

June 1, 2022

Closed Days Template Guidance – Equity Derivatives

USA Juneteenth 2022

The International Swaps and Derivatives Association, Inc. (“ISDA”) announces the following guidance for parties to over-the-counter equity derivatives transactions that are affected by the Federal holiday known as “Juneteenth”, as described below.

On June 17th, 2021 (the “Announcement Date”), the White House announced (the “Announcement”) that President Biden signed¹ the “Juneteenth National Independence Day Act”, which designates June 19th as a legal public holiday in the United States of America.

ISDA understands that the Federal Reserve² observes federal holidays falling on a Saturday, such as June 19th, 2021, on the same day, whereas federal holidays falling on a Sunday, such as June 19th, 2022, are observed on the following Monday (i.e. June 20th, 2022).

ISDA understand that the Securities Industry and Financial Markets Association’s (“SIFMA”) fixed income markets holiday recommendations incorporates the new federal holiday. Such recommendations are in line with the Federal Reserve’s holiday schedule (as noted above), with SIFMA recommending³ a full market close on Monday, June 20th, 2022, in observance of Juneteenth.

ISDA understands that, following the Announcement, the New York Stock Exchange⁴ (“NYSE”), the Chicago Board Options Exchange⁵ (“CBOE”) and the Nasdaq⁶ (together, the “Relevant Exchanges”) have incorporated Juneteenth into their trading calendars.

As a consequence, it is ISDA’s understanding that on June 20th, 2022, the equity securities clearance and settlement systems in the USA and commercial banks in the USA are expected to be closed (including for dealings in foreign exchange and foreign currency deposits) and that the Relevant Exchanges will also be closed for trading.

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 default provisions described in the main equity definitional booklets, a master confirmation agreement template and other ISDA published documentation expressly referred to in this guidance. ISDA understands that parties frequently

¹ <https://www.whitehouse.gov/briefing-room/legislation/2021/06/17/bill-signed-s-475/>

² <https://www.frbervices.org/about/holiday-schedules>

³ https://www.sifma.org/resources/general/holiday-schedule/?mkt_tok=NjY5LVFJTTC05MjEAAAF9urLRGVHtcQpD0UgN2m18Wfz67JxmPMQaLxm0FCmU58dYVndn_1FsaykoEskx-M5G9UiYGPH7sEGB-38yOLdjb0DWtp5EIBNKeLplOYirVPuVvg

⁴ <https://www.nyse.com/markets/hours-calendars>

⁵ <https://www.cboe.com/about/hours>

⁶ <http://www.nasdaqtrader.com/trader.aspx?id=calendar>

bilaterally agree to amend the provisions of those definitional booklets, that master confirmation agreement template and other ISDA published documentation when executing trades or agreeing the terms of their trading relationships. This guidance does not cover any such deviations. This guidance includes a description of provisions contained in the main equity definitional booklets, that master confirmation agreement template and other ISDA published documentation expressly referred to in this guidance that may be relevant to market participants. **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 transactions executed on electronic confirmation platforms, market participants should refer to the contractual terms of the applicable confirmation platform.

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

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Guidance

1 2002 ISDA Equity Derivatives Definitions (the “2002 Equity Definitions”)

1.1 *Exchange Business Days; Scheduled Trading Days*

ISDA understands that the Relevant Exchanges will not be open for trading for their respective regular trading sessions on June 20th, 2022 (the “**Relevant Date**”) and therefore, unless parties otherwise agree, the Relevant Date should not be treated as an Exchange Business Day for the Relevant Exchanges (either as it is not deemed to be a Scheduled Trading Day (see second paragraph below) or it is deemed to be a Scheduled Trading Day, but the Relevant Exchanges do not open (see third paragraph below)).

The Announcement was made one year prior to the Relevant Date. This guidance has therefore been produced on the basis that the closures of the Relevant Exchanges are scheduled and that the Relevant Date is therefore not a Scheduled Trading Day when one of the Relevant Exchanges is either the Exchange or Related Exchange. This is consistent with the approach adopted in relation to previous guidance ISDA has issued in relation to market closure events.

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 and may therefore consider the Relevant Date to be a Scheduled Trading Day when one of the Relevant Exchanges is either the Exchange or Related Exchange. Where parties agree that the Relevant Date constitutes a non-scheduled closure for the purposes of a Transaction with a Trade Date prior to the Announcement Date⁷, then the Relevant Date should not be treated as an Exchange Business Day but should be treated as a Scheduled Trading Day that is a Disrupted Day and, unless otherwise discussed below, the guidance set out in this document should be adjusted accordingly in accordance with the consequences for Disrupted Days set out in the 2002 Equity Definitions and, if relevant, in the applicable Master Confirmation Agreement.

1.2 *Exercise/expiration of Option Transactions*

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 instead be the next following Scheduled Trading Day (expected to be June 21st, 2022). If the Relevant Date falls in the Exercise Period for an American Option and the notice of exercise is given on the Relevant Date, then that notice will be deemed given on the next following Scheduled Trading Day (expected to be June 21st, 2022).

⁷ On the basis that each of the Relevant Exchanges updated their trading calendars to reflect the public holiday for Juneteenth on different dates following the Announcement Date, for purposes of simplicity and in light of the general market expectation as at the Announcement Date that June 20th, 2022 would be a legal public holiday in the USA, ISDA has referred here to the “Announcement Date”. This means that parties may agree to treat June 20th, 2022 as a Non-Scheduled Trading Day if the Trade Date is after the Announcement Date but should treat it as a Scheduled Trading Day if the Trade Date is prior to the Announcement Date. However, each market participant should form its own view as to whether June 20th, 2022 should be treated as a non-Scheduled Trading Day as of the Announcement Date or whether it should only be treated as a non-Scheduled Trading Day from the date on which the Relevant Exchange updated its trading schedule to reflect June 20th, 2022 as a non-trading day.

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 instead be the next following Scheduled Trading Day (which is expected to be June 21st, 2022).

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. If the Official Settlement Price is not published, the Valuation Date should instead be the Scheduled Trading Day on which the Official Settlement Price is published, irrespective of whether such day is a Disrupted Day.

Averaging Dates

If an Averaging Date in respect of a Transaction falls on the Relevant Date, such Averaging Date should instead be the next following Scheduled Trading Day (which is expected to be June 21st, 2022).

1.4 *Payments*

It is ISDA's understanding that commercial banks and equity securities clearance and settlement systems will not be open on the Relevant Date. Accordingly, the Relevant Date will not be a Currency Business Day or a Clearance System Business Day in New York.

In respect of a Transaction where the Settlement Currency is USD, if any of the Cash Settlement Payment Date, Premium Payment Date, Dividend Payment Date or Prepayment Date that is specified in the Confirmation falls on the Relevant Date (or is otherwise determined by the terms of the Confirmation to fall on the Relevant Date), such date will instead be the next following Currency Business Day for USD, expected to be June 21st, 2022. Payments in respect of a Transaction where the Settlement Currency is USD which are due on an Initial Exchange Date, Final Exchange Date or Prepayment Date (where the Prepayment Payment Date is not otherwise specified in the Confirmation) that is specified to fall on the Relevant Date (or is otherwise determined by the terms of the Confirmation to fall on the Relevant Date) should instead be due on the next following Currency Business Day for USD that is also an Exchange Business Day which is expected to be June 21st, 2022.

Deliveries due on a Settlement Date falling on the Relevant Date should be made on the next following Clearance System Business Day, expected to be June 21st, 2022.

2 2004 Americas Master Variance Swap Confirmation Agreement (Annex IVS and SVS, January 2007 Version) and 2007 Americas Master Variance Swap Confirmation Agreement (Annex IVS and SVS), together the "Americas Variance Swap MCAs".

The following guidance is for Index Variance Swap Transactions and Share Variance Swap Transactions confirmed under the Americas Variance Swap MCAs.

2.1 N

“N” is defined in the Americas Variance Swap MCAs 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 Scheduled Valuation Date”*.

Unless otherwise specified, if the Trade Date of such a Variance Swap Transaction is before the Announcement Date (June 17th, 2021)⁸, N will include the Relevant Date if such date falls in the period from, but excluding, the Observation Start Date to, and including, the Scheduled Valuation Date.

Unless otherwise specified, if the Trade Date of such a Variance Swap Transaction is on or after the Announcement Date (June 17th, 2021)⁹, N will not include the Relevant Date if such date falls in the period from, but excluding, the Observation Start Date to, and including, the Scheduled Valuation Date.

2.2 Observation Days (other than the Valuation Date)

Observation Days are defined in the Americas Variance Swap MCAs as *“Each Scheduled Trading Day during the Observation Period, whether or not such day is a Disrupted Day. Section 6.6 [(or, if “Futures Price Valuation” is applicable, Sections 6.8(a) and 6.8(e))]¹⁰ of the Equity Definitions shall not be applicable to any Observation Day other than the Valuation Date, in which case P_t (as defined below) in respect of the Valuation Date shall be determined in accordance with the applicable Section.”*

Observation Period is defined as *“the period from, but excluding, the Observation Start Date to, but excluding, the Observation End Date, and the Valuation Date”*. The Observation Start Date is the Trade Date (unless otherwise specified), and the Observation End Date is the Scheduled Valuation Date.

In order to align the number of Observation Days with “N” for the purposes of the Final Realized Volatility formula, as the definition of “N” is determined (as specified in paragraph 2.1 (N) above) by reference to the number of days that, as at the Trade Date, are Scheduled Trading Days in the period from, but excluding, the Observation Start Date to, and including, the Scheduled Valuation Date, parties should consider whether, as at the Trade Date, each day during the Observation Period should be treated as a Scheduled Trading Day for the purposes of determining the Observation Days. For such purposes, and unless otherwise agreed between the parties, if the Trade Date of such a Variance Swap Transaction is before the Announcement Date (June 17th, 2021) and a day during the Observation Period falls on the Relevant Date, it will be treated as a Scheduled Trading Day that is a Disrupted Day (see paragraph 1.1 (*Exchange Business Days; Scheduled Trading Days*) above), with the result that P_t for such Observation Day shall be deemed to equal P_{t-1} .

⁸ See footnote 7.

⁹ See footnote 7.

¹⁰ Applies to Index Variance Swaps only

Furthermore, unless otherwise agreed between the parties, if the Trade Date of such a Variance Swap Transaction is on or after the Announcement Date (June 17th, 2021) and a day during the Observation Period falls on the Relevant Date, it will not be an Observation Day.

2.3 Valuation Date

If the Observation End Date (i.e. the Valuation Date) falls on the Relevant Date, the Valuation Date will be adjusted to instead be the next Scheduled Trading Day (which is expected to be June 21st, 2022).

If the parties have agreed to treat the Relevant Date as a Scheduled Trading Day that is a Disrupted Day, the Observation End Date (i.e. the Valuation Date) will be adjusted in accordance with Section 6.6 of the 2002 Equity Definitions (i.e. it will move to the next following Scheduled Trading Day that is not a Disrupted Day) and P_t in respect of such Observation End Date will be determined on such adjusted Valuation Date.

If Futures Price Valuation is applicable and the Valuation Date falls on the Relevant Date and the Official Settlement Price is 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 (which is expected to be June 21st, 2022).

2.4 Payment

The Cash Settlement Payment Date falls one Settlement Cycle after the Valuation Date. If the Valuation Date falls on the Relevant Date, the Cash Settlement Payment Date will be moved to one Settlement Cycle after the adjusted Valuation Date (expected to be June 21st, 2022).

3 2004 Americas Interdealer Master Equity Derivatives Confirmation Agreement¹¹

The guidance set out in paragraph 1 above should be equally applicable to Transactions documented under the 2004 Americas Interdealer Master Equity Derivatives Confirmation Agreement (and the Annexes attached to it).

4 2009 Americas Master Equity Derivatives Confirmation Agreement¹²

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

5 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

¹¹ Including Annex IO (Cash-settled European/American Index Option), Annex IS (Cash-settled Index Swap/Index Basket Swap), Annex SO (Cash or Physically-settled European/American Share Option) and Annex SS (Cash-settled Share Swap/Share Basket Swap).

¹² Including Annex CSSS (Cash-settled Share Swap), Annex IS (Index Swap), and Annex ETCIO (Cash-settled Exchange-traded Contract Index Option), Annex DCSSO (Physically-settled Designated Contract Share Option) and Annex ISO (Cash/Physically-settled European/American Index/Share Option)

Supplement) where the terms defined in such Equity Matrix are sourced from the 2011 ISDA Equity Derivatives Definitions (“**Index Volatility Transactions**”).

5.1 *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 Exchange is a Relevant Exchange, if the Trade Date of the relevant Transaction is before the Announcement Date¹³, the Relevant Date should be deemed to be a Scheduled Trading Day.

¹³ See footnote 7 above.