

**NAFMII DEFINITIONS DOCUMENT
(2009 VERSION)**

(English Translation)

Statement on English Translation

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At the instruction of NAFMII, Linklaters , a member of the Drafting Panel for the 2009 NAFMII Master Agreement documentation has prepared the draft English translation and has worked with the representatives from other members of the Drafting Panel, including Allen & Overy LLP, China Foreign Exchange Trade System, Credit Suisse, Deutsche Bank (China) Co. Ltd., Global Law Office, Industrial and Commercial Bank of China, JunZeJun Law Offices, Mallesons Stephen Jaques, and Zhong Yin Law Firm to finalise this English translation.

Statement

The aim of the issuance of the *NAFMII Definitions Document (2009 Version)* (the “**Definitions Document**”) by the National Association of Financial Market Institutional Investors (the “**NAFMII**”) is to provide participants in the financial derivatives market (the “**Participants**”) with definitions of terms to be used in transaction confirmations, so as to reduce transaction costs, improve the transaction efficiency, and promote the development of the financial derivatives market. NAFMII will continue to make amendments and additions to the content of the definitions in light of the development and needs of the market. When using this Definitions Document, Participants may effect amendments or supplements as may be necessary for the specific transactions.

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NAFMII DEFINITIONS DOCUMENT

1 General Definitions

1.1 Financial Derivative Transactions

means the financial agreements that are concluded between the Parties on a one-on-one basis, to which the *NAFMII Master Agreement (2009 Version)* is applicable as required by the PRC Laws and having terms which are tailor made in accordance with specific requirements of the Parties, and other financial agreements to which the Parties have agreed to apply the Master Agreement, these include, but not limited to, the following transactions which meet the conditions described above, Interest Rate Derivative Transactions, Currency Derivative Transactions, Bond Derivative Transactions, Credit Derivative Transactions, Gold Derivative Transactions, and any combination of the transactions referred to above.

1.2 Transaction Confirmation and Contract Note

1.2.1 Transaction Confirmation

means the documents or other written evidence confirming or evidencing a Financial Derivative Transaction exchanged by the Parties, including but not limited to Contract Notes, e-mails, telegrams, telexes, facsimile transmissions, agreements and letters.

1.2.2 Contract Note

means the evidence in written form which is generated from the trading system of the China Foreign Exchange Trade System & National Interbank Funding Center after a Financial Derivative Transaction is entered into between the Parties through such trading system, which confirms the transaction conditions of that transaction.

1.3 Definitions relating to dates

1.3.1 Business Day

means, unless otherwise agreed by the Parties, the following dates: with respect to any payments, a day on which commercial banks in the place where the relevant account is located are ordinarily open for business (not including statutory festivals and holidays); with respect to any delivery, a day on which the registration and settlement institutions in the place where the delivery takes place are open for business (not including statutory festivals and holidays); with respect to any notices or communications, a day on which commercial banks in the city that is specified in the address for notice as provided by the receiving Party are ordinarily open for business (not including statutory festivals and holidays).

1.3.2 Business Day Convention

If any relevant date of a transaction falls on a day that is not a Business Day, it shall be adjusted in accordance with the following relevant conventions:

- (a) Following Business Day: the date will be postponed to the following Business Day;
- (b) Modified Following Business Day: the date will be postponed to the following Business Day, but if the following Business Day falls in the next calendar month, that date will be the preceding Business Day;
- (c) Preceding Business Day: the date will be the preceding Business Day.

1.3.3 Trade Date

means the date on which the Parties enter into a transaction, which is also referred to as Transaction Date.

1.3.4 Commencement Date

means the date on which the transaction terms become effective, which is also referred to as Effective Date.

1.3.5 Interest Commencement Date

means the date on which interest on funds starts to accrue.

1.3.6 Termination Date

means the date on which the transaction terminates.

1.3.7 Payment Date

means the date on which the payers make payment; in the context of payment of interest, the Payment Date shall be the Interest Payment Date. The Payment Date shall be adjusted in accordance with the agreed Business Day Convention.

1.4 Definitions relating to interest calculation

1.4.1 Interest Calculation Method

means compound interest or simple interest.

1.4.2 Interest Period

means the number of days on which interest accrues at the corresponding interest rate level (including the commencement day but excluding the final day).

1.4.3 Interest Period Convention

When the Interest Period is an entire month or in the integral multiple of one month, unless otherwise agreed by the Parties, the last day of each Interest Period shall be the day, in the corresponding month calculated in accordance with the Interest Period, falling on the same day as the Interest Commencement Date (if there is no day, in the corresponding month calculated in accordance with the Interest Period, which falls on the same day as the Interest Commencement Date, it shall be the last day of that month).

1.4.4 Adjustment of number of interest accrual days

means when a Payment Date is adjusted in accordance with the Business Day Convention, whether the number of interest accrual days will also be adjusted

according to the actual number of days. Unless otherwise agreed, the number of interest accrual days will be adjusted by the actual number of days, with the final day of the Interest Period being adjusted to the actual Payment Date and the following Interest Period starting on such actual Payment Date.

1.4.5 Day Count Fraction

Unless agreed otherwise, when calculating the Interest Payable, the applicable Day Count Fraction is determined in accordance with the following rules:

- (a) **“Actual/Actual” (“A/A”)**, means the quotient of the actual number of days during the Interest Period divided by 365 (or, if any part of the Interest Period falls in a leap year, the sum of (i) the quotient of the actual number of days in the Interest Period falling within the leap year, divided by 366 and (ii) the quotient of the actual number of days in that Interest Period falling in a non-leap year divided by 365).
- (b) **“Actual/365” (“A/365”)**, means the quotient of the actual number of days during the Interest Period divided by 365. If such Interest Period includes the 29th of February, interest will accrue on such date;
- (c) **“Actual/Actual (Bond)” (“A/A-Bond”)**,
means
 - (i) actual number of days during the Interest Period, divided by
 - (ii) the product of the actual number of days during the current Interest Period and the number of interest payments in a year;

where, the actual number of days during the current Interest Period means the actual number of days between (and including) the immediately preceding Payment Date and (but excluding) the immediately following Payment Date and includes the 29th of February of the leap year.

- (d) **“Actual/365 (fixed)” (“A/365F”)**, means the quotient of the actual number of days during the Interest Period divided by 365. If the Interest Period includes the 29th of February, interest will not accrue on such date.
- (e) **“Actual Days/360” (“A/360”)**, means the quotient of the actual number of days during the Interest Period divided by 360.
- (f) **“30/360”**, means the quotient of the number of days during the Interest Period divided by 360. The number of days during the Interest Period is calculated on the basis of 12 months per year and 30 days per month, except where (i) if the first day in the Interest Period is neither the 30th or the 31st, but the final day is the 31st, there shall be 31 days in the month which the final day of the Interest Period falls in; (ii) if the final day in the Interest Period is the final day of February, the number of interest accrual days in February shall be the actual number of days of that month.

1.5 Definitions relating to amount

1.5.1 Currency Amount

in relation to a transaction involving more than one type of currency, means an amount agreed by the Parties in terms of certain type of currency.

1.5.2 Notional Amount

in relation to a transaction involving only one currency, means the amount specified as such.

1.5.3 Calculation Amount

means the applicable Notional Amount or Currency Amount (as the case may be).

1.6 Definitions relating to Calculation Institution

1.6.1 Calculation Institution

means, in the normal course of the transaction, the institution agreed by the Parties to be responsible for the specific calculation for payment (or delivery) obligations. The Calculation Institution must act in good faith when conducting specific calculations.

The Calculation Institution is responsible for giving notice to the Parties on a Calculation Date. Such notice must at least include the following content:

- (a) Payment Date;
- (b) the Party or Parties required to pay any amount due or deliver any securities;
- (c) the amount of payment due or securities to be delivered;
- (d) details of how the relevant amount was determined; and
- (e) if, after notice is given, there are any changes to the payment date and the amount due on that payment date, the Calculation Institution shall immediately give the Parties notice of such changes, along with an explanation of a reasonable degree of detail about how those changes were determined.

1.6.2 Calculation Date

means the earliest day on which the Calculation Institution is able to conduct the calculation of payment (or delivery) obligations.

1.7 Smallest digit

1.7.1 Smallest decimal places for interest rates

The smallest decimal place for RMB interest rates shall be a figure expressed as a percentage calculated to four decimal places. The decimal place after the 4th decimal place shall be rounded off (with 0.00005% being rounded upwards). In the process of calculating interest, the smallest decimal place used shall be 12 for a

figure expressed as a percentage. The decimal place after the 12th decimal place shall be rounded off (with 0.000000000005% being rounded upwards).

For other currencies, the relevant market practice shall be followed.

1.7.2 Basis Point

One-ten thousandth.

1.7.3 Smallest unit for an amount

The unit for an RMB amount is Yuan, being accurate to fen (one-hundredth of Yuan). Digits after fen shall be rounded off (with 0.5 fen being rounded upwards). For other currencies the relevant market practice shall be followed.

1.8 Account

1.8.1 Capital Account

means the account designated by one Party to receive a payment from the other Party.

1.8.2 Bond Account

means the account designated by one Party to receive a delivery of Bonds from the other Party.

2 Interest Rate Derivative Products

2.1 Interest Rate Derivative Transactions

include but are not limited to interest rate swap transactions (IRS), forward rate agreements (FRA), interest rate option transactions and transactions comprising combinations of these transactions.

Interest rate swap transactions means the financial agreements under which the Parties agree, during a fixed period in the future, to exchange the interest amounts over the agreed amounts of notional principal in the same currency.

Forward rate agreement transactions means the financial agreements under which the Parties agree, on a certain date in the future, to exchange the interest amounts over certain notional principal calculated respectively by reference to the contractual interest rate and Reference Interest Rate. The buyer in a forward rate agreement transaction shall pay the interest calculated by reference to the contractual interest rate, and the seller shall pay the interest calculated by reference to the Reference Interest Rate.

2.2 Parties

2.2.1 Fixed Rate Payer

means the Party that has the obligation to pay Fixed Amounts.

2.2.2 Floating Rate Payer

means the Party that has the obligation to pay Floating Amounts.

2.3 Definitions relating to Fixed Amount

2.3.1 Fixed Rate

means the rate per annum applicable to the Fixed Rate Payer during the Interest Period.

2.3.2 Fixed Amount

means the amount payable by the Fixed Rate Payer on the Payment Date. Unless otherwise agreed by the Parties, it shall be calculated in accordance with the following formula:

Fixed Amount = Calculation Amount × Fixed Rate × Fixed Rate Day Count Fraction

2.4 Definitions relating to Floating Amounts

2.4.1 Reference Interest Rate

means the reference interest rate adopted by the Parties which is applied to determine the level of the floating interest rate on the Interest Rate Determination Date, including but not limited to:

- (a) CNY 1 Year Deposit Rate (TD): means, in respect of a Reset Date, the Renminbi one year deposit interest rate as published on the official webpage of the People's Bank of China as of 3:00 p.m., Beijing time on the Business Day preceding the Reset Date. If, at the time specified above, the aforementioned Interest Rate does not appear on the official webpage of PBOC, the agreement between the Parties shall apply. The Day Count Fraction for CNY 1 Year Deposit is A/360.
- (b) Shibor: means the Shanghai Interbank Offered Rate as published on <http://www.shibor.org>, by China Foreign Exchange Trade System & National Interbank Funding Center under the authorization of the People's Bank of China, as of around 11:30 a.m., Beijing time on each Business Day, including 8 critical terms, i.e. O/N、1W、2W、1M、3M、6M、9M、1Y, each represents the level of the rate for the corresponding period. If Shibor is not published in respect of a certain Business Day, the Shibor in respect of the Business Day immediately preceding that Business Day shall be applied in place thereof; in other cases which lead to the termination of publication of Shibor, the agreement between the Parties shall apply. Where ShiborO/N (SHIFON) is selected as the Reference Rate, the Interest Rate Determination Date is the Reset Date; where other Shibor is selected as Reference Rate, including Shibor3M (SHIB3), the Interest Rate Determination Date is the Business Day preceding the Reset Date. The Day Count Fraction for Shibor is A/360.
- (c) Repo Fixed Rates: means the overnight fixed repo rate and the 7-day fixed repo rate marked as FR001 and FR007 respectively and published on <http://www.chinamoney.com.cn>, by China Foreign Exchange Trade System & National Interbank Funding Center under the authorization of the People's Bank of China, as of around 11:00 a.m., Beijing time on each Business Day. If the Repo Fixed Rate is not published in respect of a certain Business Day, the Repo Fixed Rate in respect of the Business Day

preceding that Business Day shall be applied in place thereof. In other cases which lead to the termination of publication or the non-existence of the Repo Fixed Rates, the agreement between the Parties shall apply. Where FR001 is selected as the Reference Rate, the Interest Rate Determination Date is the Reset Date; where FR007 is selected as the Reference Rate, the Interest Rate Determination Date is the Business Day preceding the Reset Date. The Day Count Fraction for Repo Fixed Rate is $A/365$.

2.4.2 Floating Rate

means the per annum rate applicable to the Floating Rate Payer during the Interest Period:

- (a) unless otherwise agreed by the Parties, means the Reference Interest Rate level in respect of each Reset Date;
- (b) if a cap rate is specified, means the result from the rate determined pursuant to subparagraph (a) less the cap rate specified as such (if the difference is negative, such a rate will be deemed to be zero);
- (c) if a floor rate is specified, means the result from the floor rate specified as such less the rate determined pursuant to subparagraph (a) above (if the difference is negative, such a rate will be deemed to be zero).

2.4.3 Floating Amount

means the amount payable by the Floating Rate Payer on the Payment Date:

- (a) if the interest is calculated as simple interest, the Floating Amount is calculated in accordance with the following formula:

Floating Amount = Calculation Amount \times (Floating Rate+ Spread) \times Floating Rate Day Count Fraction;

- (b) if the interest is calculated as compound interest, then:

I. Where ShiborO/N or FR001 is selected as the Reference Rate, the Floating Amount is calculated in accordance with the following formula:

$$I \times \left\{ \prod_{i=1}^{d_0} \left(1 + \frac{r_i \times N_i}{D} \right) - 1 \right\}$$

Where:

r_i = the corresponding level of the Floating Rate for ShiborO/N or FR001 on each Business Day of the relevant Calculation Period;

I = Calculation Amount;

d_0 = the number of Business Days in the relevant Calculation Period;

$\frac{N_i}{D}$ means the Day Count Fraction for the i^{th} Reset Period;

D means the corresponding number of interest accrual days per year in respect of that Day Count Fraction, where: N_i is "1" if the day immediately

following a Business Day is also a Business Day, but where the day immediately following a Business Day is not a Business Day, then N_i is the number of calendar days from such Business Day (and including) to the next Business Day (and excluding).

II. Where other rate is selected as the Reference Rate, the Floating Amount is calculated in accordance with the following formula:

$$I \times \left[\prod_{i=1}^n (1 + r_i) - 1 \right]$$

Where:

$r_i = (Fr_i \pm BP) \times N_i$, $i = 1, 2, 3, \dots, n$;

I = Calculation Amount,

Fr_i = Floating Rate,

BP = Spread,

N_i = Day Count Fraction of the i^{th} Reset Period,

n = the number of Reset Periods between two adjacent Payment Dates.

2.4.4 Interest Rate Determination Date

means the date on which the Reference Interest Rate on a certain Reset Date is determined according to the agreement of the Parties.

2.4.5 Reset Date

means a date on which the new Reference Interest Rate is implemented.

2.4.6 Reset Period

means the number of days between two adjacent Reset Dates.

2.4.7 Spread

means the number of Basis Point to be added to or subtracted from the Floating Rate, which is also referred to as basic point difference.

2.4.8 Negative Interest Rate

means, where the Floating Amount is negative, the calculation method as may be agreed by the Parties:

- (a) Negative Interest Rate Method: the Floating Amount payable by the Floating Rate Payer is deemed to be zero, whereas the other Party shall pay the absolute value of the negative Floating Amount, in addition to the amounts otherwise payable by that Party for the relevant Interest Period.
- (b) Zero Rate Method: the Floating Amount payable by the Floating Rate Payer shall be deemed to be zero, and the other Party shall pay the amount originally scheduled to be paid for the relevant Interest Period.

Unless otherwise agreed by the Parties, the "**Negative Interest Rate Method**" is applicable to Negative Interest Rate.

2.4.9 Discounting

2.4.9.1 Formula for discounting

in respect of the discounting of the Fixed Amount or Floating Amount where the Interest Period is not longer than one year, the following formula shall apply:

$$\frac{1}{1 + (\text{Discount Rate} \times \text{Discount Rate Day Count Fraction})}$$

2.4.9.2 Discount Rate

unless otherwise agreed by the Parties, the Discount Rate is the Floating Rate plus or minus the Spread.

2.4.9.3 Discount Rate Day Count Fraction

unless otherwise agreed by the Parties, the Discount Rate Day Count Fraction is the Floating Rate Day Count Fraction.

3 Bond Derivative Products

3.1 Bond Derivative Transactions

include but are not limited to Bond Forward Transactions and Bond Option Transactions.

Bond Forward Transaction means a transaction under which Parties agree to purchase and sell the Bonds at the agreed price and quantity on a certain date in the future.

3.2 Definitions relating to Bonds

3.2.1 Bonds

means the underlying assets that are the subject of a Bond Derivative Transaction, including but not limiting to government bonds, governmental development financial institution bonds and non-governmental credit bonds, all of which are traded on the National Inter-bank Bond Market.

3.2.2 Bond Quantity

means the total nominal value of the Bonds, expressed in Yuan.

3.2.3 Interest Payable

means the accumulated and unpaid interest accruing from the previous Interest Payment Date (or Interest Commencement Date).

3.2.4 Settlement Method

means the method as agreed between the Parties for payment of funds and delivery of bonds, including delivery versus payment, payment against delivery, and delivery against payment.

3.2.5 Interest Payable on the Settlement Date

means the Interest Payable on the Bonds, the nominal value of which is expressed in units of Yuan / one hundred Yuan, from the previous Interest Payment Date (or the Interest Commencement Date) to the Settlement Date.

3.3 Bond Forward Transactions

3.3.1 Parties

3.3.1.1 Purchaser

means the Party that purchases the Bonds.

3.3.1.2 Seller

means the Party that sells the Bonds.

3.3.2 Definitions relating to settlement

3.3.2.1 Settlement Date

means the date as agreed by the Parties for delivery of bonds and payment of funds.

3.3.2.2 Net Price

means the Bond price (the nominal value of which is expressed in units of Yuan / one hundred Yuan) as agreed by the Parties on the Trade Date, based on which delivery is made on Settlement Date, and which excludes the Interest Payable.

3.3.2.3 Net Price Amount

means the amount calculated in accordance with the following formula:

Net Price Amount (expressed in units of Yuan) = Net Price × Bond Quantity / 100

3.3.2.4 Gross Price

means the sum of the Net Price and the Interest Payable that is payable on the Settlement Date. The nominal value of Gross Price is expressed in units of Yuan / one hundred Yuan.

3.3.2.5 Gross Price Amount

means the amount calculated in accordance with the following formula:

Gross Price Amount (expressed in units of Yuan) = Gross Price × Bond Quantity / 100

3.3.2.6 Settlement Amount

means the amount paid by the Purchaser to the Seller on the Settlement Date, which is the Gross Price Amount.

3.4 Bond Option Transactions

3.4.1 Types of Option

3.4.1.1 Option to Buy

also referred to as the Call Option, means the right to purchase the Bonds at an agreed price and quantity on a certain date in future.

3.4.1.2 Option to Sell

also referred to as the Put Option, means the right to sell the Bonds at an agreed price and quantity on a certain date in future.

3.4.2 Parties

3.4.2.1 Purchaser

means the Party that pays the Seller a certain Option Premium and that is entitled to purchase or sell the Bonds at the agreed price and quantity on a certain date in future.

3.4.2.2 Seller

means the Party that receives from the Purchaser a certain Option Premium and that is obliged to purchase or sell the Bonds at the agreed price and quantity on a certain date in future.

3.4.3 Definitions relating to Option Premium

3.4.3.1 Option Premium

means the premium paid by the Purchaser for purchasing the Option.

3.4.3.2 Option Premium Payment Date

means a date on which the Purchaser pays the Option Premium to the Seller.

3.4.4 Definitions relating to the exercise of Options

3.4.4.1 Exercise Date

means the date on which the Purchaser elects to purchase or sell the Bonds.

3.4.4.2 Cut-off Time

means the latest time agreed by the Parties for exercising the Option on the Exercise Date. Unless otherwise agreed by the Parties, market practice shall be followed.

3.4.4.3 Exercise Notice

means an irrevocable notice sent by the Purchaser to the Seller by facsimile transmission, electronic messaging system or telephone, etc. for exercising the

Options. The Exercise Notice must be delivered to the Seller before the Cut-off Time.

3.4.4.4 Exercise Price

means the net price (the nominal value of which is expressed in units of Yuan / one hundred Yuan) agreed by the Parties at which the Bonds are purchased or sold.

3.4.5 Definitions relating to Settlement

3.4.5.1 Settlement Date

means the date agreed by the Parties for settling delivery obligations after the Purchaser exercises the Option. Unless otherwise agreed by the Parties, the Settlement Date shall be the second Business Day following the Exercise Date.

3.4.5.2 Physical Settlement

means the Settlement Method under which, on the Settlement Date, one Party (the Seller under the Call Option, or the Purchaser under the Put Option) delivers the Bonds to the other Party and such other Party makes payment of the Settlement Amount to it accordingly.

3.4.5.3 Cash Settlement

means the Settlement Method under which, on the Settlement Date, the Seller makes payment in cash to the Purchaser of the Settlement Amount in accordance with the difference between the Exercise Price and the Reference Price.

3.4.5.4 Fixing Date

means, in the case of Cash Settlement, the date on which the Reference Price is determined.

3.4.5.5 Reference Price

means, in the case of Cash Settlement, the net price of the Bonds as of the Fixing Date as determined in accordance with the method agreed by the Parties (expressed in units of Yuan / one hundred Yuan).

3.4.5.6 Settlement Amount

means the amount paid by one Party to the other Party on the Settlement Date, (expressed in units of Yuan):

- (a) in the case of Physical Settlement, being the amount paid by the Purchaser to the Seller (under the Call Option), or by the Seller to the Purchaser (under the Put Option), and shall be calculated according to the formula below:

$$\text{Settlement Amount} = (\text{Exercise Price} + \text{Interest Payable on Settlement Date}) \times \text{Bond Quantity} / 100$$

- (b) in the case of Cash Settlement, being the amount paid by the Seller to the Purchaser and shall be calculated according to the formula below:

$$\text{Settlement Amount} = \left| \text{Exercise Price} - \text{Reference Price} \right| \times \text{Bond Quantity} / 100$$

4 Currency Derivative Products

4.1 Currency Derivative Transactions

include but are not limited to FX Forward Transactions, FX Swap Transactions, Currency Swap Transactions, FX Option Transactions and transactions comprising these transactions.

4.2 Definitions relating to exchange rate

4.2.1 FX

means currencies other than RMB.

4.2.2 Base FX

means, in a FX-FX transaction, the FX that is quoted in one unit for exchange rate.

4.2.3 Non-base FX

means, in a FX-FX transaction, the FX that one unit of Base FX represents.

4.2.4 Spot Exchange Rate

means the exchange rate for FX against RMB, or Base FX against Non-base FX, generated from the spot transactions in the inter-bank foreign exchange market.

4.3 FX Forward

4.3.1 FX Forward Transactions

include but are not limited to RMB-FX Forward Transactions and FX-FX forward transactions.

RMB-FX Forward Transactions means a transaction of FX against RMB conducted through the trading system of China Foreign Exchange Trade System & National Interbank Funding Center, under which the Parties agree to settle on a designated date in the future with the agreed FX currency, amount and exchange rate.

4.3.2 Parties

4.3.2.1 Purchaser

means the Party that purchases the FX and sells RMB, or which purchases the Base FX and sells the Non-base FX.

4.3.2.2 Seller

means the Party that sells the FX and purchases RMB or which sells the Base FX and purchases the Non-base FX.

4.3.3 Definitions relating to Exchange Rate

4.3.3.1 Forward Exchange Rate

means the settlement exchange rate as agreed by the Parties with respect to transactions in the inter-bank foreign exchange market for FX against RMB, or Base FX against Non-base FX on a certain date in the future.

4.3.3.2 Forward Basis Point

means the spread equal to the Forward Exchange Rate minus the Spot Exchange Rate.

4.3.4 Definitions relating to settlement

4.3.4.1 Gross Settlement

means the settlement method on the Settlement Date where the entire principal amount is settled according to the agreed Forward Exchange Rate.

4.3.4.2 Net Settlement

means the settlement method on the Settlement Date where the settlement of the principal amount is based on the differential between the agreed Forward Exchange Rate and the Spot Exchange Rate on the Fixing Date or such other price as agreed by the Parties.

4.3.4.3 Settlement Currency

in the case of Gross Settlement, means the currency payable by the Purchaser to the Seller and the currency payable by the Seller to the Purchaser, and in the case of Net Settlement, means the currency for payment as agreed by the Parties.

4.3.4.4 Settlement Amount

means the amount of Settlement Currency as agreed by the Parties to be paid or received by one Party to the other Party on the Settlement Date.

4.3.4.5 Fixing Date

means, in the case of Net Settlement, the date on which the Spot Exchange Rate is determined.

4.3.4.6 Settlement Date

means the agreed date for settlement of funds.

4.4 FX Swap

4.4.1 FX Swap Transactions

include but are not limited to RMB-FX Swap Transactions and FX-FX swap transactions.

RMB-FX Swap Transaction means a transaction conducted through the trading system of China Foreign Exchange Trade System & National Interbank Funding Center, under which the Parties swap RMB and FX on two designated settlement dates but in reverse directions. Under the first leg, one Party exchanges with the foreign currency for RMB from the other Party at the agreed exchange rate; under the second leg, such Party exchanges back with RMB for the foreign currency, in the same currency and same amount, from the other Party at the agreed exchange rate.

4.4.2 Definitions relating to exchange rates

4.4.2.1 Swap Basis Point

means the spread equal to the Final Exchange Rate minus the Initial Exchange Rate.

4.4.2.2 Initial Exchange Rate

means the applicable exchange rate as agreed by the Parties for the first exchange of currencies.

4.4.2.3 Final Exchange Rate

means the applicable exchange rate as agreed by the Parties for the second exchange of currencies.

4.4.3 Definitions relating to settlement

4.4.3.1 Initial Settlement Date

means the date of the first exchange of currencies.

4.4.3.2 Final Settlement Date

means the date of the second exchange of currencies.

4.4.3.3 Gross Settlement

means the settlement method where the entire principal amount is settled according to the agreed Forward Exchange Rate on the Initial Settlement Date and the Final Settlement Date.

4.4.3.4 Settlement Currency

means the two currencies agreed by the Parties settled on the Initial Settlement Date and the Final Settlement Date.

4.4.3.5 Settlement Amount

means the amount of Settlement Currency agreed by the Parties to be paid by one Party to or received by one Party from the other Party on the Initial Settlement Date and the Final Settlement Date.

4.5 FX Options

4.5.1 Type of Options

4.5.1.1 Option to Buy

also referred to as the Call Option, means the right to purchase the underlying currency at the agreed exchange rate and quantity on a certain date in the future.

4.5.1.2 Option to Sell

also referred to as the Put Option, means the right to sell the underlying currency at the agreed exchange rate and quantity on a certain date in the future.

4.5.2 Parties

4.5.2.1 Purchaser

means the Party that pays to the Seller a certain Option Premium and that is entitled to purchase or sell the underlying currency at the agreed exchange rate and quantity on a certain date in the future.

4.5.2.2 Seller

means the Party that receives from the Purchaser a certain Option Premium and that is obliged to purchase or sell the underlying currency if notified by the Purchaser, at the agreed exchange rate and quantity on a certain date in the future.

4.5.3 Definitions relating to Option Premium

4.5.3.1 Option Premium

means the premium paid by the Purchaser for purchasing the Option.

4.5.3.2 Option Premium Payment Date

means the date on which the Purchaser pays the Option Premium to the Seller.

4.5.4 Definitions relating to exercise of Options

4.5.4.1 Exercise Price

means the exchange rate agreed by the Parties for the purchase or selling of the underlying currency.

4.5.4.2 Exercise Date

means the date on which the Purchaser elects to purchase or sell the underlying currency.

4.5.4.3 Cut-off Time

means the agreed latest time for exercising the Option on the Exercise Date. Unless otherwise agreed by the Parties, market practice shall be followed.

4.5.4.4 Exercise Notice

means an irrevocable notice sent by the Purchaser to the Seller by facsimile transmission, electronic messaging system or telephone, etc. requesting the exercise of Options. The Exercise Notice should be delivered to the Seller at or before the Cut-off Time.

4.5.5 Definitions relating to settlement

4.5.5.1 Settlement Date

means the date agreed by the Parties for settling delivery obligations after the Purchaser exercises the Option. Unless otherwise agreed by the Parties, the Settlement Date shall be the second Business Day following the Exercise Date.

4.5.5.2 Gross Settlement

means the Settlement Method under which, on the Settlement Date, one Party (the Seller under the Call Option, or the Purchaser under the Put Option) pays the underlying currency amount to the other Party and such other Party makes payment of the Settlement Amount to it accordingly.

4.5.5.3 Net Settlement

means the Settlement Method under which, on the Settlement Date, the Seller makes payment to the Purchaser of the Settlement Amount in accordance with the difference between the Exercise Price and the Reference Price.

4.5.5.4 Fixing Date

means, in the case of Net Settlement, the date on which the Reference Price is determined.

4.5.5.5 Reference Price

means, in the case of Net Settlement, the Spot Exchange Rate of the underlying currency as of the Fixing Date as determined in accordance with the method agreed by the Parties; the quotation method for the Reference Price shall be consistent with that of the Exercise Price.

4.5.5.6 Settlement Amount

means the amount of non-underlying currency paid by one Party to the other Party on the Settlement Date:

- (a) in the case of Gross Settlement, being the amount paid by the Purchaser to the Seller (under the Call Option), or by the Seller to the Purchaser (under the Put Option), and shall be calculated according to the formula below:

where the underlying currency is Base FX, Settlement Amount = Exercise Price x amount of underlying currency;

where the underlying currency is Non-base FX, Settlement Amount = 1 / Exercise Price x amount of underlying currency;

- (b) in the case of Net Settlement, being the amount paid by the Seller to the Purchaser and shall be calculated according to the formula below:

where the underlying currency is Base FX, Settlement Amount = | Exercise Price – Reference Price | × amount of underlying currency;

where the underlying currency is Non-base FX, Settlement Amount =

$$\left| \frac{1}{\text{Exercise Price}} - \frac{1}{\text{Reference Price}} \right| \times \text{amount of underlying currency}$$

4.6 Currency Swap Transactions

includes but not limited to RMB-FX Currency Swap Transactions and FX-FX currency swap transactions.

RMB-FX Currency Swap Transaction means a transaction conducted through the trading system of China Foreign Exchange Trade System & National Interbank Funding Center under which Parties will, during the agreed period, exchange the agreed principal amounts in RMB and foreign currency and the interest accrued on the respective amount periodically. The form of exchange of the principal amounts include: (a) Parties exchange the agreed principal amounts in RMB and foreign currency on the Effective Date and exchange reversely the same principal amount at the same exchange rate on the Termination Date; (b) other forms stipulated by the supervision body. Interest swap means the Parties, on a periodic basis, pay each other the interest amount calculated by reference to the currency amount swapped in. The Parties can calculate the interest by reference to the fixed interest rate or the floating interest rate.

5 Credit Derivative Products

5.1 General Definitions relating to Credit Derivative Products

5.1.1 Credit Derivative Products

include but are not limited to Credit Default Swaps (CDS) and Total Return Swaps (TRS).

Credit Default Swap means an agreement between the Parties where one Party provides protection to the other Party in respect of the loss of nominal value or principal amount of the Reference Obligation.

Total Return Swap means an agreement in which the Parties agree to enter into a swap in respect of the entire income generated from their respective Reference Obligations.

5.1.2 Credit Protection Period

means the period from (and including) the Effective Date of the Credit Derivative Transactions to (and including) the agreed Termination Date (or Early Termination Date).

5.1.3 Credit Event Notice

means, upon the confirmation of the occurrence of a Credit Event, the written notice sent by the notifying party to the other Party in respect of the relevant Credit

Event. The Credit Event Notice shall confirm the relevant Credit Event and provide reasonably detailed information. If the Credit Event Notice fails to specify the date of occurrence of the Credit Event, the date of sending the Credit Event Notice will be deemed to be the date of occurrence of the Credit Event. Unless otherwise agreed by the Parties, the notifying party is the Credit Protection Purchaser.

5.1.4 Notice of Publicly Available Information

means, upon the confirmation of the occurrence of a Credit Event, the written notice sent by the notifying party to the other Party in respect of the publicly available information in relation to the Credit Event. Such notice shall specify the information or report received by the notifying party from public sources regarding the occurrence of the relevant Credit Event. Unless otherwise agreed by the Parties, sources of publicly available information are limited to newspapers distributed nation-wide or the authoritative professional journals, websites or information providers recognised by the industry association which the Reference Entity is affiliated to, and where the relevant reporter or reporting institution has neither withdrawn the information or report by the Early Termination Date nor made any open admission of material misreporting.

5.1.5 Credit Protection Purchaser

means the Party that transfers away the credit risk.

5.1.6 Credit Protection Seller

means the Party that accepts the credit risk.

5.1.7 Reference Entity

means one or several entities (including Successor Entities) agreed by the Parties, the credit risks of which are to be the subject of the transaction.

5.1.8 Successor Entity

- (a) If the Reference Entity is a sovereign country or international multilateral organisation, means any direct or indirect successor, whether or not the successor assumes the obligations of the Reference Entity.
- (b) In relation to circumstances other than that stated in sub-section (a) above, means the direct or indirect successor that assumes the entire or substantial obligations of the Reference Entity by merger, transfer, acquisition or other method. The Successor Entity will be determined by the Calculation Institution.

5.1.9 Obligation

means all types of obligations of the Reference Entity, including but not limited to the following:

- (a) **“Payment Obligation”** means any current or future, outstanding or contingent obligation for payment or repayment;
- (b) **“Borrowed Money”** means a **“Payment Obligation”** arising from borrowing (including deposit obligations arising from the issuance of letter of credit or performance bond, or the reimbursement obligations arising from the

repayment of letter of credit or performance bond, excluding any undrawn amount of a revolving credit facility);

- (c) **“Loan”** means any obligation of a type included in **“Borrowed Money”** that is documented by a term loan agreement, a revolving loan agreement or other similar loan agreement;
- (d) **“Bond”** means any obligation of a type included in the **“Borrowed Money”** that is in the form of a bond for value, such as a government bond, a governmental development financial institution bond, a non-government credit bond and so forth.

5.1.10 Obligation Characteristics

means the characteristics of an obligation agreed by the Parties, including but not limited:

- (a) **“Pari Passu”**, means whether the Obligation and the Obligations of the Reference Entity are on a pari passu basis;
- (b) **“Listed”**, means whether the Obligation is transferable or tradable in a legal exchange;
- (c) **“Specified Currency”**, unless otherwise agreed by the Parties, means RMB.

5.1.11 Reference Obligation

means the Obligation of the Reference Entity as agreed by the Parties, and the Parties should also agree the notional amount of the Reference Obligation.

5.1.12 Credit Events

means one or more of the events below as agreed by the Parties:

- (a) **“Bankruptcy”** means the occurrence of any one of the events below with respect to the Reference Entity: I. it is dissolved (except by reason of a consolidation, amalgamation or restructuring); II. it fails or is unable to pay its debts as they become due, or manifestly lacks the ability to make repayment; III. it admits in writing its inability to pay its debts as they become due; IV. it makes a general assignment or repayment arrangement for the benefit of its creditors in respect of its entire or substantial assets, or it makes arrangements or reaches conciliation agreements with its creditors for the repayments issues in respect of its entire or substantial debts ; V. it or its regulator has instituted against it an administrative or judicial proceeding in respect of an official management, bankruptcy and liquidation, etc. or its creditor has instituted against it an administrative or judicial proceeding in respect of an official management, bankruptcy and liquidation, etc. which results in an order of its bankruptcy, termination of business, liquidation or under official management, or the aforementioned proceeding is accepted and has not been dismissed, discharged, stayed or restrained in each case within thirty (30) days of the institution thereof; VI. a resolution is passed for its winding-up, liquidation or application for bankruptcy; VII. it seeks or becomes subject to the appointment of a provisional liquidator, custodian, trustee, official manager or other person in the similar nature in

respect of itself or its entire or substantial assets; VIII. its creditors, as a secured party, have taken possession of its entire or substantial assets or have instituted against it a legal proceeding of distress, attachment, freezing or execution against all or a substantial part of its assets, and the above situation is not revoked or suspended by relevant authorities within thirty (30) days; IX. any other events with similar effects to items I to VIII above.

- (b) **“Payment Default”** means the failure of Reference Entity to within the applicable grace period pay its debts, the amount of which have exceeded the threshold amount agreed by the Parties.
- (c) **“Obligation Acceleration”** means where the Obligation becomes due before the original Termination Date because of a default of the Reference Entity. In the circumstance of an Obligation Acceleration, the Parties may agree the minimum default amount of the Reference Entity. Only where the default has exceeded the minimum default amount would an Obligation Acceleration be deemed to have occurred.
- (d) **“Obligation Default”** means the circumstance where the Reference Entity has defaulted on any Obligation other than a Payment Default and such default results in a possibility of the Obligation being declared to be prematurely due.
- (e) **“Repayment Restructuring”** means the following events agreed between the Reference Entity and holders of its Obligations, or events declared by the Reference Entity to be applicable to all holders of its Obligations: reductions of the rates of interest payable or decreases in the amounts of interest payable, decreases in the principal amount or premium repayable, deferral of the repayment date of principal and interest, changes in priority of repayment, changes in the repayment Specified Currency. The amount involved in the Repayment Restructuring above shall not be less than the threshold amount agreed by the Parties. However, it does not constitute a Repayment Restructuring if the Reference Entity acts in the above manner because of regulatory, financial or tax adjustments arising in the ordinary course of business, or the abovementioned acts do not result from the deterioration of the Reference Entity’s credit or financial condition.

5.2 General Definitions relating to settlement

5.2.1 Settlement Conditions

include but are not limited to sending a Credit Event Notice and Notice of Publicly Available Information. When such conditions are satisfied, the Parties shall perform the obligation according to the applicable Settlement Method.

5.2.2 Settlement Method

means Cash Settlement or Physical Settlement as agreed by the Parties.

5.2.3 Settlement Date

means the applicable Cash Settlement Date or Physical Settlement Date.

5.2.4 Settlement Currency

unless otherwise agreed by the Parties, means RMB.

5.2.5 Valuation Date

means the date agreed by the Parties for calculating the Final Price. Unless otherwise agreed by the Parties, the Valuation Date shall be the third Business Day after the Settlement Conditions have been satisfied.

5.2.6 Agreed Termination Date

means the date agreed by the Parties in the transaction confirmation as the date on which the Credit Derivative Transaction is terminated.

5.2.7 Early Termination Date

means, upon the occurrence of a Credit Event, the date which one Party is entitled to designate for early terminating the Credit Derivative Transaction.

5.3 Definitions relating to Cash Settlement

5.3.1 Cash Settlement

means the settlement method where the Credit Protection Seller settles the Credit Derivative Transaction by making a cash payment on the Settlement Date according to the Notice of Cash Settlement sent by the Credit Protection Purchaser.

5.3.2 Cash Settlement Amount

means the amount payable by the Credit Protection Seller pursuant to the Cash Settlement. Unless otherwise agreed by the Parties, the Cash Settlement Amount is calculated in accordance with the following formula:

$$\text{Max } \{ \text{Notional amount of the Reference Obligation} \times (\text{Reference Price} - \text{Final Price}), 0 \}$$

5.3.3 Reference Price

means the percentage of the notional amount of the Reference Obligation as agreed by the Parties. Unless otherwise agreed by the Parties, it shall be 100%.

5.3.4 Final Price

means the market price of the notional amount of the Reference Obligation on the Valuation Date which is expressed as a percentage and determined in accordance with the valuation method agreed by the Parties.

5.3.5 Notice of Cash Settlement

means the notice of cash settlement sent by the Credit Protection Purchaser to the Credit Protection Seller. Such notice shall specify details such as the Cash Settlement Amount, Cash Settlement Date, payment method, venue, the calculation method of the settlement amount and so forth.

5.4 Definitions relating to Physical Settlement

5.4.1 Physical Settlement

means the settlement method where the Credit Protection Purchaser delivers the Specified Obligation to the Credit Protection Seller in accordance with the notice of physical delivery on Physical Settlement Date, and the Credit Protection Seller pays the relevant Physical Settlement Amount to the Credit Protection Purchaser.

5.4.2 Delivery

means where the Credit Protection Purchaser delivers the entire interest in the Specified Obligation specified in the notice of physical delivery to the Credit Protection Seller.

5.4.3 Physical Settlement Date

means the final Business Day in the Physical Delivery Period agreed by the Parties or the Business Day on which the physical delivery has been completed (if earlier).

5.4.4 Physical Settlement Amount

means the amount resulting from multiplying the notional amount of the Reference Obligation by the Reference Price.

5.4.5 Physical Delivery Period

means the period for physical delivery as agreed by the Parties or as specified in the notice of physical delivery. Such period shall not exceed the maximum reasonable period provided by relevant laws or generally recognised market practice.

5.4.6 Notice of Physical Settlement

means the notice of physical settlement sent by the Credit Protection Purchaser to the Credit Protection Seller. Such notice shall specify details such as specific information relating to the settlement of the Specified Obligation, the delivery method, the delivery venue, whether a third party's consent is required and has been obtained, and whether cooperation from the other Party is required.

5.4.7 Specified Obligation

means the Obligation of the Reference Entity agreed by the Parties to be deliverable by the Credit Protection Purchaser to the Credit Protection Seller, including but not limited to the Reference Obligation.