



Credit Product Conventions

Contents

Preface: AFMA Code of Conduct	2
1. Description.....	2
2. Products.....	3
2.1. Fixed Rate Bonds	3
2.2. Floating Rate Notes	3
2.3. Credit Default Swaps	3
2.4. Credit Linked Notes	4
2.5. Total Rate of Return Swap.....	4
2.6. Credit Spread Options	4
3. Dealing.....	4
3.1. Methods of Dealing	4
3.2. Electronic Dealing.....	4
3.3. Business Days	5
3.4. Customary Transaction Size	5
3.5. Two Way Pricing.....	5
3.6. Quotation and Dealing	6
3.7. Basis.....	7
3.8. Maturity Conventions.....	7
3.9. Settlement Rate or Index	7
3.10. Premium Payment Date(s)	7
3.11. Expiry Conventions.....	7
3.12. Broker Conventions.....	8
3.13. Confidentiality	8
3.14. Credit	8
3.15. Exercise of Options.....	9
3.16. Data Source	9
3.17. Pricing Formulae.....	9
3.18. Other Dealing Conventions	11
4. Confirmation.....	12
4.1. Timing.....	12
4.2. Obligations of Dealers	13
4.3. Documentation.....	13
4.4. Other Confirmation Conventions	13
5. Settlement	13
5.1. Physical Settlements.....	13
5.2. Cash Settlements.....	14
5.3. Other Settlements Conventions.....	14

Preface: AFMA Code of Conduct

AFMA promotes efficiency, integrity and professionalism in Australia's financial markets. The aim of the [AFMA Code of Conduct](#) (the Code) is to establish a common understanding of the standard of behaviour expected of all AFMA Member organisations and their employees when conducting business with clients, counterparties and colleagues and when providing financial services to retail and wholesale clients.

All AFMA Financial Markets Members and Partner Members^[1] are expected to observe the Code and operate with integrity, professionalism and competence. The Code is designed to support behaviours that put the interests of clients, the firm and the wider community ahead of personal or individual interests and promotes confident participation by users in Australia's OTC markets.

Market participants are reminded that they are generally expected to observe and adhere to the market standards and conventions¹ as set out below when engaging in any form of market dealing.

1. Description

Credit Products

Credit Products can be split into two distinct types:

Long Term Credit Securities

These are long-term debt instruments that are issued by entities other than the Australian Commonwealth and State Government Financing Agencies. These include supranational, corporate bonds and asset-backed securities such as residential mortgage-backed securities. They create an obligation for the issuer to pay a series of periodic interest payments at regular intervals and return the face value to the holder at maturity. These payments can be either set at a fixed rate or a floating rate. Long Term Credit Debt Securities have terms to maturity ranging from 6 months to 25 years.

Long Term Credit Securities can be further divided into two key product types: **Fixed Rate Bonds** and **Floating Rate Notes**.

Credit Derivatives

The global OTC Credit Derivative market encompasses a number of specific instrument types.

The principal inter-bank product is the **Credit Default Swap** however the other key products are **Total Rate of Return Swaps**, **Credit Linked Notes** and **Credit Spread Options**.

Credit Derivatives isolate the credit risk of an underlying asset and allow this risk to be transferred from the Protection Buyer to the Protection Seller.

The contracts are negotiated under standardised International Swaps and Derivatives Association Inc (ISDA) documentation. The contractual terms and definitions contained in each trade confirmation refer specifically to a market accepted publication by ISDA.

The principal credit derivative traded in the interbank market is the Credit Default Swap (CDS) although some Total Rate of Return Swaps (TROR) and Credit-Linked Notes (CLN) are also being dealt between interbank counterparties. The following market conventions relate specifically to CDS and TROR's.

These Conventions reflect current market practices and are maintained by the AFMA Credit Trading Committee.

^[1] As defined in the AFMA Constitution

2. Products

2.1. Fixed Rate Bonds

Fixed Rate Bonds

A Fixed Rate Bond is a debt instrument which pays a fixed rate of interest (coupon) at specified dates over the term of the debt, as well as repaying the principal on the maturity date. Typically, the interest is paid semi-annually.

2.2. Floating Rate Notes

Floating Rate Notes

A Floating Rate Note is a debt instrument which pays a variable rate of interest (coupon) at specified dates over the term of the debt, as well as repaying the principal on the maturity date. The floating rate is usually a money market reference rate, such as BBSW, plus a fixed margin. Typically, the interest is paid quarterly or monthly.

2.3. Credit Default Swaps

Credit Default Swaps

Credit Default Swaps (CDS) are notional principal instruments that isolate and transfer the credit risk on a defined 'Reference Entity' from the Protection Buyer to the Protection Seller, in exchange for a Fixed Rate payment payable by the Buyer. Upon the occurrence of a defined 'Credit Event' during the term of the contract, the Protection Seller pays a Floating Rate payment under either Cash Settlement, Physical Settlement, or an Auction Settlement mechanism.

Auction Settlement is the market standard for the inter-bank market. Auction settlement requires cash to be paid as the differential between 100% and a Final Price determined via an ISDA-determined Auction Process multiplied by the notional principal amount of the contract. CDS may be written against individual Reference Entities or baskets of Reference Entities, and against a range of underlying credit risks, including Corporate / Sovereign Bonds; Corporate Loans; Trade Receivable Accounts; Derivative Contracts (e.g. Interest Rate Swaps); and any other form of identifiable credit risk.

There are a number of liquid CDS baskets traded globally, for which full details of each can be obtained from the index administrator Markit™ <http://www.markit.com/>

The most liquid basket CDS traded in Australia is the **iTraxx Australia** Index. This is an index comprised of 25 of the most liquid single name investment grade Reference Entities. The current selection rules for determining the entities are detailed hereunder: <http://www.markit.com/assets/en/docs/products/data/indices/credit-index-annexes/Markit%20iTraxx%20Australia%20S20%20Rulebook%20Final%20v2.pdf>

The terms and conditions that govern the mechanics of the CDS are strictly contractual and are managed under standardised ISDA documentation.

Credit Default Swap market participants are reminded that the domicile of the Reference Entity gives rise to various market standard terms. These are defined at http://www.isda.org/c_and_a/Credit-Derivatives-Physical-Settlement-Matrix.html

Further information on the mechanics of Credit Default Swaps can be found at http://www.isdacdsmarketplace.com/about_cds_market

2.4. Credit Linked Notes

Credit Linked Notes

A Credit Linked Note is a structured, synthetic cash security, issued by a Protection Buyer to a Protection Seller against the credit default risk on a specified Reference Entity, with the redemption calculation at maturity being dependent upon the occurrence of a defined Credit Event during the life of the Note. The coupon payments during the life of the Note are priced relative to the credit risk of the Reference Entity.

The generic terms and conditions of a Credit Linked Note are similar to that of a Credit Default Swap.

2.5. Total Rate of Return Swap

Total Rate of Return Swap

A Total Rate of Return Swap is an off-balance sheet transaction that creates a synthetic long position for an investor (referred to as the *Total Return Receiver*) on an underlying reference instrument. In effect, the *Total Return Receiver* enjoys the total economic returns and benefits of the underlying Reference Security, including cash flows and capital gain / loss while simultaneously assuming all the market, price and credit risk exposure of the security, without actually purchasing it. In return for the total return on the underlying Reference Security, the *Total Return Receiver* pays the *Total Return Payer* a spread over the relevant benchmark, to cover the latter's balance sheet and other costs.

2.6. Credit Spread Options

Credit Spread Options

A Credit Spread Option is a bilateral financial contract in which the Buyer pays a premium to acquire the right, but not the obligation, to buy (call option) or sell (put option) a reference obligation at a predetermined spread (strike), on a fixed date (European) or at any time preceding the expiry (American).

A Buyer would exercise a credit spread put (call) option when the credit quality of the Reference Entity has deteriorated (improved). The credit spreads represent the margin relative to some reference rate charged to compensate the investor for the risk of default of the underlying credit risk.

3. Dealing

3.1. Methods of Dealing

All Products

The main methods of dealing are direct via telephone, via brokers or via electronic platforms.

3.2. Electronic Dealing

All Products

The increasing sophistication of financial markets has created a space for brokers, dealers, and clients to access markets via electronic platforms.

3.3. Business Days

Long Term Credit Securities
<p>Business Day:</p> <p>A Business Day is defined as any day which is not a 'bank close day' under the law of New South Wales. Further information can be found on the AFMA website.</p>
Credit Derivatives
<p>Business Days are to be negotiated bi-laterally at the time of dealing and specifically defined in the trade Confirmation as per the ISDA Standard Australia and New Zealand "Physical Settlement Matrix" found via: http://www.isda.org/c_and_a/Credit-Derivatives-Physical-Settlement-Matrix.html</p> <p>A Business Day is defined as any day on which banks are open for business in Sydney, New York and London (except Saturdays and Sundays). In the case of Sydney, it is a day which is not a 'bank close day' under the law of New South Wales. Further information can be found on the AFMA website.</p> <p>Business Day Convention: Following (which, subject to Sections 1.4 and 1.6 of the ISDA Credit Derivatives Definitions, shall apply to any date referred to in this Confirmation that falls on a day that is not a Business Day).</p>

3.4. Customary Transaction Size

Long Term Credit Securities								
<p>Generally, customary market parcels vary with specific products and issues. Customary parcels and denominations should always be confirmed prior to dealing. Some common denominations include:</p>								
<table border="1"><thead><tr><th>Security</th><th>Common Denomination</th></tr></thead><tbody><tr><td>Mortgage backed securities</td><td>AUD\$500,000 to AUD\$1,000,000+</td></tr><tr><td>Floating rate notes</td><td></td></tr><tr><td>Corporate bonds</td><td></td></tr></tbody></table>	Security	Common Denomination	Mortgage backed securities	AUD\$500,000 to AUD\$1,000,000+	Floating rate notes		Corporate bonds	
Security	Common Denomination							
Mortgage backed securities	AUD\$500,000 to AUD\$1,000,000+							
Floating rate notes								
Corporate bonds								
Credit Derivatives								
<p>With the exception of Credit Indices transactions, the notional amount of each transaction is USD5million unless otherwise specified and agreed to by the parties at the time of dealing.</p> <p>The notional amount of Credit Indices transactions is USD10 million, unless otherwise specified and agreed to by the parties at the time of dealing.</p> <p>Parties that have trading interest in sizes or currencies other than this market standard must specify as such at the time of stating their bid/offer.</p>								

3.5. Two Way Pricing

Long Term Credit Securities
<p>The market convention is for participants to declare their intentions either to buy or sell.</p>
Credit Derivatives
<p>This refers to the practice where the counterparty quotes simultaneous bid and offer premiums for a given credit and term/maturity. Two-way prices may be shown through the broker market without disclosure (i.e. the same counterparty is on both sides of the position), or directly on a bi-lateral basis with disclosure.</p>

Counterparties are not obliged to quote two-way prices, and may choose only to quote either a bid or offer premium against a given interest, unless otherwise specifically agreed to in advance.

3.6. Quotation and Dealing

Fixed Rate Bonds

The market is quoted on a semi-annual yield to maturity basis, not a price basis.

Dealers generally quote on one of three bases:

- *Exchange of Futures for Physicals (EFP)* - Is a service offered by the SFE. In the OTC market each stock trades at a spread to either the three year bond futures contract or the ten year bond futures contract. EFP works by two counterparties striking a deal to trade long term securities and agreeing to swap an agreed number of relevant futures contracts. The number of contracts is a function of the ratio of the PVBP of the stock to the PVBP of the relevant futures contract. Refer to ASX 24 Operating Rules Procedures 4800. For Exchange for Physical (EFP) transactions, interbank quotations will be based on the first futures expiry contract up to and including the day which is two business days prior to the expiry date. Subsequent to this, and until futures expiry, EFP interbank quotations will be based on the second futures expiry contract.
- *Outright* - When a dealer deals on an outright basis they quote a yield to maturity at which they are willing to buy or sell the stock. There is no exchange of futures.
- *Switch* - A switch is where a counterparty wants to buy one stock and sell another. This is generally quoted in terms of the difference between the yields to maturity of the two stocks.

Floating Rate Notes

The market is quoted on a trading margin basis, usually as a margin above BBSW.

Credit Default Swaps

The **Fixed Rate** paid on a CDS transaction by the Protection Buyer to the Protection Seller is a basis point premium that has no reference to an interest rate benchmark. It is paid quarterly in arrears, in accordance with the agreed Day Count Convention and on the agreed Fixed Rate Payment Date(s).

Under Standard Australia and New Zealand Contract terms the **Fixed Rate** has been agreed to be quoted on a market standard basis as either **100bps or 500bps**.

The Dealt Rate is then applied to discount the Fixed Rate premiums and derive an upfront cash settlement on the transaction as determined under a standard model available at CDSW screen on Bloomberg, or at <http://www.cdsmodel.com/>.

Trades on the iTraxx™ index and under the Australia and New Zealand Standard have a fixed coupon and effective date, usually the first day of trading for a new index, and an upfront fee will be payable to reflect the difference from the coupon to the current market level and adjusting for any accrued interest.

Quoting convention is 'bid / offer', where 'bid' is the Fixed Rate the Protection Buyer will pay, and the 'offer' is the Fixed Rate the Protection Seller will receive.

Credit Linked Notes

The spread paid by the Issuer of a Credit Linked Note is referenced to an agreed interest rate benchmark, depending on the denomination of the transaction (typically BBSW or USD-SOFR). The terms governing the treatment of CLNs are the same as those for generic Debt Securities.

Total Rate of Return Swaps

Conventions governing Total Return Swaps are negotiated bilaterally between the counterparties, and defined under the contractual terms of the transaction. ISDA has published the 2007 Master Corporate Bond Total Return Swap Confirmation Agreement.

3.7. Basis

Long Term Credit Securities
All fixed rate securities are quoted on an actual, 365 day fixed basis. The standard convention denominator doesn't adjust for leap years unless otherwise stated.
The price of the fixed rate securities is calculated using the RBA tender stock method formula.
Credit Derivatives
Basis quotation depends on the denomination of the transaction. AUD trades are quoted as actual/365 (Fix) and USD are quoted actual/360, using simple interest calculation payable in arrears.

3.8. Maturity Conventions

Fixed Rate Bonds
For fixed rate securities it is the following business day.
Floating Rate Notes
For floating rate instruments it can be either the following business day or modified following business day.
Credit Derivatives
Unless otherwise stated, scheduled maturities will be rolled to the next quarterly date, being the 20 th of March, June, September or December. Thus, a five year trade dealt on March 15 th 2008, or March 19 th 2008, will terminate on March 20 th 2013, and a five year trade on March 20 th 2008 will terminate on June 20 th 2013. The iTraxx™ indices are by convention rolling twice a year, with maturities in June and December.

3.9. Settlement Rate or Index

Floating Rate Notes
Floating rate securities are set against BBSW.
Credit Derivatives
Not applicable.

3.10. Premium Payment Date(s)

Long Term Credit Securities
Not applicable.
Credit Derivatives
As agreed by the counterparties and documented under Fixed Rate Payer Payment Dates.

3.11. Expiry Conventions

Long Term Credit Securities

Not applicable.

Credit Derivatives

The terms governing exercise / trigger are governed by the terms set out in the ISDA Standard Physical Settlement Matrix located here: http://www.isda.org/c_and_a/docs/Credit-Derivatives-Physical-Settlement-Matrix.htm

3.12. Broker Conventions

Long Term Credit Securities

Not applicable.

Credit Derivatives

Quoted markets are for agreed market standard terms unless otherwise specified.

3.13. Confidentiality

Long Term Credit Securities

Names of counterparties will not be passed by brokers prior to dealing, unless both parties agree to the passing of their names.

When dealers are trading directly neither party should disclose the name of the counterparty to the transaction dealt or to other market participants.

In support of the ideals of price discovery and market transparency brokers may pass the size of deals dealt and the rate at which they were dealt (post trade) to other broker screen participants only. Brokers will not pass names of counterparties to a deal to other market participants.

Credit Derivatives

Given the nature of the underlying risk being transferred via the Credit Derivative product, counterparties agree that there is an implicit duty of confidentiality between them relating to disclosure of the details of any credit derivative transaction. Such a duty is deemed to apply to the counterparty as an individual and as an institution.

In addition to the above, the counterparties are free to execute bilateral Confidentiality Agreements as deemed necessary.

3.14. Credit

Long Term Credit Securities

The ability to deal is subject to available settlement delivery limits and credit limits for the particular securities. Dealers should advise up front to the counterparty if they are unable to deal due to credit constraints.

Credit Derivatives

Under a Credit Default Swap transaction, the following credit risks arise:

- The Seller takes direct credit risk on the Reference Entity;
- The Buyer takes counterparty / replacement credit risk on the Seller.

Dealings between two inter-bank counterparties will be automatically deemed to not require prior authorization of credit absent a stipulation from the outset and within the confirmation that the transaction is "subject to credit" approval.

3.15. Exercise of Options

Long Term Credit Securities
Not applicable.
Credit Derivatives
Not applicable.

3.16. Data Source

All Products
Not applicable.

3.17. Pricing Formulae

Fixed Rate Bonds
<p>Fixed Rate Bonds are traded on a yield basis with the price per \$100 face value calculated using the AOFM treasury bond pricing formula with the gross price rounded to three decimal places.</p> <p>For semi-annual securities that are near maturing (specifically those entitling a purchaser to only the final coupon payment and repayment of principal) the bank bill formula is applied to principal outstanding plus the final coupon.</p> <p>In the case of securities that do not qualify for the AOFM pricing formula, the pricing formula specified by the applicable issuers for primary and secondary market trading will apply.</p> <p>Disputes over the application of any formula are to be referred to the issuer for arbitration.</p> <p>1) Basic formula:</p> $P = v^{f/a} [g(1 + a_n) + 100v^n]$ <p>2) Ex-interest securities:</p> $P = v^{f/a} [ga_n + 100v^n]$ <p>3) Near maturity bonds maturing between the record date for the second last coupon and the record date for the final coupon:</p> $P = \frac{100+g}{1+(f/365)i}$ <p>4) Near maturity bonds maturing between the record date for the final coupon and the maturity of the bond:</p> $P = \frac{100}{1+(f/365)i}$ <p>If the maturity date falls on a weekend or other non business day the proceeds date (ie. the next business day) is used in the calculation of f.</p> <p>P = the price per \$100 face value</p>

$$v = \frac{1}{1+i}$$

where $100i$ = the half yearly yield (per cent) to maturity in formulae (1) and (2), or the annual yield (per cent) to maturity in formula (3)

f = the number of days from the date of settlement to the next interest-payment date in formulae (1) and (2) or to the maturity date in formula (3)

d = the number of days in the half year ending on the next interest-payment date

g = the half yearly rate of coupon payment per \$100 face value

n = the term in half years from the next interest-payment date to maturity

$$a_n = v + v^2 + \dots + v^n = \frac{1-v^n}{i} \text{ except if } i = 0 \text{ then } a_n = n$$

Floating Rate Notes

$$P = \frac{Z(b + IM) \times \frac{d}{365} + \left(\frac{IM - TM}{k}\right) A_n^i + 1}{1 + (r + TM) \times \frac{f}{365}} \times 100$$

P = price per \$100 per face value

Z = 1 if there is an annuity payment to the purchaser at the next annuity payment date, 0 if there is no payment to the purchaser at the next annuity payment date

b = the floating benchmark rate from last interest reset date to next interest rate date

d = number of days in current interest period

IM = interest margin (as a percentage) paid in addition or deduction from the floating benchmark

TM = trading margin (as a percentage) paid in addition to the floating benchmark

r = the floating benchmark rate to the next interest rate reset date

f = number of days from pricing/settlement to next interest payment date

$$A_n^i = \frac{1 - (1 + i)^{-n}}{i}$$

$$i = \frac{s + TM}{k}$$

If $i = 0$, then $A_n^i = n$

k = payment frequency of FRN (eg. 2 = semi-annual, 4 = quarterly)

s = yield from settlement to the maturity of the FRN (with frequency k)

n = number of complete interest periods to maturity as at the next interest payment date

Market participants are under no obligation to use the benchmark rates referred to above if the market has moved since the benchmarks were set.

When the floating reference rate being used is the BBSW rate, b and r should be BBSW rounded to two decimal places. s should be the swap rate negotiated by the counterparties entering into the transaction, ensuring rates used are of similar frequency (or converted) to the FRN, then straight line interpolated to the maturity date if necessary, then rounded to two decimal places. The FRN price should be calculated to three decimal places.

Interpolation

- Dates for BBSW are based on the modified following business day basis.
- Actual next interest payment date and maturity date are used.

- When interpolating r , BBSW is supplemented by the RBA target cash rate (RBA30) with a date of the next business day.
- Swap rates 4 years and over need to be converted from semi-annual fixed rates versus 6 month BBSW to quarterly fixed rates versus 3 month BBSW (assuming quarterly frequency on FRN).
- When interpolating s , swap rates are supplemented by the 1 to 6 month BBSW rates and the RBA target cash rate.
- Linear interpolation is used unless otherwise stated and agreed.

Floating Rate Securities with negative interest rates but with a zero rate floor coupon

Where the swap rate is less than the negative of the interest margin and there are no positive coupons at or beyond the next coupon date but there is a zero floor on the coupons, the following AFMA floating rate note convention formula should be used:

$$P = \frac{Z(b + IM)^+ \times \frac{d}{365} + (1 + i)^{-n}}{1 + (r + TM) \times \frac{f}{365}} \times 100$$

Where:

$$Z(b + IM)^+ = \max \{Z(b + IM), 0\}$$

Credit Derivatives

This is the standard for determination of the upfront amount when entering into a CDS as per the ISDA CDS Standard Model. This also applies for termination of existing deals.

3.18. Other Dealing Conventions

Long Term Credit Securities

Transaction Costs and Expense Management

In accordance with international debt capital markets practice, issuers are expected to pay for any legal expenses of their legal counsel (and incurred for their benefit) themselves. Ongoing listing fees, registry and paying agency fees and other market fees associated with the ongoing maintenance of the instrument should be borne by the issuer for the life of the instrument (including costs associated with increases of the instrument).

Credit Derivatives / Total Rate of Return Swaps

Trading

Having agreed to the contract terms as outlined below, inter-bank counterparties trading CDS and TRORS are considered to be 'dealt' as of the Trade Date. This notwithstanding, counterparties *may* specifically stipulate on the Trade Date that completion of the deal is conditional upon:

- **Credit** - A Buyer may require (internal) confirmation of counterparty credit limits on the Seller, and / or Seller may require (internal) confirmation of credit limits on the Reference Entity
- **Documentation** - Negotiated details of trades will be recorded on confirmations as per the ISDA Standard Physical Settlement Matrix with the confirmation to act as the final reference documentation to resolve any potential disagreement between parties.

Contract Terms

The contractual terms for a credit derivative transaction between the counterparties remains subject to bilateral negotiation, however (at the time of writing), the terms below are accepted as the market standard CDS conventions.

Required deviations / alterations to these market standard terms should be clearly stated by the appropriate counterparty *at the time* that counterparty's dealing interest is stated. Required deviations / alterations may be communicated either verbally, by written or electronic mail, or with an indicative term sheet.

If no deviations / alterations are stated by either party at the inception of the transaction, the following standard market conventions shall be deemed to apply.

Confirmation

All CDS transactions are documented under a Confirmation form, incorporating the definitions and provisions contained in the most current ISDA Credit Derivatives Definitions as published by the International Swaps and Derivatives Association

ISDA® Documentation

Where the transaction counterparties already have an ISDA Master Agreement in place, the terms of the CDS will supplement, form part of and be subject to that Master Agreement.

Where there is no ISDA Master Agreement, the counterparties agree that the CDS Confirmation evidences a complete and binding agreement between them, and that they will use all reasonable efforts to negotiate, execute and deliver an ISDA Master Agreement as promptly as possible.

Trade Date

The business day on which the counterparties agree:

- Reference Entity;
 - (Reference Obligation is agreed to be that specified by Markit Partners Reference Entity Database (RED) available as REDL command under Bloomberg or at www.markit.com)
- Notional Amount and Denomination;
- Scheduled Termination Date;
- Fixed Rate Payment (premium level) - agreed at 100bps or 500bps
 - Upfront Cash Settlement amount determined by reference to the standard CDS model as available through Bloomberg CDSW screen or at <http://www.cdsmodel.com/>

Other Standard Australian Corporate contract terms are documented at ISDA and available at the following link: http://www.isda.org/c_and_a/Credit-Derivatives-Physical-Settlement-Matrix.html. Counterparties should highlight any deviations from the accepted market conventions, as stated herein, at the outset of the transaction. Where such non-standard deviations have been highlighted, the Trade Date will become the date on which the counterparties have agreed to all the above terms of the transaction and all of the proposed deviations.

Effective Date

The trade date *plus* one Calendar Day.

Calculation Agent

Seller

Fixed Rate Payer Payment Dates

Quarterly, in arrears, on that date of the month that is the same as the Scheduled Termination Date, and inclusive of the Scheduled Termination Date. eg : a Scheduled Termination Date of 20th June 2011, would mean Fixed Rate Payer Payment Dates on the 20th day of each March, June, September and December.

The first Fixed Rate Payment Date may be long (or short) to match the above dates.

4. Confirmation

4.1. Timing

Long Term Credit Securities

All trades entered into must be confirmed either electronically or in writing by both parties on the day that the transaction was executed.

Credit Derivatives

No specific convention.

4.2. Obligations of Dealers

Long Term Credit Securities

Every endeavour should be made for dealers to complete dealing tickets or enter trades into the front office dealing systems in a timely manner to assist back office to generate and deliver confirmations to the transacting party.

Credit Derivatives

All trades must be confirmed in writing, in accordance with the conventions and conditions as outlined above. The counterparties agree to negotiate the documentation in good faith and, using all reasonable efforts, to promptly negotiate, execute and deliver the Confirmation.

Dealers should ensure that tickets are produced in a timely fashion.

4.3. Documentation

Long Term Credit Securities

Not applicable.

Credit Derivatives

ISDA documentation and definitions apply, as per the most current ISDA Credit Derivatives Definitions, and any accompanying supplements as published time to time by the International Swaps and Derivatives Associations Inc.

The Protection Seller will prepare the documentation for the transaction (being indicative term sheets, draft and final confirmations) unless otherwise agreed to by the counterparties.

4.4. Other Confirmation Conventions

All Products

No specific convention.

5. Settlement

5.1. Physical Settlements

Long Term Credit Securities

Settlement dates on long term credit securities are open to negotiation, however the following times are standard:

Type of Security	Settlement
Long Term Credit Securities with >6 months to maturity	Trade date plus two business days.

Credit Derivatives

The Terms Relating to Physical Settlement are governed by the ISDA Credit Derivatives Definitions, and the individual Confirmation

5.2. Cash Settlements

Long Term Credit Securities

Not applicable.

Credit Derivatives

The Terms Relating to Cash Settlement are governed by the ISDA Credit Derivatives Definitions, and the individual Confirmation.

5.3. Other Settlements Conventions

Long Term Credit Securities

If failed settlement occurs the deal will settle on the following business day with no rate adjustment, i.e. at the original agreed settlement price. If settlement continues to fail the settlement price does not alter unless the two parties agree. This is in fact a penalty to the defaulting party as one days interest is accrued to the buyer.

Dealers should be aware if a particular line of stock is in short supply. If the repo rate on a particular line falls this is an indication of illiquidity and dealers should ensure that they have stock available for future settlements. Dealers should not sell stock if they believe that they cannot deliver that stock at settlement.

Credit Derivatives

Premiums / Fixed Rate Payments are payable by the Protection Buyer to the Protection Seller, in accordance with the terms set out by the ISDA Credit Derivatives Definitions, and the individual Confirmation.