



International Swaps and Derivatives Association, Inc.

**MARKET PRACTICE STATEMENT FOR SHARE AND INDEX VARIANCE SWAP
TRANSACTIONS INVOLVING AUSTRALIAN SHARES REGARDING WHAT WOULD
CONSTITUTE A MARKET DISRUPTION EVENT**

December 28, 2009 - The International Swaps & Derivatives Association, Inc. (“**ISDA**”) today announced a market practice statement (“**this Statement**”) in regard to the circumstances which would constitute a Market Disruption Event for single stock share variance swaps and single exchange index variance swaps involving Australian shares (“**Australian Variance Swaps**”).

Concurrently with this Statement, ISDA has published (i) the Second Revised 2007 AEJ Master Variance Swap Confirmation Agreement (which incorporates the requisite amendments to reflect the changes made in this Statement) and (ii) the Amendment to the Revised 2007 AEJ Master Variance Swap Confirmation Agreement and the 2007 AEJ Master Variance Swap Confirmation Agreement (the “**Amendment Agreement**”). Parties are encouraged to use the Amendment Agreement to bilaterally amend the existing MCAs between them to reflect the changes made in this Statement.

In the interest of promoting the orderly valuation and settlement of Australian Variance Swaps, ISDA strongly urges all participants to apply the guidance set out in this Statement to all Australian Variance Swaps (regardless of when entered into) but only in respect of events occurring on or after December 28, 2009.

During a call held on October 13, 2009 (or subsequently advised to ISDA), the following firms endorsed this Statement: Artradis, Barclays Capital, BNP Paribas, BOA/Merrill Lynch, Citigroup, Credit Suisse, Deutsche Bank AG, Goldman Sachs & Co., Macquarie, JP Morgan, Morgan Stanley and Societe Generale.

Please Note: This Statement does not constitute legal, accounting or financial advice. Each participant in an affected transaction must satisfy itself that the recommendation is appropriate for the transaction and has been properly applied in the context of the transaction to reflect the commercial intention of the participants.

Statement

With regard to Australian Variance Swaps (regardless of when entered into) but only in respect of events occurring on or after December 28, 2009, it will be a Market Disruption Event (“**MDE**”) only if the circumstances set out in the attached Schedule II are satisfied.

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SCHEDULE II

Part 1

1. Section 6.3(a) of the Equity Definitions shall be replaced in its entirety with the following:

“**Market Disruption Event**” means:

(a) in respect of a Share, the occurrence or existence of (i) a Trading Disruption in respect of that Share or (ii) an Early Closure in respect of that Share; or

(b) in respect of an Index, the occurrence or existence of (i) a Trading Disruption in respect of that Index or (ii) an Exchange Disruption in respect of that Index or (iii) an Early Closure in respect of that Index, provided that where a Trading Disruption or an Early Closure applies in relation to one or more component securities of that Index, the aggregate of all such component securities in respect of each of which a Trading Disruption or an Early Closure occurs or exists at any time (including, for the avoidance of doubt, at a different time in relation to the others, if any) singly or together comprises 20 percent or more of the level of that Index.

For the purposes of determining whether a Market Disruption Event in respect of an Index exists at any time, if there is a Market Disruption Event in respect of a security included in the Index at any time on a Scheduled Trading Day, the relevant percentage contribution of that security to the level of the Index shall be the percentage contribution of that security as of the Valuation Time on the Exchange Business Day immediately preceding that Scheduled Trading Day, as calculated or otherwise made available by the Index Sponsor (or, if the Index Sponsor ceases to calculate or otherwise make available such percentage contribution, a replacement thereof acceptable to the Calculation Agent) (such replacement, the “**Percentage Publisher**”); provided that if the Percentage Publisher did not publish such a percentage contribution at that time, the relevant percentage contribution will be determined by the Calculation Agent based on the price for the securities included in the Index as of the Valuation Time on the Exchange Business Day immediately preceding that Scheduled Trading Day, as reported in the official real-time price dissemination mechanism for the relevant Exchange (or, if trading in a security included in the Index is disrupted at that time, based on its good faith estimate of the value of the relevant security at that time).

2. Section 6.3(b) of the Equity Definitions shall be replaced in its entirety with the following:

“**Trading Disruption**” means:

(a) in respect of a Share and an Exchange Business Day:

(i) orders in respect of that Share cannot, for whatever reason, be placed during the whole of the Pre-CSPA Phase on that Exchange Business Day; or

(ii) the ASX does not, for whatever reason, determine a single closing price in respect of that Share for that Exchange Business Day in accordance with its standard rules.

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- (b) in respect of an Index:
 - (i) a Trading Disruption as defined in paragraph (a) above affects one or more component securities of that Index; or
 - (ii) there was any suspension of or limitation imposed on trading of futures contracts relating to that Index on the relevant Related Exchange at any time during the MDE Observation Period.

3. Section 6.3(c) of the Equity Definitions shall be replaced in its entirety with the following:

“Exchange Disruption” means, in respect of an Index, any event (other than an Early Closure) that occurs at any time during the MDE Observation Period that disrupts or impairs (as determined by the Calculation Agent) the ability of market participants in general to effect transactions in, or obtain market values for futures contracts relating to that Index on the relevant Related Exchange.

4. Section 6.3(d) of the Equity Definitions shall be replaced in its entirety with the following:

“Early Closure” means:

- (a) in respect of a Share, the closure on any Exchange Business Day of the ASX; or
- (b) in respect of an Index, the closure on any Exchange Business Day of (i) the ASX, or (ii) any relevant Related Exchange on which futures contracts relating to that Index are traded,

in the case of:

- (A) paragraphs (a) and (b)(i) above, prior to its Scheduled Closing Time (as such term is defined in Section 1.30) but disregarding the proviso thereof) unless such earlier closing time is announced by the ASX at least one hour prior to the earlier time at which the Closing Single Price Auction will end on such Exchange Business Day; or
- (B) in the case of paragraph (b)(ii) above, prior to the commencement of or at any time during the MDE Observation Period for that Exchange Business Day unless such earlier closing time is announced by the relevant Related Exchange at least one hour prior to the commencement of the MDE Observation Period.

5. Section 1.30 of the Equity Definitions shall be replaced in its entirety with the following:

“Scheduled Closing Time” means, in respect of the ASX and a Scheduled Trading Day, the scheduled time at which the Closing Single Price Auction will end on such Scheduled Trading Day, provided that if the ASX announces an earlier time at which the Closing Single Price Auction will end for that Scheduled Trading Day at least one hour prior to such earlier closing time, the Scheduled Closing Time for that Scheduled Trading Day shall be such earlier closing time.

6. Section 6.6(a) of the Equity Definitions shall be amended by adding the following at the end of the paragraph:

“Where the Index Transaction is an Index Variance Swap and (1) the relevant final Valuation Date that is a Disrupted Day falls on a Futures Expiry Date; and (2) the Disrupted Day is as a result of a Market Disruption Event, then notwithstanding any other provision of this Section 6.6(a), the level of the Index shall be the Official Settlement Price where an Official Settlement Price is published by the Related Exchange for that Valuation Date. Where no Official Settlement Price is published for that Valuation Date, the other provisions of Section 6.6 shall continue to apply.”

“**Official Settlement Price**” means the cash settlement price published by the ASX for that Futures Expiry Date, being the ASX Opening Price Index Calculation (also known as the “Special Opening Quotation”) calculated in accordance with its standard rules.

“**Futures Expiry Date**” means the Scheduled Trading Day on the ASX on which all trading in the nearest expiring S&P/ASX 200 index futures contract is scheduled to cease.

Part 2

The following additional definitions shall be included:

“**ASX**” means the Australian Securities Exchange.

“**Closing Single Price Auction**” means the process by which the ASX determines a single closing price for each of the securities that participated in the Pre-CSPA Phase.

“**MDE Observation Period**” means in respect of an Index, the 20 minute period that ends at the conclusion of the Closing Single Price Auction.

“**Pre-CSPA Phase**” means the pre-closing single price auction phase during which bids (or buy orders) and offers (or sell orders) in regard to securities quoted on the ASX may be placed on the ASX but will not be executed.