

April 18, 2023

Closed Days Guidance – 2021 ISDA Interest Rate Derivatives Definitions and 2006 ISDA 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 interest rate derivative transactions 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 understands that:

(i) the SONIA benchmark and the SONIA Compounded Index will not be published on, and for, May 8, 2023^{2,3}

(ii) ICE Benchmark Administration (IBA) will not be publishing the following benchmarks on May 8, 2023;⁴ and

- LIBOR: USD LIBOR and 3-month synthetic GBP LIBOR*
- ICE Swap Rate: GBP SONIA Rates*
- ICE Term RFRs: ICE Term SONIA Reference Rates and ICE SONIA Indexes.*

(iii) Refinitiv Benchmark Services (UK) Limited (“RBSL”) will not be publishing the following benchmark:

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

² Note that the rate for the SONIA benchmark published on Tuesday, May 9, 2023 will be the rate in respect of Friday, May 5, 2023.

³ <https://www.bankofengland.co.uk/markets/sonia-benchmark/sonia-key-features-and-policies>

⁴ https://www.ice.com/publicdocs/ICE_LIBOR_Holiday_and_Value_Date_Calendar_2022.pdf
https://www.ice.com/publicdocs/ICE_Synthetic_GBP_LIBOR_Holiday_Calendar_2023.pdf
https://www.theice.com/publicdocs/ICE_Swap_Rate_Holiday_Calendar_2023.pdf
https://www.ice.com/publicdocs/ICE_Term_Reference_Rates_Holiday_Calendar_2023.pdf
https://www.ice.com/publicdocs/ICE_Risk_Free_Rates_Indexes_Calendar_2023.pdf

- *SONIA: Refinitiv Term SONIA*⁵.

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 2021 ISDA Interest Rate Derivatives Definitions (the “**2021 Definitions**”) and the 2006 ISDA Definitions (the “**2006 Definitions**”). This guidance does not provide views on conventions or consequences, which parties may have bilaterally agreed, that deviate from such presumed provisions, nor does it cover transactions which are not subject to the 2021 Definitions or the 2006 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 2021 Definitions and the 2006 Definitions 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 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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⁵ https://www.refinitiv.com/content/dam/marketing/en_us/documents/methodology/term-sonia-methodology.pdf

Guidance

1 2021 Definitions and 2006 Definitions

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 (under the 2021 Definitions) or a Banking Day (under the 2006 Definitions) for the purposes of Floating Rate Options where the rate for a Reset Date is fixed by reference to Business Days or Banking Days, as applicable;
- 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 London as the relevant financial center.

In respect of any Floating Rate Option that is fixed on a London Business Day (under the 2021 Definitions) or London Banking Day (under the 2006 Definitions), parties should consult the terms of the relevant Floating Rate Option as to the consequences (e.g., if the fixing is one London Business Day following a Reset Date falling on Friday, May 5, 2023, the fixing day⁶ will move to Tuesday, May 9, 2023).

ISDA understands that the underlying benchmark for each of the following Floating Rate Options will not be published on May 8, 2023:

- under the 2021 Definitions, GBP-LIBOR, GBP-SONIA ICE Compounded Index, GBP-SONIA ICE Compounded Index 0 Floor, GBP-SONIA ICE Compounded Index 0 Floor 2D Lag, GBP-SONIA ICE Compounded Index 0 Floor 5D Lag, GBP-SONIA ICE Compounded Index 2D Lag, GBP-SONIA ICE Compounded Index 5D Lag, GBP-SONIA ICE Swap Rate, GBP-SONIA ICE Term, USD-LIBOR.
- under the 2006 Definitions, GBP-LIBOR-BBA, GBP-LIBOR-BBA-Bloomberg, GBP-SONIA ICE Compounded Index, GBP-SONIA ICE Compounded Index 0 Floor, GBP-SONIA ICE Compounded Index 0 Floor

⁶ In the 2021 Definitions, this day is referred to as the “Fixing Day”. There is no equivalent defined term in the 2006 Definitions.

2D Lag, GBP-SONIA ICE Compounded Index 0 Floor 5D Lag, GBP-SONIA ICE Compounded Index 2D Lag, GBP-SONIA ICE Compounded Index 5D Lag, GBP-SONIA ICE Term, GBP-SONIA Swap Rate, USD-LIBOR-BBA, USD-LIBOR-BBA-Bloomberg; and

ISDA also understands that May 8, 2023 will not constitute a ‘Business Day’, an ‘IBOR Business Day’ or a ‘Reference Rate Business Day’ as those terms are defined under the IBOR Fallback Rate Adjustment Rule Book. On that basis, no ‘Reference Rates’ will be published and no IBOR fallback rates will be calculated and published in or for the UK markets on May 8, 2023.

In respect of each Date for Payment (under the 2021 Definitions), Payment Date (under the 2006 Definitions) and each Period End Date (under both the 2021 Definitions and the 2006 Definitions), 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 relevant definitional booklet as follows:

2021 Definitions

- Initial Exchange Date; Premium Payment Date: Following Business Day Convention;
- Interim Exchange Date; Final Exchange Date; Payment Date: Modified Following Business Day Convention;
- Period End Dates: Modified Following Business Day Convention; and
- Cash Settlement Valuation Date: Preceding Business Day Convention.

2006 Definitions

- Initial Exchange Date; Premium Payment Date: Following Business Day Convention;
- Interim Exchange Date; Periodic Exchange Date; Final Exchange Date; Payment Date: Modified Following Business Day Convention; and
- Period End Date; Cash Settlement Valuation Date (in respect of an Exercise Date or Mandatory Early Termination Date): Modified Following Business Day Convention.

Under the 2021 Definitions, the Effective Date and Termination Date are both subject to the No Adjustment Business Day Convention, unless otherwise specified in the Confirmation. Under the 2006 Definitions neither date is subject to adjustment in accordance with any Business Day Convention (unless otherwise specified in the

Confirmation).

Note that, under both the 2021 Definitions and the 2006 Definitions, in respect of a Termination Date that is also a Payment Date falling on the Relevant Date, unless otherwise specified in the relevant Confirmation, the Payment Date that falls on such Termination Date will be adjusted in accordance with the Business Day Convention specified for such Payment Dates even though the actual Termination Date will not adjust (unless adjustment in accordance with the Following, Modified Following or Preceding Business Day Convention has been specified to apply).

Swaptions

In respect of any single currency swaption involving U.S. Dollars for which 'London' is a financial center for the purpose of Exercise Business Days⁷, for the purposes of an Expiration Date⁸ falling on the Relevant Date, under both the 2021 Definitions and the 2006 Definitions the Expiration Date shall instead be the immediately preceding Exercise Business Day (which, for London and New York financial centers, is expected to be Friday, May 5, 2023).

For all other currency Swaptions, under both the 2021 Definitions and the 2006 Definitions, in respect of an Expiration Date⁹ falling on the Relevant Date, where 'London' is a financial center for the purpose of Exercise Business Days¹⁰, the Expiration Date shall roll to the next following Exercise Business Day (expected to be Tuesday, May 9, 2023).

Physically Settled Swaptions

Under both the 2021 Definitions and the 2006 Definitions, in respect of a Physically Settled Swaption, the terms of the underlying transaction are set out in the Confirmation. Consequently, if the underlying transaction has an Effective Date of May 8, 2023, this will not adjust for the Relevant Date, unless otherwise specified in the Confirmation.

Under both the 2021 Definitions and the 2006 Definitions, in respect of a Swaption where the underlying transaction has an Effective Date of May 8, 2023 and Cleared Physical Settlement applies, once the Swaption is exercised and the underlying transaction submitted for clearing, the terms of the underlying transaction will become subject to any agreement related to clearing in place between the parties and

⁷ This will be the case for any USD LIBOR Swaption because 'London' and 'New York' are specified to be financial centers for the purpose of Exercise Business Days in the ISDA Settlement Matrix, unless alternative financial centers have been specified for the purposes of Business Days in the Confirmation.

⁸ This consequence applies only if Exercise Business Days are defined to include Business Days (under the 2021 Definitions) or Banking Days (under the 2006 Definitions) in London.

⁹ See Footnote 3 above.

¹⁰ Unless otherwise specified in the Confirmation, where the ISDA Settlement Matrix applies, Exercise Business Days are set out for a wide range of currencies in the ISDA Settlement Matrix.

the rules of any relevant clearinghouse, unless the underlying transaction fails to clear in which case the terms of any agreement to clearing between the parties will apply¹¹.

Cash Settled Swaptions

Under both the 2021 Definitions and the 2006 Definitions, in respect of a Cash Settled Swaption, the terms of the underlying transaction are set out in the Confirmation. Consequently, if the underlying transaction has an Effective Date of May 8, 2023, this will not adjust for the Relevant Date, unless otherwise specified in the Confirmation.

The Cash Settlement Payment Date, unless otherwise specified in the Confirmation, will be the date specified in the ISDA Settlement Matrix. For GBP Swaptions, this is specified in the ISDA Settlement Matrix to be the Exercise Date. For other currency Swaptions, this may be one or two Business Days following the Exercise Date. The Exercise Date is the date on which the Swaption is exercised. Where exercise takes place at expiration on the Expiration Date, this date adjusts as set out above if this is specified to be May 8, 2023. The Cash Settlement Payment Date will accordingly adjust in line with the Expiration Date.

The Cash Settlement Amount (2006 Definitions) and the Fallback Cash Settlement Amount (2021 Definitions) is determined as at the Cash Settlement Valuation Date. Unless otherwise specified in the Confirmation, the Cash Settlement Valuation Date will be the date specified in the ISDA Settlement Matrix. For GBP Swaptions, this is the Exercise Date. Where exercise takes place at expiration on the Expiration Date, this date adjusts as set out above. The Cash Settlement Valuation Date will accordingly adjust in line with the Expiration Date. Where Collateralized Cash Price or Par Yield Curve - Unadjusted is the applicable Cash Settlement Method¹² the Settlement Rate will be determined as of the adjusted Cash Settlement Valuation Date.

GBP SONIA Compounded Floating Rate Options

For the purposes of Floating Rate Options “GBP-SONIA-OIS Compound” or “GBP-SONIA” when used with OIS Compounding¹³ in the 2021 Definitions, and “GBP-

¹¹ Note that, under Cleared Physical Settlement, the underlying swap transaction will be entered into and cleared through a clearinghouse that is either specified in the Confirmation as the “Mutually Agreed Clearinghouse” or agreed upon between the parties at the time of the exercise. If a Mutually Agreed Clearinghouse has been specified in the Confirmation and such Mutually Agreed Clearinghouse no longer accepts swaps with the terms of the ‘Relevant Transaction’ for clearing, Cash Settlement shall apply with the Cash Settlement Amount calculated using Collateralized Cash Price methodology.

¹² Par Yield Curve - Unadjusted is the default Cash Settlement Method for GBP-LIBOR Swaptions and Collateralized Cash Price is the default Cash Settlement Method for GBP SONIA Swaptions set out in the ISDA Settlement Matrix.

¹³ This analysis applies equally to Compounding with Lookback and Compounding with Lockout.

SONIA-COMPOUND” in the 2006 Definitions, May 8, 2023 will not be an Applicable Business Day.

If May 8, 2023 falls on a day other than the first day of the Calculation Period, the rate for May 8, 2023 as a relevant day “i” will be the level of SONIA for the immediately preceding Applicable Business Day (which is expected to be Friday, May 5, 2023).

If May 8, 2023 is the first calendar day in the Calculation Period, the 2021 Definitions expressly includes such day within the definition of “**d₀**” so that the rate for SONIA for such day will be the rate for the immediately preceding Applicable Business Day (which is expected to be Friday, May 5, 2023). This language was introduced into the 2021 Definitions to more accurately reflect what ISDA understands to have been standard practice under the 2006 Definitions.¹⁴

¹⁴ To the extent firms have documented a swap referencing SONIA using GBP-SONIA and OIS Compounding pursuant to the 2006 Definitions, the analysis set out in respect of the 2021 Definitions will apply.