

June 1, 2022

Closed Days Template Guidance – 2021 ISDA Interest Rate Derivatives Definitions and 2006 ISDA Definitions

USA Holiday Guidance

The International Swaps and Derivatives Association, Inc. (“**ISDA**”) announces the following guidance for parties to over-the-counter derivative transactions that are affected by holidays in the US whereby the relevant date is not: (i) a New York City Business Day (under the 2021 Definitions); (ii) a New York City Banking Day (under the 2006 Definitions); (iii) a NYSE Business Day; (iv) a New York Fed Business Day; or (v) a U.S. Government Securities Business Day.¹

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 holidays in the US whereby the relevant date(s) are not: (i) a New York City Business Day (under the 2021 Definitions); (ii) a New York City Banking Day (under the 2006 Definitions); (iii) a NYSE Business Day; (iv) a New York Fed Business Day; or (v) a U.S. Government Securities Business Day, 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. 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

¹ For example, in the case of the Federal holiday known as “Juneteenth”, on June 17th, 2021, the White House announced that President Biden signed 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 Reserve** 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 **recommending** a full market close on Monday, June 20th, 2022, in observance of Juneteenth.

ISDA understands that the New York Stock Exchange (“**NYSE**”) has incorporated Juneteenth into its trading **calendar**.

As a consequence, it is ISDA’s understanding that on June 20th, 2022, US commercial banks are expected to be closed for general business (including for dealings in foreign exchange and foreign currency deposits) and that the NYSE will also be closed for trading.

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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1 2021 Definitions and 2006 Definitions

In the case that commercial banks and foreign exchange markets in New York City are closed for general business (including dealings in foreign exchange) and financial markets in New York City are also closed on the relevant date(s)², the relevant date(s) 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 New York City as the relevant financial center.

In the case that the New York Stock Exchange is closed, the relevant date(s) will not be NYSE Business Day(s) for the purposes of Payment Dates, Period End Dates and Reset Dates if NYSE Business Days are the relevant Business Days specified for such dates.

In the case that the Federal Reserve Bank of New York is closed, the relevant date(s) will not be New York Fed Business Day(s) for the purposes of Payment Dates, Period End Dates and Reset Dates if New York Fed Business Days are the relevant Business Days specified for such dates.

In the case that the Securities Industry and Financial Markets Association has recommended that fixed income departments of its members be closed for the entire day on the relevant date(s), the relevant date(s) shall not be U.S. Government Securities Business Day(s) for the purpose of Rate Options that are fixed on a U.S. Government Securities Business Day.

In respect of any Floating Rate Option that is fixed on a New York City Business Day (under the 2021 Definitions), a New York City Banking Day (under the 2006 Definitions) or a U.S. Government Securities Business Day (under both the 2021 Definitions and the 2006 Definitions), parties should consult the terms of the relevant Floating Rate Option as to the consequences³.

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:

² In the case of Juneteenth in 2022, the relevant date is June 20th, 2022.

³ For example, if in the case of Juneteenth in 2022, the fixing is one New York City Business Day prior to a Reset Date falling on Tuesday, June 21st, 2022, the fixing day will move to Friday, June 17th, 2022 (note that in the 2021 Definitions, this day is referred to as the “Fixing Day”; there is no equivalent defined term in the 2006 Definitions).

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 Dates: 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. 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(s), 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).

Under both the 2021 Definitions and the 2006 Definitions, in respect of an Expiration Date⁴ falling on the relevant date(s), where ‘New York City’ is specified as a financial centre for the purpose of Exercise Business Days,

- in respect of USD swaptions, the Expiration Date will move backwards to the preceding Exercise Business Day;⁵ and
- in respect of any other Option Transaction or Optional Early Termination right, the Expiration Date shall roll to the next following Exercise Business Day.⁶

⁴ 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 the impacted city.

⁵ In the case of the Juneteenth holiday in 2022 this is expected to be Friday, June 17th, 2022.

⁶ In the case of the Juneteenth holiday in 2022 this is expected to be Tuesday, June 21st, 2022.