
1992 ISDA

FX and

Currency

Option Definitions

ISDA[®]

INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.

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INTRODUCTION

The 1992 ISDA FX and Currency Option Definitions (the “Definitions”) are intended for use with agreements, such as the Multicurrency—Cross Border version of the 1992 ISDA Master Agreement (the “Standard Agreement”) published by the International Swaps and Derivatives Association, Inc. (“ISDA”), and in Confirmations of individual transactions governed by those agreements. Copies of the Standard Agreement are available from the executive offices of ISDA. Sample forms of Confirmations to document FX Transactions and Currency Options are attached as Exhibits I and II to these Definitions. The Definitions may also be used with the 1987 Interest Rate and Currency Exchange Agreement published by ISDA. Copies of this Agreement are also available from the executive offices of ISDA.

The Definitions are designed for use by participants in the markets for FX Transactions and Currency Options and may be used for such purposes without reference to the 1991 ISDA Definitions (the “1991 Definitions”). For other product areas, the 1991 Definitions remain current unless otherwise superseded by other product-specific definitions published by ISDA.

The Definitions can be incorporated into future Confirmations (such as those set forth in Exhibit I or II) governed by an agreement such as the Standard Agreement. Existing Confirmations that incorporate the 1991 Definitions will not, without further action by the parties, be affected by the use of the Definitions for future transactions.

The Definitions may be updated periodically to include additional definitions and provisions. While the definitions and provisions contained in these Definitions may be modified in any update, it is not anticipated that they will be changed substantively unless then prevailing market practice supports such a change. At any time a copy of the then current version of the Definitions may be obtained from the executive offices of ISDA.

The 1991 Definitions served, in part, as the basis for certain of the definitions and provisions contained in the Definitions. In some cases the Definitions have been modified from the 1991 Definitions as a result of input from participants in working groups sponsored by ISDA. The definitions and provisions in the Definitions that are not part of the 1991 Definitions are included as a result, in part, of input from those working groups. The most significant new concepts in the Definitions are the (i) provisions and definitions concerning FX Transactions, (ii) definitions of Currency Pair, In-the-Money Amount, Settlement Date, Spot Date and Spot Price and (iii) provisions relating to Automatic Exercise, Settlement and In-the-Money Settlement.

ISDA assumes no responsibility for any use to which the Definitions may be put. Parties may wish to consult with their legal or tax advisors before using the Definitions.

ISDA began the project to produce the Definitions in late 1991. During the course of the project ISDA has received valuable guidance and advice from participants in the effort to publish the International Currency Options Market (ICOM) Master Agreement for the documentation of Currency Options. ISDA gratefully acknowledges the contributions of those participants to the Definitions.

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1992 ISDA FX AND CURRENCY OPTION DEFINITIONS

Any or all of the following definitions and provisions may be incorporated into a document by wording in the document indicating that, or the extent to which, the document is subject to the 1992 ISDA FX and Currency Option Definitions (as published by the International Swaps and Derivatives Association, Inc.). All definitions and provisions so incorporated in a document will be applicable to that document unless otherwise provided in that document, and all terms defined in these Definitions and used in any definition or provision that is incorporated by reference in a document will have the respective meanings set forth in these Definitions unless otherwise provided in that document. Any term used in a document will, when combined with the name of a party, have meaning in respect of the named party only.

ARTICLE 1

FX TRANSACTIONS

Section 1.1. FX Transaction. “FX Transaction” means a transaction providing for the purchase of one currency in exchange for the sale of another currency by each party to such transaction.

Section 1.2. Terms of FX Transactions. In respect of an FX Transaction, the following terms shall have the indicated meanings:

(a) **Contract Date; Create Date; Deal Date; Trade Date.** “Contract Date”, “Create Date”, “Deal Date” or “Trade Date” means the date specified as such by the parties, which date is the date on which the parties enter into an FX Transaction.

(b) **Value Date.** “Value Date” means the date specified as such by the parties. If the Value Date is not a Banking Day in each location agreed by the parties, the Value Date will be the first following day that is a Banking Day in each location agreed by the parties.

Section 1.3. Settlement. On the Value Date each party will pay, subject to any applicable condition precedent, any amount payable by it in respect of a Value Date and an FX Transaction for value on such date.

ARTICLE 2

CURRENCY OPTIONS

Section 2.1. Currency Option. “Currency Option” means the right, but not the obligation, of Buyer to purchase from Seller at the Strike Price a specified quantity of the Call Currency and to sell to Seller at the Strike Price a specified quantity of the Put Currency.

Section 2.2. Terms of Currency Options. In respect of a Currency Option, the following terms shall have the indicated meanings:

(a) **American Style Option.** “American Style Option” means a style of Currency Option specified as such by the parties pursuant to which the right or rights granted are exercisable during the Exercise Period.

(b) **Buyer.** “Buyer” means the party specified as such by the parties, which party is the owner of the Currency Option.

(c) **Call Currency.** “Call Currency” means the currency that is specified as such by the parties.

(d) **Currency Pair.** “Currency Pair” means the two currencies which may be potentially exchanged upon the exercise of a Currency Option, one of which shall be the Put Currency and the other the Call Currency.

(e) **European Style Option.** “European Style Option” means a style of Currency Option specified as such by the parties pursuant to which the right or rights granted are exercisable only on the Expiration Date up to and including the Expiration Time unless the parties otherwise agree.

(f) **Exercise Date.** “Exercise Date” means the date on which the exercise of a Currency Option becomes effective, which date must be a Banking Day in the agreed location of Seller unless the parties otherwise agree.

(g) **Exercise Period.** “Exercise Period” means, unless otherwise specified by the parties, the period from and including the Trade Date to and including the Expiration Time, which period is the period in which the right or rights granted pursuant to an American Style Option are exercisable.

(h) **Expiration Date.** “Expiration Date” means the date specified as such by the parties, which date is the last date or the only date, as the case may be, on which the Currency Option can be exercised. If the Expiration Date is not a Banking Day in each location agreed by the parties, the Expiration Date will be the first following day that is a Banking Day in each location agreed by the parties unless the parties otherwise agree.

(i) **Expiration Time.** “Expiration Time” means the time specified as such by the parties, which time is the latest time in the agreed location of Seller on the Expiration Date at which Seller must accept a Notice of Exercise.

(j) **In-the-Money Amount.** “In-the-Money Amount” means an amount, if any, in the Put Currency determined by taking the excess of the Spot Price over the Strike Price, multiplied by the number of units of the Call Currency to be purchased, with both prices being quoted in terms of the amount of the Put Currency to be paid for one unit of the Call Currency, or the equivalent amount in the Call Currency (determined by taking the excess of the Strike Price over the Spot Price, multiplied by the number of units of the Put Currency to be sold, with both prices being quoted in terms of the amount of the Call Currency to be paid for one unit of the Put Currency).

(k) **Notice of Exercise.** “Notice of Exercise” means irrevocable notice delivered by Buyer to Seller prior to or at the Expiration Time (which may be delivered by telex, facsimile, electronic messaging system or orally, including by telephone, unless the parties otherwise agree with respect to a Currency Option) of its exercise of the right or rights granted pursuant to the Currency Option. Unless otherwise agreed by the parties, a Currency Option may be exercised only in whole.

(l) **Premium; Price.** “Premium” means an amount specified as such by the parties, which amount is the amount payable in consideration for granting the Currency Option and, subject to any applicable condition precedent, is payable by Buyer to Seller on the Premium Payment Date for value on such date. Instead of specifying the Premium as an amount, the Premium may be specified by the parties as a “Price”, which shall be stated as a percentage of the specified amount of the Put Currency or the Call Currency, as the case may be.

(m) **Premium Payment Date.** “Premium Payment Date” means the date specified as such by the parties, which date is the date on which the Premium is payable. If the applicable Premium Payment Date is not a Banking Day in each location agreed by the parties, the Premium Payment Date will be the first following day that is a Banking Day in each location agreed by the parties.

(n) **Put Currency.** “Put Currency” means the currency that is specified as such by the parties.

(o) **Seller.** “Seller” means the party specified as such by the parties, which party is the party granting the Currency Option.

(p) **Settlement Date.** “Settlement Date” means the Spot Date of the Currency Pair on the Exercise Date, which date is the due date of the payment obligations resulting from the exercise of the Currency Option.

(q) **Spot Date.** “Spot Date” means the spot delivery day for the relevant Currency Pair as generally used by the relevant foreign exchange market.

(r) **Spot Price.** “Spot Price” means the price at the time at which such price is to be determined for foreign exchange transactions in the relevant Currency Pair for value on the Spot Date, as determined in good faith by Seller, unless otherwise agreed by the parties.

§ 2.2(s)

(s) **Strike Price.** “Strike Price” means the price specified as such by the parties, which price is the price at which the Currency Pair may be exchanged.

(t) **Trade Date.** “Trade Date” means the date specified as such by the parties, which date is the date on which the parties enter into a Currency Option.

Section 2.3. Terms Relating to Exercise. (a) **Effectiveness of Notice of Exercise (American Style Option).** In the case of an American Style Option, a Notice of Exercise with respect to a Currency Option becomes effective (unless otherwise agreed): if received prior to 3:00 p.m. on a Banking Day (in the agreed location of Seller), upon receipt thereof by Seller, and if received at any other time, only as of the opening of business of Seller on the first such Banking Day subsequent to receipt.

(b) **Automatic Exercise.** Unless Seller is otherwise instructed by Buyer, a Currency Option, which has not otherwise been exercised, shall be deemed to have been exercised at the Expiration Time where the In-the-Money Amount of the Currency Option at such Expiration Time equals or exceeds the product of (i) one percent of the Strike Price and (ii) the specified amount of the Call Currency or Put Currency, as appropriate. In such a case, Seller may elect to settle such Currency Option in accordance with either Section 2.4(a) below or Section 2.4(b) below, subject to a prior election by the parties of In-the-Money Settlement under Section 2.4(b) below. Seller shall notify Buyer of its election of the method of settlement in the case of automatic exercise as soon as reasonably practicable after the Expiration Time.

Section 2.4. Terms Relating to Settlement. (a) **Settlement.** Unless otherwise specified by the parties as contemplated by either Section 2.4(b) below or Section 2.3(b) above and subject to any applicable condition precedent, Buyer shall pay the relevant quantity of the Put Currency to Seller and Seller shall pay the relevant quantity of the Call Currency to Buyer, in each case on the Settlement Date for value on such date.

(b) **In-the-Money Settlement.** Where the parties have elected to have a Currency Option settle at the In-the-Money Amount, the exercise of such option will only result in the obligation of Seller to pay, subject to any applicable condition precedent, any In-the-Money Amount (in the currency specified), as determined at the time the exercise of the Currency Option becomes effective or as soon thereafter as reasonably practicable, on the Settlement Date for value on such date.

ARTICLE 3

CERTAIN GENERAL DEFINITIONS

Section 3.1. Banking Day. “Banking Day” means, in respect of any city, any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in that city.

Section 3.2. Currencies.

(a) **Australian Dollar.** “Australian Dollar”, “A\$” and “AUD” each means the lawful currency of Australia.

(b) **Austrian Schilling.** “Austrian Schilling” and “ATS” each means the lawful currency of the Republic of Austria.

(c) **Belgian Franc.** “Belgian Franc”, “Bfr” and “BEF” each means the lawful currency of the Kingdom of Belgium.

(d) **Canadian Dollar.** “Canadian Dollar”, “C\$” and “CAD” each means the lawful currency of Canada.

(e) **Danish Krone.** “Danish Krone”, “DKr” and “DKK” each means the lawful currency of the Kingdom of Denmark.

(f) **Deutsche Mark.** “Deutsche Mark”, “DM” and “DEM” each means the lawful currency of the Federal Republic of Germany.

(g) **Dutch Guilder.** “Dutch Guilder”, “DF1” and “NLG” each means the lawful currency of The Kingdom of The Netherlands.

(h) **European Currency Unit.** “European Currency Unit”, “ECU” and “XEU” each means a currency, one unit of which is equal in value to the European Currency Unit that is used in the European Monetary System.

(i) **Finnish Markka.** “Finnish Markka” and “FIM” each means the lawful currency of the Republic of Finland.

(j) **French Franc.** “French Franc”, “Ffr” and “FRF” each means the lawful currency of the Republic of France.

(k) **Greek Drachma.** “Greek Drachma” and “GRD” each means the lawful currency of Greece.

(l) **Hong Kong Dollar.** “Hong Kong Dollar”, “HK\$” and “HKD” each means the lawful currency of Hong Kong.

(m) **Irish Punt.** “Irish Punt” and “IEP” each means the lawful currency of the Republic of Ireland.

(n) **Italian Lira.** “Italian Lira”, “Lira” and “ITL” each means the lawful currency of the Republic of Italy.

(o) **Luxembourg Franc.** “Luxembourg Franc”, “Lfr” and “LUF” each means the lawful currency of the Grand Duchy of Luxembourg, including the Commercial Luxembourg Franc and the Financial Luxembourg Franc.

(i) “Commercial Luxembourg Franc”, “Commercial Lfr” and “Commercial LUF” each means the Luxembourg Franc that is used for transactions in foreign currencies that are required by the Belgian-Luxembourg Exchange Institute to be

§ 3.2(o)(i)

settled on the regulated exchange market of the Belgian-Luxembourg Economic Union.

(ii) “Financial Luxembourg Franc”, “Financial Lfr” and “Financial LUF” each means the Luxembourg Franc that is used for transactions in foreign currencies that may be settled on the exchange market of the Belgian-Luxembourg Economic Union without restriction.

(p) **Malaysian Ringgit.** “Malaysian Ringgit” and “MYR” each means the lawful currency of Malaysia.

(q) **New Zealand Dollar.** “New Zealand Dollar”, “NZ\$” and “NZD” each means the lawful currency of New Zealand.

(r) **Norwegian Krone.** “Norwegian Krone”, “Nkr”, “NKR” and “NOK” each means the lawful currency of the Kingdom of Norway.

(s) **Portugese Escudo.** “Portugese Escudo” and “PTE” each means the lawful currency of the Republic of Portugal.

(t) **Singapore Dollar.** “Singapore Dollar” and “SGD” each means the lawful currency of the Republic of Singapore.

(u) **Spanish Peseta.** “Spanish Peseta”, “Pta”, “SPp”, “SPP” and “ESB” each means the lawful currency of Spain.

(v) **Sterling.** “Sterling”, “£”, “GBP” and “STG” each means the lawful currency of the United Kingdom.

(w) **Swedish Krona.** “Swedish Krona”, “SKr” and “SEK” each means the lawful currency of the Kingdom of Sweden.

(x) **Swiss Franc.** “Swiss Franc”, “Sfr”, “CHF” and “SWF” each means the lawful currency of Switzerland.

(y) **Thailand Baht.** “Thailand Baht” and “THB” each means the lawful currency of the Kingdom of Thailand.

(z) **U.S. Dollar.** “U.S. Dollar”, “Dollar”, “U.S.\$”, “\$” and “USD” each means the lawful currency of the United States of America.

(aa) **Yen.** “Yen”, “¥” and “JPY” each means the lawful currency of Japan.

Section 3.3. Rounding. For purposes of any calculations referred to in these Definitions (unless otherwise specified), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (*e.g.*, 9.876541% (or .09876541) being rounded down to 9.87654% (or .0987654) and 9.876545% (or .09876545) being rounded up to 9.87655% (or .0987655)) and (b) any currency amounts used in or resulting from such calculations will be rounded in accordance with the relevant market practice.

Form of Confirmation—FX Transaction

The terms of the particular FX Transaction to which this Confirmation relates are as follows:

Reference No.: [Date]

[Contract Date] [Create Date] [Deal Date]

[Trade Date]:

Value Date:

[Amount and currency payable by Party A:]¹

[[Amount] [and] [or] [currency] payable by
Party B:]

[Exchange rate:]¹

Account details:

[Other terms and conditions:]

[Offices

(a) The Office[s] of Party A for the FX Transaction is [are] ; and

(b) The Office[s] of Party B for the FX Transaction is [are] .]

[Broker/Arranger:]

This [document] constitutes a “Confirmation” as referred to in the [Master Agreement]. The definitions and provisions contained in the 1992 FX and Currency Option Definitions (as published by the International Swap Dealers Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern. This Confirmation supplements, forms part of, and is subject to the Master Agreement dated as of [date], as amended and supplemented from time to time (the “Agreement”), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified above.²

[Please confirm to us by return telex, mail, facsimile or other electronic transmission that the above details are correct.]

[PARTY A]

By: _____

Name:

Title:

[Confirmed as of the
date below:

[PARTY B]

By: _____

Name:

Title:]

Dated:

¹ Parties will need to include in their Confirmation sufficient information to allow a determination of the respective amounts of currency to be exchanged by the parties in the relevant FX Transaction.

² Where the form of Confirmation used by the parties does not allow inclusion of this paragraph, a provision to the same effect should be included in the Schedule to the Agreement.

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Form of Confirmation – Currency Option

The terms of the particular Currency Option to which this Confirmation relates are as follows:

Reference No.:

Trade Date:

[Date]

Buyer:

[Party B/A]

Seller:

[Party A/B]

Currency Option style:

[American/European]

[Currency Option type:]¹

[[]² Put/[]³ Call]

Call Currency and amount:

Put Currency and amount:

Expiration Date:

Expiration Time:

[Settlement Date:]⁴

[Exercise Period:]⁵

[In-the-Money Amount Settlement:

[Yes] [No] [To be determined];] [Specify
currency [and exchange rate] for
In-the-Money Amount Settlement]⁶

[Premium:]

[Price:]

Premium Payment Date:

Strike Price:

[Other terms and conditions:]⁷

¹ Parties may wish to classify their transaction as a Put and/or a Call, with respect to the corresponding currency.

² Parties may wish to insert the appropriate currency, which will be the same currency as the Put Currency.

³ Parties may wish to insert the appropriate currency, which will be the same currency as the Call Currency.

⁴ Parties may wish to specify the Settlement Date in respect of the Expiration Date.

⁵ Parties may wish to modify the Exercise Period presumed for an American Style Option. For example, additional references are necessary if there are multiple Exercise Periods.

⁶ The parties must make an election for In-the-Money-Settlement in the Confirmation or through another means. In the case where parties elect In-the-Money Settlement, parties should also specify in the Confirmation or through another means the currency in which the Currency Option will settle. Parties may additionally specify the rate for conversion in the Confirmation if the currency for In-the-Money Settlement is selected therein and such currency is a currency other than the Call Currency or the Put Currency. If such rate is not specified in the Confirmation, market practice suggests that the rate used for conversion will likely be the relevant spot price, unless the parties otherwise agree.

⁷ For example, these other terms and conditions might include, among other things, whether the option may be exercised in part.

[Account Details:

Payments to Party A:

Payments to Party B:]⁸

[Offices

(a) The Office[s] of Party A for the Currency Option is [are] _____ ; and

(b) The Office[s] of Party B for the Currency Option is [are] _____ .]

This [document] constitutes a “Confirmation” as referred to in the [Master Agreement]. The definitions and provisions contained in the 1992 FX and Currency Option Definitions (as published by the International Swap Dealers Association, Inc.) are incorporated into this Confirmation. In the event of any inconsistency between those definitions and provisions and this Confirmation, this Confirmation will govern. This Confirmation supplements, forms part of, and is subject to the Master Agreement dated as of [date], as amended and supplemented from time to time (the “Agreement”), between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified above.⁹

[Please confirm to us by return telex, mail, facsimile or other electronic transmission that the above details are correct.]

[PARTY A]

By: _____

Name:

Title:

[Confirmed as of the
date below:

[PARTY B]

By: _____

Name:

Title:]

[Dated:]

⁸ Parties may also separately exchange account details.

⁹ Where the form of Confirmation used by the parties does not allow inclusion of this paragraph, a provision to the same effect should be included in the Schedule to the Agreement.