer Share Swap General Terms Confirmation (“**PAISS**”):

#### **2.3.1** *Payments*

If the Payment Date is specified to fall on the Cash Settlement Payment Date and such Payment Date and Cash Settlement Payment Date fall on the Relevant Date, the Payment Date and Cash Settlement Payment Date will be moved to the next Currency Business Day.

If the Payment Date is not specified to be the Cash Settlement Payment Date, and is specified to fall on the Relevant Date, the Modified Following Business Day Convention will apply, unless another Business Day Convention is specified in the Transaction Supplement.

### **3 Second Revised 2007 AEJ Master Variance Swap Confirmation Agreement (“AEJ VS MCA”)**

The following guidance is for Index Variance Swap Transactions and Share Variance Swap Transactions confirmed under an AEJ VS MCA.

#### ***Index Variance Swap and Share Variance Swap***

If “Multiple Exchange” applies, the guidance below only applies if,

1. the Relevant Date is a day on which the Index Sponsor is scheduled to publish the level of the Index, and
2. The SGX is a Related Exchange for the purposes of the relevant Index.

#### **3.1** *Observation Days (other than the Valuation Date)*

The AEJ VS MCA – Annex IVS and Annex SVS both provide, for the purposes of an Observation Day and the Observation Period End Date only, that “*a day shall not be a Scheduled Trading Day if it is known at any time before that day that an Exchange or Related Exchange is not scheduled to be open for trading for its regular trading session on that day.*” Accordingly, for the purpose of Observation Days, the Relevant Date would not be a Scheduled Trading Day and, hence, would not be an Observation

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<sup>8</sup> By default, the Payment Date is specified to fall on the Cash Settlement Payment Date.

Day.

### **3.2** *Expected N*

“Expected N” is defined in the AEJ VS MCA as “*The number specified as such in the relevant Transaction Supplement or, if not so specified, the number of days that, as of the Trade Date, are expected to be Scheduled Trading Days for the period from, but excluding, the Observation Start Date to, and including, the Observation End Date.*”.

Unless otherwise specified, if the Trade Date of such a Variance Swap Transaction is before the announcement of the closure by the SGX (June 24<sup>th</sup>, 2020), Expected N will include the Relevant Date falling in the period from, but excluding, the Observation Start Date to, and including, the Observation End Date.

Unless otherwise specified, if the Trade Date of such a Variance Swap Transaction is on or after the announcement of the closure by the SGX (June 24<sup>th</sup>, 2020), Expected N will not include the Relevant Date falling in the period from, but excluding, the Observation Start Date to, and including, the Scheduled Valuation Date.

### **3.3** *Valuation Date*

If the Observation End Date (i.e. the Valuation Date) falls on the Relevant Date, the Valuation Date will be adjusted to the next Scheduled Trading Day.

If Futures Price Valuation is applicable and the Valuation Date falls on the Relevant Date and the Official Settlement Price is:

- (i) not published on such date, the Valuation Date will be postponed and will be the first succeeding Scheduled Trading Day on which the Official Settlement Price is published; or
- (ii) published on such date, the Valuation Date will be the Relevant Date.

Where parties use the Trade Date STD Approach, if the Observation End Date (i.e. the Valuation Date) falls on the Relevant Date, the Relevant Date will be a Scheduled Trading Day that is a Disrupted Day for the purposes of the Valuation Date. If the specified Valuation Date (the Scheduled Valuation Date) falls on the Relevant Date, the Valuation Date will be the first succeeding Scheduled Trading Day that is not a Disrupted Day, subject to such date moving forward by a maximum of eight Scheduled Trading Days.

### **3.4** *Payment*

The Cash Settlement Payment Date falls the specified number of Currency Business Days after the Valuation Date. If the Cash Settlement Payment Date was due to fall on the Relevant Date, it will be moved to the next Currency Business Day.

## **4 Second Revised 2005 AEJ Interdealer Master Equity Derivatives Confirmation Agreement**

The guidance set out in paragraph 1 above should be equally applicable to this document (and the Annexes attached to it).

## **5 Revised 2008 AEJ Master Equity Derivatives Confirmation Agreement**

The guidance set out in paragraph 1 above is also relevant to this document (and the related Annexes).

## **6 2011 ISDA Equity Definitions – Index Volatility Swaps**

The following guidance is for equity derivative transactions confirmed under the Equity Matrix for Index Volatility Swaps (General Terms Confirmation, Definitions, and Terms Supplement) where the terms defined in such Equity Matrix are sourced from the 2011 ISDA Equity Derivatives Definitions (“**Index Volatility Transactions**”).

### **6.1 Scheduled Trading Day**

For such Index Volatility Transactions, a Scheduled Trading Day is a day that is both a scheduled Exchange Business Day (determined as of the Trade Date) and a day on which the Index Sponsor is scheduled to publish a value for the Index (determined as of the Trade Date). As such, where the relevant Exchange is the SGX, if the Trade Date of the relevant Transaction is:

- (i) before the date on which the SGX updated their trading calendar (24 June 2020), the Relevant Date should be a Scheduled Trading Day; and
- (ii) after the date on which the SGX updated their trading calendar (24 June 2020), the Relevant Date would not be a Scheduled Trading Day.