

IB Settlement due to unforeseen market holidays

Tokyo Foreign Exchange Market Committee

1. New Public Holiday due to Japanese emperor's abdication

2019 Japanese Golden Week

Sun	Mon	Tue	Wed	Thu	Fri	Sat
21	22	23	24	25	26	27
28	29	30	1	2	3	4
5	6	7	8	9	10	11

MF or F ?

Following: 30, 1, 2 ? 7 May

Modified Following : 30 ? 26 April / 1, 2 ? 7 May

2. Current Rules and Practices for FX I/B Settlement

For I/B Settlement, a standard is set for treatment of many products including derivatives however, a standard for treatment of only FX remains unclear.

① ISDA

- ❑ ISDA Master Agreement: Following (Unless another business day convention is specified to be applicable to that settlement date.)

② CLS

- ❑ Settlement Members Agreement : There is no description on the treatment of new public holiday.
- ❑ Functional reference guide : Will automatically be amended to Modified Following without rate change.

③ Singapore FXC

- ❑ Guide to Conduct and Market Practice : Following ※ Relevant contractual documentation is prioritized than Guide.

④ Others

- ❑ Trade confirmation : There is no description on treatment of public holiday. ※ Individual trade confirmation is prioritized than ISDA.
- ❑ Currency Swap : M/F (Standardized with individual confirmation)

3. Issues

- ❑ There may be arising confusion around I/B settlement.
- ❑ As currency swap uses M/F, if the treatment differs with FX trades, there is a possibility of confusion.
- ❑ As the economic effect of end of quarter turn is large, there may be greater effect when it becomes "following".

4. Proposal

- ❑ We would like to propose the local FXCs to discuss adopting M/F convention for FX spot & FWD as a moderate market practice (promoting as best practice with no regulatory obligation) as a standard for treatment of I/B.