

Market Practice Note
Effective Dates for OTC derivative contracts determined by reference to IMM dates

The purpose of this Market Practice Note (“MPN”) is to provide market participants with information regarding ISDA’s understanding of the market practice for setting the start date/Effective Date for OTC interest rate derivatives traded by reference to an IMM date.

Please Note: This MPN does not constitute legal, accounting, regulatory, financial or any other professional advice. As noted in this MPN, the terms of parties’ contracts will determine the outcome in any specific case. Parties are therefore instructed to review the terms of their contracts and consult their legal advisors as appropriate. ISDA does not assume any responsibility with respect to any of the issues or matters discussed in this MPN.

ISDA understands that certain OTC interest rate derivatives are traded with the start date (the Effective Date) determined by reference to the relevant ‘IMM date’.

ISDA also understands that current market practice for OTC interest rate derivatives is for ‘IMM dates’¹ to be considered as the third Wednesday of the relevant calendar month, as reflected in the definition of “IMM Settlement Dates” in the latest version² of the ISDA Interest Rate Derivatives Definitions (the “ISDA Definitions”) published on April 26, 2024.

ISDA also understands that current market practice for such OTC interest rate derivatives is to specify an actual date in the Confirmation for the Effective Date, rather than use the “IMM Settlement Dates” defined term under the ISDA Definitions and notwithstanding the trading practices described above.

Pursuant to the ISDA Definitions, unless otherwise specified in the Confirmation, the Effective Date is not subject to adjustment in accordance with any Business Day Convention. ISDA understands that current market practice is to not specify a Business Day Convention to apply to the Effective Date for OTC interest rate derivatives traded by reference to ‘IMM dates’³.

Following discussions with the ISDA Interest Rates Steering Committee, ISDA understands that for such OTC interest rate derivatives (where the start date/Effective Date is determined by reference to an ‘IMM date’), if the relevant ‘IMM date’ is not a Business Day in the financial centre(s)/market(s) customarily used for determining the ‘spot date’ for OTC

¹ Note that this does not refer to the market practice for determining IMM dates for AUD and NZD OTC interest rate derivatives, which have separate definitions in the 2021 ISDA Interest Rate Derivatives Definitions that relate to specific futures contracts denominated in those currencies.

² Version 11.0

³ Consequently, if the date specified as the Effective Date is not a good Business Day, unless a Business Day Convention has been specified to apply, the Effective Date will not adjust unless the parties agree to amend that date.

interest rate derivatives in the relevant currency(s)/Floating Rate Option(s)⁴, market expectation is for parties to set the start date/Effective Date as the next following such Business Day.⁵ Parties must review the terms of their relevant contracts to confirm whether this will be the result.

Note that, if it is the intention of market participants to link the start date/Effective Date of such an OTC interest rate derivatives transaction with the start date of a specific futures contract, market participants need to review the terms of the relevant futures contract to determine whether an alternative approach to setting the start date/Effective Date for such OTC transaction is required.

⁴ Based on feedback from the ISDA Interest Rates Steering Committee members, Table 1 sets out financial centre(s) customarily used for determining the effective date for non-deliverable and cross-currency interest rate swaps in certain currencies, referencing certain Floating Rate Options. Note that Table 1 may be updated from time to time.

⁵ Note that this will have the effect of creating a shorter initial Calculation Period compared to the initial Calculation Period if the start date/Effective Date was set on the IMM date (e.g. shorter by one day if the start date/Effective Date is set as the day after the relevant IMM date.

Table 1
Supplemental table of the financial centre(s) customarily used for determining the effective date for certain non-deliverable swaps

Swap Type	Reference Currency	Settlement Currency	Floating Rate Option(s)	Financial Center(s) customarily used for determining Effective Date
Non-Deliverable Swaps	CLP	USD	CLP-ICP	Santiago and New York
Non-Deliverable Swaps	COP	USD	COP-IBR-OIS Compound	Bogota and New York
Non-Deliverable Swaps	CNY	USD	CNY-Fixing Repo Rate	Beijing and New York
Non-Deliverable Swaps	KRW	USD	KRW-CD 91D	Seoul and New York
Non-Deliverable Swaps	INR	USD	INR-MIBOR-OIS Compound	Mumbai and New York
Cross-Currency Swaps	EUR	USD	EUR-EuroSTR/EUR-EuroSTR-OIS Compound	Target and New York
Cross-Currency Swaps	GBP	USD	GBP-SONIA/GBP-SONIA-OIS Compound	London and New York
Cross-Currency Swaps	JPY	USD	JPY-TONA/JPY-TONA-OIS Compound	Tokyo and New York
Cross-Currency Swaps	CHF	USD	CHF-SARON/CHF-SARON-OIS Compound	Zurich and New York

Cross-Currency Swaps	SEK	USD	SEK-STIBOR SEK-SWESTR/SEK-SWESTR-OIS Compound	Stockholm and New York
Cross-Currency Swaps	NOK	USD	NOK-NIBOR NOK-NOWA/NOK-NOWA-OIS Compound	Oslo and New York
Cross-Currency Swaps	DKK	USD	DKK-CIBOR2 DKK-DESTR/DEK-DESTR-OIS Compound	Copenhagen and New York
Cross-Currency Swaps	AUD	USD	AUD-BBSW AUD-AONIA/AUD-AONIA-OIS Compound	Sydney and New York
Cross-Currency Swaps	NZD	USD	NZD-BKBM NZD-NZIONA/NZD-NZIONA-OIS Compound	Wellington, Auckland, London and New York
Cross-Currency Swaps	CAD	USD	CAD-CORRA/CAD-CORRA-OIS Compound	Toronto and New York