

~~Termsheet~~Summary: Implementation of Auction Settlement Following a Restructuring Credit Event¹

In March 2009 ISDA published the 2009 ISDA Credit Derivatives Determinations Committees and Auction Settlement Supplement to the 2003 ISDA Credit Derivatives Definitions (published on March 12, 2009) (the **March 2009 Supplement**). The March 2009 Supplement established provisions governing Auction Settlement and created Credit Derivatives Determinations Committees to make determinations regarding issues relevant to the market as a whole. However, the March 2009 Supplement did not solve for the technical issues involved in applying Auction Settlement following a Restructuring. In particular, the 2003 ISDA Credit Derivatives Definitions (the **Definitions**) impose maturity limitation requirements on Deliverable Obligations that would need to be amended in order for Auction Settlement to operate efficiently following a Restructuring. In the months following the publication of the March 2009 Supplement, a working group of market participants ~~has been developing~~developed a series of amendments to the Definitions, as supplemented by the March 2009 Supplement (the **Supplemented Definitions**), to permit Auction Settlement to apply, while simultaneously replicating, to the extent practicable, the maturity limitation requirements for Deliverable Obligations contained in Sections 2.32 and 2.33 of the Definitions. The purpose of this ~~termsheet~~summary is to outline the proposed amendments. These terms ~~will bear~~now set out in a new supplement to the Supplemented Definitions (the **Restructuring Supplement**). The Restructuring Supplement ~~will~~may be incorporated into the Confirmations of new Credit Derivative Transactions and into existing Credit Derivative Transactions via an ISDA Protocol.

Capitalized terms used but not defined herein have the meanings given to such terms in the Supplemented Definitions.

I. **Mod Mod R**

1. *Maturity Buckets*

~~(a)~~—With respect to Credit Derivative Transactions for which Modified Restructuring Maturity Limitation and Conditionally Transferable Obligation (**Mod Mod R**) is applicable, eight separate buckets (each, a **Maturity Bucket**) will be established for purposes of settlement. ~~Each~~Seven Maturity ~~Bucket~~Buckets will encompass a maturity period that ends on the IMM Roll Date occurring on or immediately following the date that is δ number of years following the Restructuring Date, where δ is one of the following numbers of years: 2.5 years, 5

¹ Note: this summary is a plain-English explanation of amendments to the Supplemented Definitions that provide for the application of Auction Settlement following a Restructuring. This summary is subject to the provisions of the Restructuring Supplement, the ISDA 2009 Credit Derivatives Determinations Committees, Auction Settlement and Restructuring CDS Protocol (published on July 14, 2009) and the Rules, and should not be used as a substitute for reading each of those documents. This summary does not constitute legal advice.

years, 7.5 years, 10 years, 12.5 years, 15 years, ~~20 years~~ and ~~30~~20 years (each such end date, a **Maturity Bucket End Date**). The final Maturity Bucket will cover maturities occurring after the IMM Roll Date occurring on or immediately following the date that is 20 years after the Restructuring Date (the 20+-year Maturity Bucket). The first such Maturity Bucket will be referred to herein as the ModMod 5-year Maturity Bucket, the second such Maturity Bucket will be referred to herein as the 5-year Maturity Bucket, the third such Maturity Bucket will be referred to herein as the 7.5-year Maturity Bucket, etc.

2. Buyer Triggers

- (~~b~~a) Upon the occurrence of a Restructuring with respect to a Credit Derivative Transaction, if Buyer triggers settlement, such Credit Derivative Transaction will be assigned to the Maturity Bucket with the Maturity Bucket End Date that occurs on or immediately following the Scheduled Termination Date of such Credit Derivative Transaction (subject to (i) the Rounding Down Convention described in Section I.(2) below and (ii) the triggering of such Credit Derivative Transaction by the Seller, as described in Section I.(3) below). If the Scheduled Termination Date of such Credit Derivative Transaction occurs after the Maturity Bucket End Date of the 20-year Maturity Bucket, it will be assigned to the 20+-year Maturity Bucket.
- (~~e~~b) Deliverable Obligations with a final maturity date on or prior to a relevant Maturity Bucket End Date will be deliverable to settle Credit Derivative Transactions assigned to (i) such Maturity Bucket and (ii) those Maturity Buckets with later Maturity Bucket End Dates, if any. The **Maturity Bucket Obligation Limitation Date** of a Maturity Bucket, with respect to Deliverable Obligations that have a final maturity date occurring on or prior to the Maturity Bucket End Date of such Maturity Bucket and after the Maturity Bucket End Date of the Maturity Bucket with the next earliest Maturity Bucket End Date, if any, is the Maturity Bucket End Date of such Maturity Bucket; provided that with respect to the ModMod ~~a~~5-year Maturity Bucket only and any Restructured Bond or Loan with a final maturity date that occurs up to 5 years after the Restructuring Date, the Maturity Bucket Obligation Limitation Date is 5 years after the Restructuring Date. Thus, any Restructured Bond or Loan with a final maturity date that occurs up to 5 years after the Restructuring Date will be deliverable to settle Credit Derivative Transactions assigned to the ModMod 5-year Maturity Bucket, as well as Credit Derivative Transactions assigned to Maturity Buckets with Maturity Bucket End Dates later than the Maturity Bucket End Date of the ModMod 5-year Maturity Bucket (See Section III below (*Chart Summary of Maturity Buckets*)).
- (~~d~~c) The relevant DC will determine whether an Auction will be held with respect to any Maturity Bucket. No Auction will be held for

Buyer-triggered Credit Derivative Transactions in the 20+-year Maturity Bucket.

- (ed) The relevant DC will not have the authority to (i) create additional Maturity Buckets, except as described herein, or (ii) amend the Maturity Bucket End Date of any existing Maturity Bucket.

- (e) In circumstances where the Deliverable Obligations with respect to Credit Derivative Transactions assigned to two different Maturity Buckets are identical, a single Auction will be held for both Maturity Buckets, unless the relevant DC determines that no Auction will be held to settle the Credit Derivative Transactions assigned to either such Maturity Bucket.

For the avoidance of doubt, for purposes of determining whether the 300/5 Criteria (as defined in Section V.(3)(a) below) have been satisfied with respect to such potential single Auction for two Maturity Buckets, the triggered Credit Derivative Transactions assigned to either such Maturity Bucket will be counted collectively as if such triggered Credit Derivative Transactions had been assigned to the same Maturity Bucket.

2.3. Rounding Down Convention

- (a) A Credit Derivative Transaction will be assigned to the Maturity Bucket with a Maturity Bucket End Date that is on or immediately following the Scheduled Termination Date of such Credit Derivative Transaction, unless there are no Deliverable Obligations with a final maturity date occurring on or prior to such Scheduled Termination Date and following the Maturity Bucket End Date of the Maturity Bucket with the next earliest Maturity Bucket End Date (the **First Next Earliest Maturity Bucket**), in which case such Credit Derivative Transaction will be assigned to the First Next Earliest Maturity Bucket; unless there are no Deliverable Obligations with a final maturity date occurring on or prior to the Maturity Bucket End Date of the First Next Earliest Maturity Bucket and following the Maturity Bucket End Date of the Maturity Bucket with the next earliest Maturity Bucket End Date (the **Second Next Earliest Maturity Bucket**), in which case such Credit Derivative Transaction will be assigned to the Second Next Earliest Maturity Bucket, etc. (such convention for downward assignment, the **Rounding Down Convention**); ~~provided that.~~ These Deliverable Obligations are referred to as "Enabling Obligations" in the Restructuring Supplement. For the avoidance of doubt, a Credit Derivative Transaction with a Scheduled Termination Date ~~on or immediately prior to~~ later than the Maturity Bucket End Date of the ~~30~~20-year Maturity Bucket will only be subject to the Rounding Down Convention to the extent that Buyer has triggered such Credit Derivative Transaction and there is a Deliverable Obligation that is a Conditionally Transferable Obligation with final maturity date occurring on or prior to the Maturity Bucket End Date of the

relevant earlier Maturity Bucket. The purpose of the Rounding Down Convention derives from the increased optionality Buyer may receive under these terms relating to Maturity Buckets, according to which Buyer will potentially gain the benefit of Deliverable Obligations with a later final maturity date than Buyer may currently deliver under the Definitions. The Rounding Down Convention limits Buyer's increased optionality to those circumstances in which Buyer would otherwise be prejudiced by not receiving such increased optionality.

For the avoidance of doubt, the Rounding Down Convention will not apply to the ModMod 5-year Maturity Bucket.

- Example 1: If (A) the Scheduled Termination Date of a Credit Derivative Transaction would occur 6 years after the relevant Restructuring Date and (B) no ~~Deliverable~~Enabling Obligation with a final maturity date occurring after 5 years following such Restructuring Date but on or prior to 6 years following such Restructuring Date exists, then such Credit Derivative Transaction will be assigned to the 5-year Maturity Bucket in accordance with the Rounding Down Convention, even though based solely on such Scheduled Termination Date, such Credit Derivative Transaction would otherwise be assigned to the 7.5-year Maturity Bucket.
 - Example 2: If (A) the Scheduled Termination Date of a Credit Derivative Transaction would occur 6 years after the relevant Restructuring Date and (B) no ~~Deliverable~~Enabling Obligation with a final maturity date occurring after 2.5 years following such Restructuring Date but on or prior to 6 years following such Restructuring Date exists, then such Credit Derivative Transaction will be assigned to the ModMod 5-year Maturity Bucket in accordance with the Rounding Down Convention, even though based solely on such Scheduled Termination Date, such Credit Derivative Transaction would otherwise be assigned to the 7.5-year Maturity Bucket.
- (b) With respect to the 5-year Maturity Bucket only, the Rounding Down Convention will apply as it does to all other Maturity Buckets, provided that Restructured Bonds or Loans will be disregarded for purposes of applying the Rounding Down Convention. The purpose of this exception is to reflect the definition of Modified Restructuring Maturity Limitation Date in the Definitions.
- Example 1: If (A) the Scheduled Termination Date of a Credit Derivative Transaction would occur 4 years after the relevant Restructuring Date and (B) there are no ~~Deliverable~~Enabling Obligations with a final maturity date occurring after 2.5 years following such Restructuring Date and prior to 4 years following such

Restructuring Date other than one or more Restructured Bonds or Loans, then such Credit Derivative Transaction will be assigned to the ModMod 5-year Maturity Bucket in accordance with the Rounding Down Convention.

- Example 2: If (A) the Scheduled Termination Date of a Credit Derivative Transaction would occur 4 years after the relevant Restructuring Date and (B) there are one or more ~~Deliverable~~Enabling Obligations with a final maturity date occurring after 2.5 years following such Restructuring Date and prior to 4 years following such Restructuring Date that are non-Restructured Bonds or Loans, then such Credit Derivative Transaction will be assigned to the 5-year Maturity Bucket, and will not be rounded down in accordance with the Rounding Down Convention.

3.4. *If Seller Triggers*

~~(a)~~—If, following a Restructuring, Seller triggers a Credit Derivative Transaction, such Credit Derivative Transaction will, regardless of the Scheduled Termination Date, be ~~assigned to the 30-year Maturity Bucket, to be~~ settled in accordance with ~~either (i) Auction Settlement, if the relevant DC determines that an Auction will be held for the 30-year Maturity Bucket or (ii) the Fallback Settlement Method, if (A) the relevant DC determines that no Auction will be held for the 30-year Maturity Bucket and (B)~~the Auction held for Deliverable Obligations with a maturity up to the Maximum Maturity specified as the Deliverable Obligation Characteristic in such Credit Derivative Transaction. The Deliverable Obligations are not subject to the Modified Restructuring Maturity Limitation Date or the Conditionally Transferable Obligation requirement. If the relevant DC decides not to hold such an Auction for such Credit Derivative Transaction, and Buyer has~~does not exercised~~exercise the Movement Option (as defined in Section I.(4) below), the Fallback Settlement Method will apply.

~~For the avoidance of doubt, a Credit Derivative Transaction will be triggered by the party that is first in time to deliver the relevant valid and effective notice(s) (as described in Section IV below).~~

~~(b)~~—~~In circumstances where the Deliverable Obligations with respect to Credit Derivative Transactions assigned to two different Maturity Buckets are identical, a single Auction will be held for both Maturity Buckets, unless the relevant DC determines that no Auction will be held to settle the Credit Derivative Transactions assigned to either such Maturity Bucket.~~

~~For the avoidance of doubt, for purposes of determining whether the 500/5 Criteria (as defined in Section V.(3)(a) below) have been satisfied with respect to such potential single Auction for two Maturity Buckets, the triggered Credit Derivative Transactions assigned to either such Maturity~~

~~Bucket will be counted collectively as if such triggered Credit Derivative Transactions had been assigned to the same Maturity Bucket.~~

4.5. *Option to Move a Transaction*

~~If a Credit Derivative Transaction is assigned to a Maturity Bucket for which~~ the relevant DC has determined that no Auction will be held for a Credit Derivative Transaction, then (a) Buyer will, regardless of which party has triggered such Credit Derivative Transaction, have the option to move such Credit Derivative Transaction down to the Maturity Bucket with the next earliest Maturity Bucket End Date for which the relevant DC has determined that an Auction will be held and (b) Seller will, if Buyer has triggered such Credit Derivative Transaction, have the option to move such Credit Derivative Transaction to be covered by the 30-year Maturity Bucket if the relevant DC has determined that an Auction will be held for the 30-year Maturity Bucket to be held for Credit Derivative Transactions that apply the relevant Maximum Maturity and to which the Conditionally Transferable Obligation requirement does not apply (such option, in each case, the **Movement Option**). ~~The Movement Option must be exercised on or prior to the Movement Option Deadline (as defined in Section V.(3)(b) below). The party, if any, that is first in time~~ party that exercises the Movement Option by delivering to the other party an effective notice to exercise the Movement Option (such notice, a Notice to Exercise Movement Option) on or prior to the Movement Option ~~Deadline~~ Cut-off Date (as defined in Section V.(3)(b) below) will determine whether, and in which direction, such Credit Derivative Transaction will move. If ~~neither party exercises the~~ both parties deliver an effective Notice to Exercise Movement Option on or prior to the Movement Option Cut-off Date, Buyer's Notice to Exercise Movement Option will prevail, regardless of which party was first in time to deliver an effective Notice to Exercise Movement Option. If neither party delivers an effective Notice to Exercise Movement Option on or prior to the Movement Option ~~Deadline~~ Cut-off Date, such Credit Derivative Transaction will not move to a new Maturity Bucket and will be settled in accordance with the Fallback Settlement Method.

5.6. *Conditionally Transferable Obligation*

(a) — Following a Restructuring, each Deliverable Obligation ~~allocated to any Maturity Bucket, other than the 30-year Maturity Bucket, covered by an Auction for Buyer-triggered Credit Derivative Transactions (other than Buyer-triggered Credit Derivative Transactions where Seller has exercised the Movement Option)~~ must be a Conditionally Transferable Obligation. For the avoidance of doubt, with respect to ~~the 30-year Maturity Bucket~~ Auctions for Seller-triggered Credit Derivative Transactions (other than Seller-triggered Credit Derivative Transactions where Buyer has exercised the Movement Option), the requirement that a Deliverable Obligation be a Conditionally Transferable Obligation will not apply, regardless of whether an Auction is held for ~~the 30-year Maturity Bucket~~ such Credit Derivative Transactions.

~~(b) If Buyer triggers a Credit Derivative Transaction that is assigned to the 30-year Maturity Bucket, such Credit Derivative Transaction will not be settled in any Auction held for the 30-year Maturity Bucket. Such Credit Derivative Transaction will (unless subject to the Movement Option) be settled in accordance with the Fallback Settlement Method, provided that, Section I.(5)(a) above notwithstanding, any Deliverable Obligation with respect to such Credit Derivative Transaction must be a Conditionally Transferable Obligation. Thus, to the extent that there are Deliverable Obligations with a final maturity date occurring on or prior to the Maturity Bucket End Date of the 30-year Maturity Bucket that are not Conditionally Transferable Obligations, there will be two sets of Deliverable Obligations with respect to Credit Derivative Transactions assigned to the 30-year Maturity Bucket: one set of Deliverable Obligations with respect to Seller-triggered Credit Derivative Transactions and one set of Deliverable Obligations with respect to Buyer-triggered Credit Derivative Transactions.~~

~~6.7.~~ *Fallback Settlement*

For the avoidance of doubt, if, with respect to a Credit Derivative Transaction, the Fallback Settlement Method applies, the only Deliverable Obligations that will be deliverable to settle such Credit Derivative Transaction are those Deliverable Obligations that have a final maturity date on or prior to the Maturity Bucket Obligation Limitation Date applicable to the Maturity Bucket to which such Credit Derivative Transaction is assigned with respect to Buyer-triggered Credit Derivative Transactions, or Deliverable Obligations that have a final maturity date on or prior to the Maximum Maturity with respect to Seller-triggered Credit Derivative Transactions. In circumstances where the relevant DC determines that a Restructuring has occurred *and* that one or more Auctions may be held, such DC will identify Deliverable Obligations that have a final maturity date on or prior to the Maturity Bucket Obligation Limitation Date applicable to each Maturity Bucket. In all other relevant circumstances, Deliverable Obligations will also be identified by reference to the relevant Maturity Bucket Obligation Limitation Date, including where the relevant DC does not publish a Final List. Additionally, the ~~provisions of Section I.(5)(b) above~~ requirement that the Deliverable Obligations satisfy the Conditionally Transferable Obligation requirement will apply in all relevant circumstances, regardless of whether the relevant DC has determined that one or more Auctions may be held.;

II. Mod R

The terms as set forth above with respect to Credit Derivative Transactions for which Mod R is applicable, will apply equally to Credit Derivative Transactions for which Restructuring Maturity Limitation and Fully Transferable Obligation (**Mod R**) is applicable, with the following modifications:

1. *2.5-year Maturity Bucket*

The Maturity Bucket with a Maturity Bucket End Date that occurs on the IMM Roll Date occurring on or immediately following the date that falls 2.5 years after the Restructuring Date will be referred to herein as the 2.5-Year Maturity Bucket.

2. *Pre-2.5-year Maturity Bucket*

In order to settle Credit Derivative Transactions that have a Scheduled Termination Date prior to the latest final maturity date of any Restructured Bond or Loan, where such latest final maturity date occurs prior to 2.5 years after the relevant Restructuring Date, there will be an additional Maturity Bucket for which the Maturity Bucket End Date will match the latest final maturity date of any such Restructured Bond or Loan (the **Pre-2.5-year Maturity Bucket**). The purpose of this exception is to reflect the definition of Restructuring Maturity Limitation Date in the Definitions.

3. *Maturity Bucket Obligation Limitation Date and the 2.5-year Maturity Bucket*

Notwithstanding [the provision in](#) Section I.(1)(c) above, ~~with respect to~~ [regarding](#) the ModMod 5-year Maturity Bucket, the Maturity Bucket Obligation Limitation Date [for the 2.5-year Maturity Bucket](#) is 2.5 years after the Restructuring Date for any Deliverable Obligation, *including any Restructured Bond or Loan*, that is deliverable to settle Credit Derivative Transactions assigned to the 2.5-year Maturity Bucket.

4. *Fully Transferable Obligation*

~~(a) — Following a Restructuring, each Deliverable Obligation allocated to any Maturity Bucket other than the 30-year Maturity Bucket must also be covered by an Auction for Buyer-triggered Credit Derivative Transactions (other than Buyer-triggered Credit Derivative Transactions where Seller has exercised the Movement Option) must be a Fully Transferable Obligation. For the avoidance of doubt, with respect to the 30-year Maturity Bucket Auctions for Seller-triggered Credit Derivative Transactions (other than Seller-triggered Credit Derivative Transactions where Buyer has exercised the Movement Option), the requirement that a Deliverable Obligation also be a Fully Transferable Obligation will not apply, regardless of whether an Auction is held for the 30-year Maturity Bucket.~~
~~(b) — If Buyer triggers a Credit Derivative Transaction that is assigned to the 30-year Maturity Bucket, such Credit Derivative Transaction will not be settled in any Auction held for the 30-year Maturity Bucket. — Such Credit Derivative Transaction will (unless subject to the Movement Option) be settled in accordance with the Fallback Settlement Method, provided that, Section II.(4)(a) above notwithstanding, any Deliverable Obligation with respect to such Credit Derivative Transaction must be a Fully Transferable Obligation. — Thus, to the extent that there are Deliverable Obligations with a final maturity date occurring on or prior to the~~

~~Maturity Bucket End Date of the 30-year Maturity Bucket that are not Fully Transferable Obligations, there will be two sets of Deliverable Obligations with respect to Credit Derivative Transactions assigned to the 30-year Maturity Bucket: one set of Deliverable Obligations with respect to Seller triggered Credit Derivative Transactions and one set of Deliverable Obligations with respect to Buyer triggered Credit Derivative Transactions. The provisions of this Section II.(4)(b) will apply in all relevant circumstances, regardless of whether the relevant DC has determined that one or more Auctions may be held.~~ such Credit Derivative Transactions.

5. *Rounding Down Convention*

- (a) With respect to a Credit Derivative Transaction with a Scheduled Termination Date ~~on or immediately prior to~~ later than the Maturity Bucket End Date of the ~~30~~20-year Maturity Bucket, such Credit Derivative Transaction will only be subject to the Rounding Down Convention to the extent that Buyer has triggered such Credit Derivative Transaction and there is a Deliverable Obligation that is a Fully Transferable Obligation with final maturity date occurring on or prior to the Maturity Bucket End Date of ~~a Maturity Bucket with a Maturity Bucket End Date that is earlier than that of the 30~~the 20-year Maturity Bucket.

For the avoidance of doubt, the Rounding Down Convention will not apply to the Pre-2.5-year Maturity Bucket or, if there is no Pre-2.5-year Maturity Bucket, the 2.5-year Maturity Bucket.

- (b) With respect to the 5-year Maturity Bucket, the application of the Rounding Down Convention without regard to Restructured Bonds or Loans, as described in Section I.(2)(b), will not apply.

III. Chart Summary of Maturity Buckets

Maturity Bucket End Date		Maturity Bucket <i>Obligation</i> Limitation Date	
(Mod R)	(Mod Mod R)	(Mod R)	(Mod Mod R)
Pre-2.5 years (as necessary)	No equivalent	Pre-2.5 years (as necessary)	No equivalent
2.5 years	2.5 years	2.5 years	2.5 years for non-Restructured Bond or Loan/5 years for Restructured Bond or Loan
5 years	5 years	5 years	5 years
7.5 years	7.5 years	7.5 years	7.5 years
10 years	10 years	10 years	10 years

12.5 years	12.5 years	12.5 years	12.5 years
15 years	15 years	15 years	15 years
20 years	20 years	20 years	20 years
30 years (a) <u>STD, if Buyer triggers; (b) Maximum Maturity, if Seller triggers</u>	30 years (a) <u>STD, if Buyer triggers; (b) Maximum Maturity, if Seller triggers</u>	30 years (a) <u>STD, if Buyer triggers; (b) Maximum Maturity, if Seller triggers</u>	30 years (a) <u>STD, if Buyer triggers; (b) Maximum Maturity, if Seller triggers</u>

IV. Event Determination Date, Exercise Cut-off Date, Trade Date

~~Unless otherwise noted, the terms in this Section IV apply to a Credit Derivative Transaction following a Restructuring, regardless of whether (a) Auction Settlement, Physical Settlement or Cash Settlement applies to such~~The tables below set out the relevant Event Determination Date, Exercise Cut-off Date and Trade Date provisions that will apply following a DC Resolution that a Restructuring has occurred with respect to a Credit Derivative Transaction and (b) the relevant Confirmation specifiesfor which (a) Auction Settlement is either (i) specified as the Settlement Method (**Auction Settlement**) or (ii) not specified as the Settlement Method (**No Auction Settlement**) and (b) either (i) "Buyer or Seller" are specified as Notifying Parties or neither party is specified as the Notifying Party (**Two Notifying Parties**) or (ii) ~~only "Buyer" as the Notifying Party or only "Seller" as the~~"Buyer" or "Seller" is specified as the only Notifying Party (**One Notifying Party**).

A. Two Notifying Parties/One Notifying Party – Auction Settlement/No Auction Settlement

1. ~~The Relevant DC is not Asked to Determine whether a Restructuring has Occurred~~

<u>Old R, Mod R or Mod Mod R</u>	<u>Trade Date Conditions</u>	<u>Exercise Cut-off Date</u>	<u>Event Determination Date</u>
<u>Old R</u>	<u>On or prior to (a) the Auction Final Price Determination Date, (b) the Auction Cancellation Date or (c) the date that is 21 calendar days following the No Auction Announcement Date</u>	<u>(a) Business Day prior to the Auction Final Price Determination Date, (b) Business Day prior to the Auction Cancellation Date or (c) the date that is 21 calendar days following the No Auction Announcement Date, if any, as applicable</u>	<u>Credit Event Resolution Request Date</u>
<u>Mod R or Mod Mod R</u>	<u>On or prior to (a) the Auction Final Price Determination Date, (b) the Auction Cancellation Date or</u>	<u>(a) 2/5² Business Days following publication of the Final List of Deliverable Obligations, or (b) the</u>	<u>Credit Event Resolution Request Date</u>

² On the distinction between 2 and 5 Business Days, see the definition of Exercise Cut-off Date in Section V.(3)(a) below.

	<u>(c) the date that is 21 calendar days following the No Auction Announcement Date</u>	<u>date that is 21 calendar days following a No Auction Announcement Date pursuant to Section 12.12(b), as applicable</u>	
--	---	---	--

B. One Notifying Party – Auction Settlement/No Auction Settlement – Credit Event Notice delivered after the Exercise Cut-off Date

<u>Old R, Mod R or Mod Mod R</u>	<u>Trade Date Conditions</u>	<u>Exercise Cut-off Date</u>	<u>Event Determination Date</u>
<u>Old R, Mod R or Mod Mod R</u>	<u>On or prior to (a) the Auction Final Price Determination Date, (b) the Auction Cancellation Date or (c) the date that is 21 calendar days following the No Auction Announcement Date</u>	<u>Not applicable if Credit Event Notice is delivered after the Exercise Cut-off Date</u>	<u>Date on which Credit Event Notice is effective</u>

~~If for the avoidance of doubt, if the relevant DC is not asked to determine whether a Restructuring has occurred, but a Notifying Party to a Credit Derivative Transaction delivers a valid, or declines, to determine whether the relevant event constitutes a Restructuring, the Event Determination Date will be the first date on which both the Credit Event Notice and, if Notice of Publicly Available Information is specified in the relevant Confirmation as a Condition to Settlement, the Notice of Publicly Available Information with respect to a Restructuring, the Event Determination Date will be the first date on which such notice(s) are delivered and effective during the Notice Delivery Period, provided that such notice(s) are delivered and effective on or prior to 60 calendar days following the Restructuring Date. However, if the relevant DC subsequently determines that (a) a Restructuring has occurred, the Event Determination Date will be determined as described in Section IV.(3) or (4) below, as applicable, or (b) a Restructuring has not occurred, it will be deemed that no Event Determination Date has occurred, provided, in each case, that settlement with respect to such Credit Derivative Transaction has not been completed as of such determination by the relevant DC, are delivered by a Notifying Party to the other party and are effective during either (a) the Notice Delivery Period or (b) the period (i) from, and including, the date on which ISDA publicly announces that the relevant DC has Resolved not to determine whether the relevant event constitutes a Restructuring, and including, the date that is 14 calendar days thereafter (provided that the relevant Credit Event Resolution Request Date occurred on or prior to the end of the last day of the Notice Delivery Period (including prior to the Trade Date)).~~

~~2. — The Relevant DC Resolves not to Determine whether a Restructuring has Occurred~~

~~If, following a Credit Event Resolution Request Date, the relevant DC Resolves not to determine whether a Restructuring has occurred, but a Notifying Party to a Credit Derivative Transaction delivers a valid Credit Event Notice and, if Notice of Publicly Available Information is specified in the relevant Confirmation as a Condition to Settlement, Notice of Publicly Available Information with respect to a Restructuring, the Event Determination Date will be the first date on which such notice(s) are delivered and effective on or prior to the date that is the later of (a) 60 calendar days following the Restructuring Date, to the extent such 60 calendar day period does not extend beyond the end of the Notice Delivery Period and (b) 14 calendar days following ISDA's public announcement that the relevant DC has Resolved not to determine whether a Restructuring has occurred, provided that the relevant Credit Event Resolution Request Date occurred prior to the end of the Notice Delivery Period.~~

~~3. *The Relevant DC Determines that a Restructuring has Occurred, but that No Auctions Will be Held*~~

~~(a) *Two Notifying Parties; Auction Settlement specified*~~

~~If the relevant DC determines that a Restructuring has occurred, but, at the outset of its deliberations, Resolves that no Auctions will be held, the Event Determination Date will be the relevant Credit Event Resolution Request Date, provided that (i) the relevant Credit Event Resolution Request Date occurred prior to the end of the Notice Delivery Period and (ii) a valid Credit Event Notice is delivered by a Notifying Party and is effective on or prior to the date that is 21 calendar days following ISDA's public announcement that the relevant DC has determined that a Restructuring has occurred.~~

~~(b) *One Notifying Party*~~

~~If the relevant DC determines that a Restructuring has occurred, but, at the outset of its deliberations, Resolves that no Auctions will be held, the Event Determination Date will be the first date on which a valid Credit Event Notice is delivered by the Notifying Party and is effective on or prior to the later of (i) the end of the Notice Delivery Period and (ii) the date that is 14 calendar days following ISDA's public announcement that the relevant DC has determined that a Restructuring has occurred, provided that the relevant Credit Event Resolution Request Date occurred prior to the end of the Notice Delivery Period.~~

~~4. *The Relevant DC Determines that a Restructuring has Occurred, and that One or More Auctions May be Held*~~

~~(a) *Two Notifying Parties; Auction Settlement specified*~~

~~If the relevant DC determines that a Restructuring has occurred and that one or more Auctions may be held, the Event Determination Date will be the relevant Credit Event Resolution Request Date, provided that (i) the relevant Credit Event Resolution Request Date occurred prior to the end of the Notice Delivery Period and (ii) a valid Credit Event Notice is delivered by a Notifying Party and is effective on or prior to the relevant Exercise Deadline (as defined in Section V.(3)(a) below).~~

~~(b) — One Notifying Party~~

~~If the relevant DC determines that a Restructuring has occurred and that one or more Auctions may be held, the Event Determination Date will be (i) the relevant Credit Event Resolution Request Date, provided that Auction Settlement is specified and a valid Credit Event Notice is delivered by the Notifying Party and is effective during the Notice Delivery Period and prior to the Auction Final Price Determination Date or (ii), regardless of whether Auction Settlement is specified, the first date on which a valid Credit Event Notice is delivered by the Notifying Party and is effective on or prior to the date that is the later of (A) the end of the Notice Delivery Period and (B) 14 calendar days following ISDA's public announcement that the relevant DC has determined that a Restructuring has occurred, provided that the relevant Credit Event Resolution Request Date occurred prior to the end of the Notice Delivery Period.[†]~~

~~5. — Upon the Occurrence of an Event Determination Date~~

~~For the avoidance of doubt, upon the occurrence of an Event Determination Date following a Restructuring, with respect to that portion of the notional amount of the relevant Credit Derivative Transaction that has been triggered (or the full notional amount, if the full notional amount of such Credit Derivative Transaction has been triggered), a triggering party will under no circumstances be permitted to rescind the relevant notice(s) as if to un-trigger such portion (or such full amount), including under circumstances where the relevant Restructuring has been followed by a new Credit Event relating to the same Reference Entity.~~

V. DC Procedures and Timing Following a Determination that a Restructuring Credit Event has Occurred and that One or More Auctions May be Held

1. Allocating Deliverable Obligations to Maturity Buckets

After determining that a Restructuring has occurred and that one or more Auctions may be held, the relevant DC will identify (and allocate to the appropriate Maturity

[†] ~~We note that a scenario in which a Notifying Party could deliver a Credit Event Notice after the Auction Final Price Determination Date and prior to 14 calendar days following ISDA's public announcement that a Credit Event has occurred is unlikely. However, the relevant provisions of the March 2009 Supplement provide for this possibility and this treatment in such circumstances following a Bankruptcy or Failure to Pay.~~

Buckets) Deliverable Obligations that are, as applicable, Conditionally Transferable Obligations or Fully Transferable Obligations. In performing the task of allocation, the relevant DC will essentially follow the procedures currently set forth in the Credit Derivatives Determinations Committees Rules (the **Rules**); thus, the relevant DC will publish, ~~for each Maturity Bucket,~~ an Initial List, a Supplemental List and a Final List of Deliverable Obligations for each set of Deliverable Obligation Terms. In addition, the relevant DC will specify which Deliverable Obligations are applicable with respect to each Auction. This process is expected to take approximately ~~2~~two weeks in most cases, but may be adjusted by a Supermajority of the relevant DC.

2. *Publishing the Range of Scheduled Termination Dates Applicable to Maturity Buckets*

When ISDA publishes the Final ~~Lists~~List of Deliverable Obligations, it will also publish, for purposes of assigning Credit Derivative Transactions to the appropriate Maturity Buckets, the range of Scheduled Termination Dates, with respect to such Credit Derivative Transactions, that are applicable to each Maturity Bucket pursuant to the Rounding Down Convention.

3. *Timeline for Triggering Credit Derivative Transactions and Determining Whether to Hold Auctions*

- (a) Each triggerable Credit Derivative Transaction, in order to be settled in a relevant Auction, must be triggered on or prior to the ~~close of business on~~2nd Business Day, if triggered by Seller, or on or prior to the 5th Business Day, if triggered by Buyer, following publication of the Final ~~Lists~~List of Deliverable Obligations (~~the close of business on such 2nd or such 5th Business Day, as applicable, the Exercise Deadline~~).—Cut-off Date). For the avoidance of doubt, if Seller triggers on or prior to the Exercise Cut-off Date applicable to Seller and Buyer triggers on or prior to the Exercise Cut-off Date applicable to Buyer, Seller's trigger will prevail.

Starting on the Business Day immediately following publication of the Final ~~Lists~~List of Deliverable Obligations and continuing until the Exercise ~~Deadline~~Cut-off Date, DTCC will inform the relevant DC, on an ongoing basis, as to how many triggerable Credit Derivative Transactions are triggered. If, with respect to a Maturity Bucket, ~~500~~300 or more Credit Derivative Transactions are triggered on or prior to the Exercise Deadline and 5 or more dealers are parties to such Credit Derivative Transactions (such minimum numbers of Credit Derivative Transactions and dealers, the ~~500~~300/5 **Criteria**), an Auction for such Maturity Bucket will be compulsory. The relevant DC will retain the discretion to determine that an Auction will be held with respect to a Maturity Bucket even if the criteria described in the preceding sentence are not satisfied. (For purposes of counting such triggered Credit Derivative Transactions, portions of a single

Credit Derivative Transaction that are triggered separately, pursuant to the partial exercise provisions of Section 3.9 of the Definitions, will be counted collectively as one triggered Credit Derivative Transaction.)

- (b) With respect to each Maturity Bucket, ISDA will publicly announce, on the earlier of (i) the date on which the relevant DC learns from DTCC that the ~~500~~300/5 Criteria have been satisfied and (ii) the Business Day immediately following the Exercise ~~Deadline~~Cut-off Date, whether an Auction will be held for such Maturity Bucket. Thus, in circumstances where, on a date before the Exercise ~~Deadline~~Cut-off Date, the relevant DC learns from DTCC that the ~~500~~300/5 Criteria have been satisfied for a Maturity Bucket, ISDA will publicly announce on such date that an Auction will be held for such Maturity Bucket, even though the relevant DC will not yet have determined whether an Auction will be held for any other Maturity Bucket that has not yet satisfied the ~~500~~300/5 Criteria. In addition to any public announcement made by ISDA prior to the Exercise ~~Deadline~~Cut-off Date that an Auction will be held for a Maturity Bucket that has satisfied the ~~500~~300/5 Criteria, ISDA will, on the Business Day immediately following the Exercise ~~Deadline~~Cut-off Date, (A) make a public announcement informing market participants of each Maturity Bucket for which an Auction will be held (including each Maturity Bucket, if any, with respect to which ISDA has already made a public announcement informing market participant that an Auction will be held for such Maturity Bucket) and (B) publish the number of triggered Credit Derivative Transactions with respect to each Maturity Bucket. The relevant DC will then wait 3 Business Days to allow market participants to exercise the Movement Option (the close of business on such third Business Day, the **Movement Option ~~Deadline~~Cut-off Date**).
- (c) The Auction Date will be set to occur no earlier than 2 Business Days following the Movement Option ~~Deadline~~Cut-off Date.
- (d) If the relevant DC determines that one or more Auctions will be held, the overall timing for such Auctions will be determined in a manner consistent with the approach and timeline currently followed for Bankruptcy and Failure to Pay. Thus, there will be no fixed number of days within which such Auctions must be held. Rather, such Auctions will be held on a timeline determined by the relevant DC, which, on the basis of current practice, would likely be approximately 30-35 days after the relevant Restructuring.

For the avoidance of doubt, if, at the outset of its deliberations, the relevant DC determines that one or more Auctions may be held, but after the Exercise ~~Deadline~~Cut-off Date, Resolves that no Auctions will be held because, with respect to each Maturity Bucket, an insufficient number of Credit Derivative Transactions have been triggered, the Final ~~Lists~~List of

Deliverable Obligations will nonetheless apply for purposes of settling those Credit Derivative Transactions that have been triggered.

- (e) ~~With respect to~~If a Credit Derivative Transaction ~~that~~for which Physical Settlement is the Fallback Settlement Method is assigned to a Maturity Bucket for which no Auction is held ~~(and that, in circumstances where one or more Auctions that share the same Deliverable Obligation Terms as such Credit Derivative Transaction will be held with respect to other Maturity Buckets, and such Credit Derivative Transaction~~ has not been subject to exercise of the Movement Option) ~~and for which Physical Settlement is the Fallback Settlement Method~~, the deadline for delivering a Notice of Physical Settlement will be the later of (i) the Business Day immediately following the relevant Auction Final Price Determination Date (or, if more than one should occur, the latest Auction Final Price Determination Date, ~~or if there is more than one relevant Auction Final Price Determination Date,)~~, if any, and (ii) the Business Day immediately following the ~~later to occur of (i) the last such Auction Final Price Determination Date and (ii) the last relevant Auction Cancellation Date, if any (or, if more than one should occur, the latest Auction Cancellation Date), if any, as applicable.~~ (In circumstances where the relevant DC has determined, at the outset of its deliberations, that no Auctions will be held, the deadline for delivering a Notice of Physical Settlement with respect to a Credit Derivative Transaction for which Physical Settlement is the Fallback Settlement Method will be ~~10 calendar days following the date on which a valid Credit Event Notice is delivered and effective, or if such 10th calendar day is not a Business Day, the immediately~~ following ~~Business Day~~the No Auction Announcement Date.)
- (f) With respect to a Credit Derivative Transaction assigned a Maturity Bucket for which no Auction is held (and that has not been subject to exercise of the Movement Option) and for which Cash Settlement is the Fallback Settlement Method, the Valuation Date will be the number of Business Days specified in the ~~relevant Confirmation occurring after the date on which ISDA publicly announces that no Auction will be held for such Maturity Bucket~~related Confirmation (or, if the number of Business Days is not so specified, five Business Days) following the relevant Auction Cancellation Date, if any, or the relevant No Auction Announcement Date, if any, as applicable.

4. *Section 3.9 and Partial Exercise*

Section 3.9 of the Definitions permits partial exercise following a Restructuring. Section 3.9 will continue to apply to Credit Derivative Transactions for which Mod Mod R or Mod R is applicable. However, with respect to that portion of the notional amount of a Credit Derivative Transaction that is not triggered following a

Restructuring, the Notifying Parties will no longer be able to trigger the protection relating to any such untriggered portion after, as applicable:

- (a) if the relevant DC is not asked, or declines, to determine whether the ~~Restructuring has occurred, the date that is 60 calendar days after the Restructuring Date (to the extent such 60-calendar day period does not extend beyond the Notice Delivery Period);~~(b) ~~if, following a Credit Event Resolution Request Date, the relevant DC Resolves not to determine whether a Restructuring has occurred, the date that is the later of (i) relevant event constitutes a Restructuring, the later of (i) the date that is 60 calendar days following the Restructuring Date (to the extent such 60-calendar-day period does not extend beyond the Notice Delivery Period) ~~or~~ and (ii) the date that is 14 calendar days after ISDA publicly announces that the relevant DC has Resolved not to determine whether such Restructuring has occurred, provided that the relevant Credit Event Resolution Request Date occurred prior to the end of the Notice Delivery Period;~~
- (~~e~~b) if the relevant DC determines that a Restructuring has occurred but, at the outset of its deliberations, Resolves that no Auctions will be held ~~and (i), if the relevant Confirmation specifies Two Notifying Parties and Auction Settlement, (i) the date that is 21 calendar days following ISDA's public announcement that the relevant DC has determined that such Restructuring has occurred, provided that the relevant Credit Event Resolution Request Date occurred prior to the end of the Notice Delivery Period, or (ii), if the relevant Confirmation specifies One Notifying Party, the date that is the later of (A) the end of the Notice Delivery Period and (B) 14 calendar days after ISDA publicly announces that the relevant DC has determined that such Restructuring has occurred, provided that the relevant Credit Event Resolution Request Date occurred prior to the end~~ the No Auction Announcement Date or (ii) if (A) "Buyer" or "Seller" is specified as the only Notifying Party in the related Confirmation and (B) a Credit Event Notice is delivered after the date that is 21 calendar days following the No Auction Announcement Date, the last day of the Notice Delivery Period; or
- (~~d~~c) if ISDA publicly announces that one or more Auctions may be held and, (i); ~~if the relevant Confirmation specifies Two Notifying Parties and Auction Settlement, the Exercise Deadline, provided that the relevant Credit Event Resolution Request Date occurred prior to the end of the Notice Delivery Period, or (ii), if the relevant Confirmation specifies One Notifying Party and (A) the relevant Credit Derivative Transaction is to be settled in the relevant Auction, the date that is earlier of (I) the end of the Notice Delivery Period and (II) the Business Day immediately preceding the Auction Final Price Determination Date, or (B) the relevant Credit Derivative Transaction is to be settled after the relevant Auction Final Price Determination Date, the date that is the later of (I) the end of the Notice Delivery Period and (II) 14 calendar days following ISDA's public announcement that the relevant~~

~~DC has determined that a Restructuring has occurred, provided that the relevant Credit Event Resolution Request Date occurred prior to the end~~Exercise Cut-off Date or (ii) if (A) "Buyer" or "Seller" is specified as the only Notifying Party in the related Confirmation and (B) a Credit Event Notice is delivered after the Exercise Cut-off Date applicable to Buyer, the last day of the Notice Delivery Period.

For the avoidance of doubt, the respective time limits for triggering set forth in this Section V.(4) are equally applicable in circumstances where no portion of the notional amount of a Credit Derivative Transaction has been triggered following a Restructuring.

For the further avoidance of doubt, with respect to that portion of the notional amount of a Credit Derivative Transaction that is not triggered on or prior to the relevant deadline for triggering (or with respect to the full notional amount, if no portion has been triggered on or prior to the relevant deadline for triggering), the Notifying Parties will only be able to trigger the protection relating to any such untriggered portion (or such full amount) following the occurrence of a new Credit Event.

VI. iTraxx and CDX EM Transactions

1. Untranched iTraxx, untranched CDX EM and untranched CDX EM Diversified Transactions

At the close of business on the day on which ISDA publicly announces that the relevant DC determines that a Restructuring has occurred with respect to a Credit Derivative Transaction that is an untranched iTraxx transaction for which Mod Mod R is applicable or an untranched CDX EM transaction or an untranched CDX EM diversified transaction for which Restructuring is specified as a Credit Event in the Confirmation, but for which no maturity limitation applies (**Old R**), the relevant Reference Entity will be removed from the relevant index, and the portion of such Credit Derivative Transaction relating to such Reference Entity will be split off into a single-name Credit Derivative Transaction. The fixed coupon, Scheduled Termination Date and other material terms of such single-name Credit Derivative Transaction will be the same as the fixed coupon, Scheduled Termination Date and other material terms of such untranched iTraxx transaction, untranched CDX EM transaction or untranched CDX EM diversified transaction, as applicable, before such Reference Entity was removed from such index.

2. Tranched iTraxx, Tranched CDX EM and Tranched CDX EM Diversified Transactions

Following a Restructuring with respect to a Credit Derivative Transaction that is a tranched iTraxx transaction for which Mod Mod R is applicable or a tranched CDX EM transaction or a tranched CDX EM diversified transaction for which Old R is

applicable, the relevant Reference Entity will remain in the portfolio of such Credit Derivative Transaction. To the extent the portion of such Credit Derivative Transaction equal to the Reference Entity Notional Amount is not triggered in an amount equal to the notional amount of the relevant Reference Entity, such Credit Derivative Transaction will cease to be ~~an~~ a fungible index transaction and will instead ~~become~~ be analogous to a bespoke portfolio transaction. If the full notional amount of the relevant Reference Entity is triggered, such Credit Derivative Transaction ~~will remain~~ may continue to be treated, after settlement, as an iTraxx transaction, fungible with other iTraxx transactions of the same maturity, a CDX EM transaction, fungible with other CDX EM transactions of the same maturity or a CDX EM diversified transaction, fungible with other CDX EM diversified transactions of the same maturity, as applicable. Thus, until the Exercise Deadline (or, until the full notional amount of the relevant Reference Entity is triggered) and settlement has occurred, it will be unclear whether such Credit Derivative Transaction will remain an index transaction, fungible with others, or whether such Credit Derivative Transaction ~~will become~~ should be treated as a bespoke portfolio transaction. The working group that has developed this ~~termsheet~~ Restructuring solution is working further to develop an appropriate mechanism for treating tranching index transactions in a manner consistent with the treatment of untranching index transactions described in Section VI.(1) above in order to avoid the need to convert untriggered tranching index transactions into bespoke portfolio transactions. This mechanism ~~will~~ has not ~~been~~ been incorporated into the Restructuring Supplement.

VII. Old R: Transactions for which No Maturity Limitation Applies

1. No Maturity Limitation

- (a) With respect to a Credit Derivative Transaction for which Old R is applicable, ~~the provisions of the Supplemented Definitions pertaining to Auction Settlement will apply following the occurrence of a Restructuring with respect to such Credit Derivative Transactions to the same extent as they apply following the occurrence of a Bankruptcy or Failure to Pay,~~ provided that if the relevant DC Resolves that an Auction will be held to settle such Credit Derivative Transaction, no Event Determination Date will occur with respect to such Credit Derivative Transaction unless a Notifying Party effectively triggers such Credit Derivative Transaction on or prior to the relevant deadline, as determined by reference to the circumstances described in Section IV above. Accordingly, the Rules ~~will be~~ are in the process of being amended to permit the relevant DC to determine whether to hold an Auction to settle such Credit Derivative Transaction, and none of the terms relating to Maturity Buckets set forth above will apply; provided that it will nonetheless be necessary for a Notifying Party to trigger such Credit Derivative Transaction on or prior to the relevant deadline, as determined by reference to the circumstances described in Section IV above,

in order for an Event Determination Date to occur with respect to such Credit Derivative Transaction.

- (b) The provisions of Section 3.9 of the Definitions ~~will be~~are disapp~~lied~~ in the Restructuring Supplement with respect to ~~a~~all Credit Derivative ~~Transaction~~Transactions for which Old R is applicable.

Document comparison done by DeltaView on Thursday, July 16, 2009 4:42:01 PM

Input:	
Document 1	PowerDocs://NY/8513925/11
Document 2	PowerDocs://NY/8680565/2
Rendering set	Standard

Legend:	
Insertion	
Deletion	
Moved from	
<u>Moved to</u>	
Style change	
Format change	
Moved deletion	
Inserted cell	
Deleted cell	
Moved cell	
Split/Merged cell	
Padding cell	

Statistics:	
	Count
Insertions	162
Deletions	149
Moved from	13
Moved to	13
Style change	0
Format changed	0
Total changes	337