

Appendix A5

Day count fraction: ICMA Actual/Actual

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1.1 It is customary for the determination of interest for fixed-rate non-USD denominated bonds to apply the ICMA Actual/Actual day count fraction, the two versions of which are set out below.* It may be customary to use other day count fractions and/or basis computations ("from and including" etc.) in relation to the terms of other bonds, currencies and/or markets - sometimes on a standardised drafting basis. For example, several day count fraction definitions are set out in the 2021 ISDA Interest Rate Derivatives Definitions, primarily for use in the derivatives market, and rule 251 of the ICMA secondary market rules and recommendations sets out a day count fraction applicable to the allocation of accrued interest between buyers and sellers in certain bond sales in the secondary markets.

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Note:

** With a few notable exceptions (such as HKD and RMB bonds), a fixed-rate bond interest period (and so the related accrued interest amount) is not generally adjusted due to a scheduled interest payment day falling on a non-business day. (The interest amount is just paid on the next following business day without adjustment.) The ICMA Actual/Actual day count fraction has thus not been specifically envisaged to operate in the context of adjusted interest periods.*

1.2 **Version 1** (No long/short coupons) January 2022

Where interest is to be calculated in respect of a period (the "Accrual Period") which is equal to or shorter* than an Interest Period the [definition used for day-count fraction] used will be the number of days in the Accrual Period, divided by [the product of (1)** the number of days in the Interest Period in which the Accrual Period falls [and (2) the number of Interest Periods normally ending in any year]].

Notes:

** For example, if a call or a put option is exercised otherwise than on a normal date for payment of interest.*

*** To be deleted where the Interest Period is one year.*

1.3 **Version 2** (Long or short coupons) January 2022

The [definition used for day-count fraction] will be calculated on the following basis:

- (a) if the Accrual Period is equal to or shorter than the Determination Period during which it falls, the [definition used for day-count fraction] will be the number of days in the Accrual Period divided by [the product of (1)* the number of days in such Determination Period [and (2) the number of Determination Periods normally ending in any year]*; and
- (b) if the Accrual Period is longer than one Determination Period**, the [definition used for day-count fraction] will be the sum of:

- (i) the number of days in such Accrual Period falling in the Determination Period in which it begins divided by [the product of (1)]* the number of days in such Determination Period [and (2) the number of Determination Periods normally ending in any year]*; and
- (ii) the number of days in such Accrual Period falling in the next Determination Period divided by [the product of (1)]* the number of days in such Determination Period [and (2) the number of Determination Periods normally ending in any year]*,

where:

“Accrual Period” means the relevant period for which interest is to be calculated; and

“Determination Period” means the period from and including [day(s) and month(s) on which interest is normally paid (if more than one, then such dates in the alternative)] in any year to but excluding the next [day(s) and month(s) on which interest is normally paid (if more than one, then such dates in the alternative)].

Notes:

* To be deleted where the Interest Period is one year.

** The language refers to an Accrual Period which is no more than two Determination Periods. The wording can be similarly extended to accommodate longer periods.