

# Day Convention for Dates Generation

[See previous W5 version guide](#)

## **PURPOSE**

This document explains the different types of conventions and how each affects the dates generation.

## **FREQUENTLY ASKED QUESTIONS**

**FAQ01. What are the different types of non-end-of-month conventions and how do they affect the dates generation?**

When generating a sequence of dates (for example, when generating the coupon payment dates for a swap, a loan or a bond), it may be necessary to adjust the dates for non-business days. Weekend days (Sat and Sun) are non-business days.

### No Adjustment

Dates are not adjusted.

### Next Business Day

If a date falls on a weekend or a holiday, the next good business day is used.

### Previous Business Day

If a date falls on a weekend or a holiday, the previous good business day is used.

### Modified Month End

If a date falls on a weekend or a holiday, the next good business day is used. But if the next good business day falls in the next month, the previous good business day is used.

## **FAQ02. What are the different types of end-of-month conventions and how do they affect the dates generation?**

When generating a sequence of dates, there are different conventions regarding how dates are generated at the end of the month.

The preceding non end-of-month conventions will generate cash flow dates that fall on the same day of the month, and then possibly adjust the date to a business day.

End-of-month conventions will generate dates in the same way, except when the date falls on the last day of the month. In this case, the end-of-month convention will generate subsequent cash flow dates that fall on the last day of each cash flow month (and then possibly adjust to a business day).

For example, suppose today is 28-Feb-1995 (the last day of February) and suppose we would like to generate a date 6 months from this date. This generated date is ambiguous, as both 28-Aug-1995 and 31-Aug-1995 seem reasonable.

The preceding non-end-of month business day conventions will generate the 28th of August (and then possibly adjust to a business day), while the end-of-month business day conventions will generate the 31st of August (and then possibly adjust to a business day). The end-of-month adjustment methods provided are:

### Month End – No Adjustment

Dates are generated according to the end-of-month rule described above. Generated dates are not adjusted for business days.

### Month End – Next Business Day

Dates are generated according to the end-of-month rule described above. If a generated date falls on a weekend

or a holiday, the next good business day is used.

#### Month End – Previous Business Day

Dates are generated according to the end-of-month rule described above. If a generated date falls on a weekend or a holiday, the previous good business day is used.

#### **CHANGE HISTORY**

Date	By	Changes
15-Feb-2008	-	Created.
28-Jul-2015	CS	Included section for FAQ.
18-Feb-2016	Clarissa	Rewritten. Reformatted.
12-Jun-2016	Douglas	Proofread.
13-Jun-2023	TS	Updated to W6 instructions and screenshots.