FMLG/BBA EMU Amendment (Greece)

Foreign Exchange and Currency Option Transaction Issues raised by the Introduction of the Euro as the Currency of Greece and addressed in the FMLG/BBA EMU Amendment (Greece) (the "Amendment")

ISSUE	AMENDMENT SOLUTION
Continuity of contract. Concern has been expressed that the introduction of the euro as the currency of Greece may provide one party to a foreign exchange or currency option transaction involving Greek Drachmas ("Drachmas") with a basis for arguing that it should be permitted unilaterally to avoid or modify its obligations under the transaction. While legislation addressing this risk has been adopted by the European Community and by certain States of the United States, the situation may be less clear in other relevant jurisdictions.	Confirm that the introduction of the euro as the currency of Greece will not alter the terms of, or discharge performance under, or be the basis for the early termination of, a foreign exchange or currency option transaction involving the Drachma (as per Annex 1 of the Amendment).
Disappearance of price sources. The sponsors of certain interest rate price sources for deposits in Drachmas have announced that, following the introduction of the euro in Greece, they will stop publishing those prices and/or change the way in which they are calculated. Changes of this nature could pose problems for the parties to an International Currency Options Market Master Agreement ("ICOM"), International Foreign Exchange Master Agreement ("IFEMA") or Foreign Exchange and Options Master Agreement ("FEOMA") under which amounts are payable by reference to rates for Drachmas. For example, if a party to an ICOM, IFEMA or FEOMA has designated the Drachma as its Base Currency, the disappearance of price sources for deposits in Drachmas could interfere with the calculation of late payment interest with respect to an early termination amount.	Specify that EURIBOR will replace all references to LIBOR or Base Currency Rate in an ICOM, IFEMA or FEOMA under which amounts are payable by reference to rates for deposits in Drachmas (as per Annex 2 of the Amendment).

ISSUE	AMENDMENT SOLUTION
Netting provisions. After the euro becomes the currency of Greece, the Drachma will become a denomination of the euro, and payment obligations denominated in Drachmas will be payable in euros. As a consequence, various ICOM, IFEMA and FEOMA provisions will require the netting of certain payments denominated in, the novation netting of certain foreign exchange transactions involving, and/or the discharge and termination of certain offsetting option transactions involving, Drachmas and euros. Operationally, it may be difficult for many market participants to implement such payment netting, novation netting and discharge and termination provisions at this time.	Confirm that the Drachma and the euro will be treated as distinct currencies for purposes of the various payment netting, novation netting and discharge and termination provisions in an ICOM, IFEMA or FEOMA (as per Annex 3 of the Amendment).
Settlement of transactions. After the introduction of the euro as the currency of Greece, commercial banks in Athens may settle payments in euros on days on which they are not otherwise open for business. As a result, it may be possible for payment obligations denominated in Drachmas to be settled in euros on days on which such payment obligations could not have been settled if the euro had not been introduced in Greece.	To preserve the existing position with respect to the settlement of payment obligations denominated in Drachmas, amend the "Local Banking Day" definition in ICOM, IFEMA and FEOMA, and the "business day" definition in the 1998 FX and Currency Options Definitions, to make clear that days on which commercial banks and foreign exchange markets are open solely for the purpose of settling transactions in euros shall not be considered days on which payments denominated in Drachmas may be settled (as per Annex 4 of the Amendment).
Average rate options. Clarify the impact of the introduction of the euro in Greece on currency options which calculate an average rate based upon the Drachma in exchange for an "out" currency (e.g., USD/Drachma).	Provide that the average rate will be calculated by deriving a Drachma/"out" currency exchange rate via the euro in the following manner: • determine the euro/"out" currency rate on relevant date; then • convert the euro/"out" currency rate from euro to the Drachma at the official conversion rate in order to obtain an "out" currency/Drachma currency exchange rate; then • round the resulting rate to no less than six significant figures (as per Annex 5 of the Amendment).

ISSUE	AMENDMENT SOLUTION
Barrier options. Clarify the impact of the introduction of the euro on currency options with barriers consisting of a Drachma/"out" currency exchange rate.	Provide that the Barrier Determination Agent is to monitor barriers based upon the prevailing spot exchange rate of the specified "out" currency/euro using one of two methods, as follows: • Euro Exchange Rate Method - monitor compliance based on the "out" currency/euro exchange rate. • Derived Rate Method - monitor compliance based on the Drachma/"out" currency exchange rate derived via the euro. The final rate obtained using either method is to be rounded to six significant figures (as per Annex 6 of the Amendment).