

Practice Note  
Concerning  
Barrier Option Confirmation Documentation

In 1997 the Foreign Exchange Committee, in association with the British Bankers' Association, the Canadian Foreign Exchange Committee and the Tokyo Foreign Exchange Market Practices Committee, published revised versions of the International Currency Options Market ("ICOM") Master Agreement (the "ICOM Master") and the International Foreign Exchange Master Agreement ("IFEMA"). The Foreign Exchange and Options Master Agreement ("FEOMA," combining these two masters) was also published at this time.

In addition, at the time of publication of the ICOM Master, IFEMA and FEOMA, the Foreign Exchange Committee and the other sponsoring organizations published the Barrier Option Addendum, the Short-Form Barrier Option Confirmation and the Long-Form Barrier Option Confirmation. The Addendum was intended for use as a supplement to the ICOM Master and FEOMA when parties intended to enter into barrier options. If the parties had executed the Addendum, they could use the Short-Form Barrier Option Confirmation. If they had not executed the Addendum, they could use the Long-Form Barrier Option Confirmation.

Subsequently, in 1998, the Foreign Exchange Committee, together with the International Swaps and Derivatives Association, Inc. and the Emerging Markets Traders Association published the 1998 FX and Currency Option Definitions (the "1998 FX Definitions").

The 1998 FX Definitions do not contain any provisions explicitly dealing with barrier options. However, starting in 1999, a subcommittee of the Foreign Exchange Committee worked with representatives of the Financial Markets Lawyers Group (the "FMLG") to develop forms of confirmations for barrier options that could be used with the 1998 FX Definitions. In September 2000 a knock-out/knock-in barrier option confirmation form was finalized. A form of binary option confirmation was also developed that works with the 1998 FX Definitions. Both confirmation forms appear below.

The 1998 FX Definitions and the new forms of confirmations contain all the provisions previously contained in the Barrier Option Addendum and/or Short-Form Barrier Option Confirmation and Long-Form Barrier Option Confirmation (the "1997 Barrier Option Documentation"). Accordingly, the Foreign Exchange Committee is hereby notifying market participants that the 1997 Barrier Option Documentation is superseded by the new confirmations appearing below. Of course, parties may still choose to use the older forms if they agree.