

This table summarises the main characteristics of the following Additional Provisions for illustrative purposes and to facilitate a discussion at the FMLG meeting on July 9th, 2020.

ISDA members can access the documentation at the following links:

<https://www.isda.org/book/additional-provisions-for-use-with-a-deliverable-currency-disruption-published-november-3-2008-and-isda-deliverable-currency-disruption-fallback-matrix/library>

<https://www.isda.org/a/BoMDE/Revised-Additional-Disruption-Event-Provisions-for-an-Offshore-Deliverable-CNY-Transaction.doc>

https://www.isda.org/a/OXMDE/Revised_ISDA_Offshore_Deliverable_CNY_Transaction_Disruption_Fallback_Matrix.doc

Document Name	In Scope Transactions	Currency Disruption Events	Consequences of Currency Disruption Events	Non-Deliverable Disruption Fallbacks
Additional Provisions for use with Deliverable Currency Disruption Events dated as of November 3, 2008	<ul style="list-style-type: none"> • Deliverable Interest Rate Swaps • New and legacy deliverable FX Transactions and Currency Option Transactions can be included via a separate ISDA Letter Agreement - not used consistently. 	<ul style="list-style-type: none"> • General Inconvertibility • General Non-Transferability • Specific Inconvertibility • Specific Non-Transferability <p>all as defined in the 1998 FX and Currency Option Definitions</p>	Settlement as Non-Deliverable	<p>ISDA Deliverable Currency Disruption Fallback Matrix.</p> <p>In line with relevant EMTA terms, contains RUB/USD only</p>
Additional Disruption Event Provisions for an Offshore Deliverable CNY Transaction (dated as of October 14, 2011, as amended and restated on January 28, 2014)	<ul style="list-style-type: none"> • Deliverable Interest Rate Swaps • Deliverable FX Transactions 	<ul style="list-style-type: none"> • CNY Illiquidity • CNY Inconvertibility • CNY Non-Transferability 	1. Settlement Postponement (2 Business Days, up to 14 consecutive calendar days if currency disruption continues), otherwise	<p>ISDA Offshore Deliverable CNY Transaction Disruption Fallback Matrix.</p> <p>In line with relevant EMTA terms, contains CNY vs. USD/EUR/SGD broken</p>

	<ul style="list-style-type: none"> • Deliverable Currency Option Transactions 	all modified forms of the disruption events definition used in the 1998 FX Definitions to take account of the multiple offshore centres for CNY.	2. Settlement as Non-Deliverable	down by Offshore CNY Center (HK, Taipei, Singapore)
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Points to note:

- The ISDA 2020 Definitions Working Group are considering incorporating one generic set of Deliverable Currency Disruption Events into the 2020 ISDA Interest Rate Derivatives Definitions (targeted for publication end 2020 with implementation timeline still under discussion).
- There are three possibilities being discussed:
 - have the provisions to apply to all currency pairs (to avoid issues around selecting pairs for them to apply to).
 - Make the provision elective on a confirmation by confirmation basis.
 - As now, produce a matrix to apply the provisions only to specified currency pairs.
- The proposal is to have the following Currency Disruption Events:
 - Illiquidity
 - General Inconvertibility
 - Specific Inconvertibility
 - General Non-Transferability
 - Specific Non-Transferability

The occurrence of any of these events would lead to Settlement Postponement for up to 14 days, after which the trade would settle on a non-deliverable basis.

Once due to be settled on a non-deliverable basis, the transaction's terms for the relevant payment could follow the current EMTA templates in case of events such as Price Source Disruption.

- CNY-specific terms will be included to map to the current CNY events and fallbacks.
- The ISDA WG are being asked whether they support this approach.
- We are aware of the interdependency between the rates and fx markets and so would value FMLG's thoughts on this proposal and how it might impact the FX market.
- In particular, ISDA would be happy to consider any helpful conforming changes to the FX Definitions.

Questions:

- Should the new Additional Provisions be applicable:
 - (a) to all deliverable currencies?
 - (b) made elective on a confirmation-by-confirmation basis?
 - (c) by means of a Matrix created to include additional currency pairs for relevant Interest Rate Swap transactions as required by ISDA WGs from time to time?
- If the new Additional Provisions are expanded to cover additional currencies in respect of Interest Rate Swap transactions, would that cause hedging discrepancies if they are not incorporated into FX transactions?
- If the new Additional Provisions are incorporated into FX transactions, what additional considerations might arise?
- Should the new Additional Provisions be incorporated to FX transactions via an industry-wide protocol or as part of an updated FX definitions booklet?