
CHINA INTER-BANK MARKET
BOND DERIVATIVE TRANSACTIONS
DEFINITIONS DOCUMENT
(2012 VERSION)

(English Translation)

Statement on English Translation

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Beijing Global Law Office, a member of the NAFMII Drafting Committee, has prepared this English translation.

The representatives from other members of the NAFMII Drafting Committee have also participated in the review of this English translation, including Bank of China, Bank of Communications, China Industrial Bank Co., Ltd., China International Capital Corporation, Industrial and Commercial Bank of China, JunZeJun Law Offices and Standard Chartered Bank.

Statement

The aim of the issuance of the *China Inter-bank Market Bond Derivative Transactions Definitions Document (2012 Version)* (the “**Bond 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 Bond Definitions Document, Participants may effect amendments or supplements as may be necessary for the specific transactions.

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China Inter-bank Market Bond Derivative Transactions Definitions Document (2012 Version)

1. General Definitions

1.1 Bond Derivative Transaction

means a “bond derivative transaction” designated by the Parties in the relevant Effective Transaction Agreement, including but not limited to Bond Forward Transactions and bond option transactions. A Bond Derivative Transaction (the “**Transaction**”) has the following features:

- (1) the underlying asset of the Transaction is the Bonds;
- (2) the value of the Transaction is not primarily derived from the credit risk of such Bonds; and
- (3) the primary purpose of the Transaction is not the transfer of the credit risk of such Bonds.

1.2 Effective Transaction Agreement

means a legally binding agreement in respect of a Bond Derivative Transaction, including but not limited to a Transaction Confirmation.

1.3 Transaction Confirmation

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

1.4 Parties / Party

in respect of a Bond Derivative Transaction, the Purchaser and the Seller are collectively referred to as the “**Parties**” and each as a “**Party**”.

1.5 Purchaser

means, in respect of a Bond Derivative Transaction, the Party designated as purchaser in the Transaction Confirmation for such Transaction. If such Transaction is a Bond



Forward Transaction, the Purchaser is the Party that will purchase the Designated Bonds to be Delivered.

1.6 Seller

means, in respect of a Bond Derivative Transaction, the Party designated as seller in the Transaction Confirmation for such Transaction. If such Transaction is a Bond Forward Transaction, the Seller is the Party that will sell the Designated Bonds to be Delivered.

1.7 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).

1.8 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:

- (1) "**Following Business Day**": the date will be postponed to the following Business Day;
- (2) "**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;
- (3) "**Preceding Business Day**": the date will be the preceding Business Day.

1.9 Trade Date

means, in respect of a Bond Derivative Transaction, the date designated as trade date in the Transaction Confirmation for such Transaction. The Trade Date is the date on which the Parties enter into such Transaction. Unless otherwise agreed by the Parties, such Transaction shall become effective on the Trade Date.



1.10 Bonds

means, in respect of this Bond Definitions Document, the book-entry debt financing instruments for which the issuing party undertakes to repay the principal amount and pay the interest in accordance with the agreed terms, as publicly traded on the National Inter-bank Bond Market and registered, deposited and settled with and through the relevant Registration and Settlement Institutions. Bonds include but are not limited to government bonds, local government bonds, central bank bills, policy financial bonds, international development agencies' bonds, hybrid capital bonds, subordinated bonds, ordinary financial bonds, enterprise bonds, medium term notes, collective notes, short term commercial papers, super-short term commercial papers and asset-backed notes, as traded on the National Inter-bank Bond Market.

1.11 Eligible Bonds

means, in respect of a certain type of Bond Derivative Transactions, the Bonds that may act as the underlying assets of such Transactions pursuant to the applicable laws of the PRC.

1.12 Designated Bonds

means the Eligible Bonds as agreed in the Transaction Confirmation for the relevant Bond Derivative Transaction and marked as "**Designated Bonds**" by reference to the relevant bond codes, bond names and other manners.

1.13 Aggregate Face Value

means, in respect of a Bond Forward Transaction and the Designated Bonds, the nominal amount of a specific quantity of such Bonds as agreed in the Transaction Confirmation for such Transaction (or determined in accordance with the method agreed in the Transaction Confirmation) and designated as aggregate face value. Where the Physical Settlement Method applies, the Aggregate Face Value shall be the integral multiples of the Face Value of such Bonds. If such nominal amount as agreed in the Transaction Confirmation (or determined in accordance with the method agreed in the Transaction Confirmation) is not the integral multiples of the Face Value of such Bonds, the Aggregate Face Value shall be adjusted to the nearest multiples of the Face Value of such Bonds. If the Designated Bonds are denominated and issued in RMB, the currency of their Aggregate Face Value shall be RMB, the unit of which shall be expressed in Yuan; if the Designated Bonds are denominated and issued in a currency other than RMB, the currency of their Aggregate Face Value shall be that currency, the unit of which shall be expressed by reference to the common practice of



the National Inter-bank Bond Market applicable to the Bonds denominated in such currency.

1.14 Face Value

means, in respect of a Bond, the nominal amount of the face value of that Bond set out by the issuer in the issuing documents as the basis for repaying the principal amount thereof and paying the interest thereon.

1.15 Interest Payable

means, in respect of a Bond and one specific date during the duration of such Bond, the accumulated and unpaid interest accruing on the basis of the nominal amount equal to the Face Value of such Bond for the period commencing on the previous Interest Payment Date (or the Value Date of such Bond, if there is no Interest Payment Date for such Bond prior to that specific date) (inclusive) and ending on that specific date (not inclusive). If such Bond is denominated and issued in RMB, the currency of its Interest Payable shall be RMB, the unit of which shall be expressed in Yuan; if such Bond is denominated and issued in a currency other than RMB, the currency of its Interest Payable shall be that currency, the unit of which shall be expressed by reference to the common practice of the National Inter-bank Bond Market applicable to the Bond denominated in such currency.

1.16 Interest Payment Date

means, in respect of a Bond, the dates set out in the issuing documents and/or interest payment announcements thereof on which the issuer shall pay the interest on such Bond. In respect of one interest payment for such Bond, provided that the relevant payment date set out in the issuing documents is different from that set out in the interest payment announcement for such interest payment, the interest payment date set out in the interest payment announcement shall be the Interest Payment Date for this interest payment; if the above documents or announcements provide that such interest will be paid on two or more than two dates, the first date of payment shall be the Interest Payment Date for this interest payment. The Interest Payment Date will be adjusted by the relevant business day (or working day) convention set out in the issuing documents and/or the interest payment announcements and, provided that there is any inconsistency in this regard between the issuing documents and the interest payment announcements, the latter shall prevail.



1.17 Value Date

means, in respect of a Bond, the date set out in the issuing documents of such Bond from which the interest on such Bond shall accrue.

1.18 Registration Date

means, in respect of a Bond, the Settlement System Business Day determined by the relevant Registration and Settlement Institution on which the credit rights in respect of such Bond will be registered for the purpose of paying interest thereon. Any investor which holds such Bond at such institution upon the expiry of the business hours of the Registration Date shall be treated as the beneficiary of the interest on the current interest period of such Bond.

1.19 Instalment Bond Repayment

means, in respect of a Bond, the repayment method under which the issuer will, during the tenor of such Bond, prepay the principal amount of such Bond by instalment to all (but not a part of) the investors holding such Bond, each instalment based on a certain percentage of the principal amount of such Bond.

1.20 Trade Center

means the China Foreign Exchange Trade System & National Interbank Funding Center or any surviving entity, successor or assignee thereof (provided that such surviving entity, successor or assignee assumes all or a substantial part of the business relating to Bond Derivative Transactions therefrom).

1.21 Trade Center Business Day

means, among Scheduled Trading Days, the days when the Trade Center is actually open for business and provides the relevant services to the relevant Bond transactions (regardless of whether the Trade Center closes the business prior to the Scheduled Closing Time).

1.22 Registration and Settlement Institution

means a legal person designated by the People's Bank of China of the PRC to engage in the registration, depository and settlement business in relation to Bonds in the inter-bank bond market, including but not limited to China Central Depository & Clearing Co., Ltd., Inter-bank Market Clearing House Co., Ltd. or any surviving entity, successor or assignee thereof (provided that such surviving entity, successor or assignee assumes all or a substantial part of the registration, depository and settlement business relating to Bonds therefrom).



1.23 Settlement System Business Day

means, in respect of a Registration and Settlement Institution, the days when such institution is open for business (or, should have been scheduled to operate had no Physical Settlement Disruption Event occurred) and accepts and implements clearing instructions.

1.24 Payment Business Day

unless otherwise agreed by the Parties in the Transaction Confirmation, means, in respect of the payments in RMB, the days when the large value payment system of the China National Advanced Payment System of the People's Bank of China of the PRC operates; in respect of the payments in Euro, the days when the Trans-European Automated Real-time Gross settlement Express Transfer system (TARGET) operates; in respect of the payments in Hong Kong Dollars, the days when the Hong Kong dollar Real Time Gross Settlement system (also known as Hong Kong dollar Clearing House Automated Transfer System) operates; in respect of the payments in other currencies, the days (excluding Saturdays and Sundays) when commercial banks located in the major financial centers of such currencies are open for business (including foreign exchange transactions and deposits).

1.25 Scheduled Trading Day

means the days when the Trade Center is scheduled to be open for business and provide the relevant services for Bond transactions in accordance with its customary timetable.

1.26 Scheduled Closing Time

means, in respect of the Trade Center and a Scheduled Trading Day, the time when the Trade Center is scheduled to close the business in accordance with its customary timetable. Scheduled Closing Time will not take account of the extension of time or any Bond transaction activity out of the normal trading time.

1.27 Settlement Currency

means, in respect of a Bond Derivative Transaction, a currency designated as settlement currency in the Transaction Confirmation for such Transaction. When the Physical Settlement Paying Party performs its obligations to pay the Physical Settlement Amount, it shall pay such amount in the relevant Settlement Currency.



1.28 Clearing Arrangement

means the bilateral clearing model or the centralised clearing model selected by the Parties for the Bond Derivative Transactions.

The Bond Derivative Transactions selecting the “**Centralised Clearing**” pursuant to the applicable laws or the agreement between the Parties shall carry out the centralised clearing at the third party clearing institution designated or recognised by the relevant regulatory authorities and complete the clearing pursuant to the relevant effective rules of that clearing institution.

1.29 Calculation Institution

means, in respect of a Bond Derivative Transaction, the institution designated as calculation institution in the Transaction Confirmation for such Transaction. The Calculation Institution may be one Party, or jointly the Parties, or any third party selected by the Parties provided that such selection does not violate the applicable laws of the PRC. The Calculation Institution shall comply with the principle of good faith at the time of calculation. The Calculation Institution shall not be treated as the trustee or advisor of any Party when it performs the function of Calculation Institution.

Unless otherwise agreed by the Parties:

- (1) if the Parties select the Trade Center as the Calculation Institution for a Transaction, any calculation, confirmation or adjustment made by the Trade Center in relation to such Transaction shall be finally binding on the Parties, unless such calculation, confirmation or adjustment has manifest error or negligence;
- (2) in other circumstances, if one Party has a reasonable dispute with any calculation, confirmation or adjustment made by the Calculation Institution (or, where the Parties are both the Calculation Institutions, by the other Party), it may, within two (2) Business Days of the date when it knows such calculation, confirmation or adjustment, jointly with the other Party select an independent third party as the reviewing institution with the other Party based on the principle of good faith, provided that such selection does not violate the applicable laws of the PRC. If the Parties fail to jointly select a reviewing institution within the above period, each Party may select an independent third party within the first Business Day after that period, while two such third parties will jointly select another independent third party as the reviewing institution. If any Party fails to select an independent third party within such Business Day, then the



independent third party selected by the other Party shall act as the reviewing institution. If each Party fails to select the independent third party within such Business Day, the calculation, confirmation or adjustment originally made by the Calculation Institution shall be finally binding on the Parties, unless such calculation, confirmation or adjustment has manifest error or negligence.

The function of the reviewing institution shall be (and shall only be) to re-calculate, confirm or adjust the above results subject to dispute, based on the principles of good faith and commercial reasonableness. Subject to the above, the calculation, confirmation or adjustment made by the reviewing institution shall be finally binding on the Parties, unless such calculation, confirmation or adjustment has manifest error or negligence. Unless otherwise agreed by the Parties, the expenses for retaining the reviewing institution shall be equally shared by the Parties.

2. Relevant Definitions on Bond Forward Transactions

2.1 Bond Forward Transaction

means a type of Bond Derivative Transactions, under which the Seller shall deliver to the Purchaser the Designated Bonds to be Delivered on the Settlement Date, and the Purchaser shall pay to the Seller the Physical Settlement Amount on the Physical Settlement Payment Date, pursuant to the relevant Transaction Confirmation and this Bond Definitions Document.

2.2 Net Price

means, in respect of a Bond Forward Transaction and a Designated Bond, the price of that Designated Bond, the nominal amount of which is equal to its Face Value, as agreed in the Transaction Confirmation for such Transaction (or determined by the method agreed in the Transaction Confirmation). When determining the Net Price, the Interest Payable on such Designated Bond shall not be taken account of.

Provided that (i) the issuer of such Bonds early redeems a part (not all) of the principal amount of such Bonds during the period from (and including) the Trade Date for such Transaction to (and including) the Settlement Date; (ii) the early redemption follows the method of Instalment Bond Repayment; and (iii) the Purchaser, having been aware of such circumstance, presents the evidence in time (which shall in no event be later than the close of business of the relevant Registration and Settlement Institution on the Settlement Date) to the Seller showing that such early redemption or the method of early redemption is beyond the general expectations of the investors of such Bonds



and the Net Price has not taken account of the element of early redemption, the Parties (or, if the Parties fail to promptly reach a consensus, the Calculation Institution) shall make proper adjustments on the Net Price of such Bonds, so as to reflect the impact on the fair market value of such Bonds and the Net Price that may be caused by such early redemption, unless otherwise agreed by the Parties.

If the Designated Bonds are denominated and issued in RMB, the currency of their Net Price shall be RMB, the unit of which shall be expressed in Yuan. If the Designated Bonds are denominated and issued in a currency other than RMB, the currency of their Net Price shall be that currency, the unit of which shall be expressed by reference to the common practice of the National Inter-bank Bond Market applicable to the Bonds denominated in such currency.

2.3 Net Price Amount

means, in respect of a Bond Forward Transaction and a Designated Bond, the aggregate of the Net Price of such Bond within the Aggregate Face Value, calculated in accordance with the following formula:

Net Price Amount of such Bond = Net Price of such Bond × Aggregate Face Value of such Bond / the Face Value of such Bond

2.4 Gross Price

means, in respect of a Bond Forward Transaction and a Designated Bond, the sum of the Net Price of such Bond and the Interest Payable on the Settlement Date.

2.5 Gross Price Amount

means, in respect of a Bond Forward Transaction and a Designated Bond, the aggregate of the Gross Price of such Bond within the Aggregate Face Value, calculated in accordance with the following formula:

Gross Price Amount of such Bond = Gross Price of such Bond × Aggregate Face Value of such Bond / the Face Value of such Bond

3. Relevant Definitions on Physical Settlement Method

3.1 Physical Settlement Method

means, in respect of a Bond Derivative Transaction subject to the Physical Settlement Method, the settlement method under which the Parties agree to pay the Physical



Settlement Amount and deliver the Designated Bonds to be Delivered, including Delivery versus Payment, Payment after Delivery and Delivery after Payment.

The Physical Settlement Paying Party shall pay the Physical Settlement Amount on the relevant Physical Settlement Payment Date pursuant to the agreed Physical Settlement Method, while the Designated Bonds Delivery Party shall also deliver the corresponding Designated Bonds to be Delivered on the relevant Settlement Date pursuant to the agreed Physical Settlement Method, unless otherwise provided in other applicable terms or rules (including but not limited to any condition precedent to perform as applicable to such Transaction under this Agreement).

Any Bond Forward Transaction shall apply the Physical Settlement Method, unless the Parties agree to apply other settlement methods not prohibited by the applicable laws of the PRC.

Unless otherwise agreed by the Parties, if, during the period from (and including) the Trade Date of a Transaction to (and including) the Settlement Date, the issuer of the Designated Bonds of such Transaction (i) early redeems all traded outstanding Designated Bonds; or (ii) early redeems a part of the traded outstanding Designated Bonds (provided that such early redemption does not follow the method of Instalment Bond Repayment), which causes the delivery by the Designated Bonds Delivery Party to the other Party of such Designated Bonds in the Aggregate Face Value on the Settlement Date impossible or commercially unreasonable, as determined by the Parties (or, if the Parties fail to promptly reach a consensus, by the Calculation Institution), then the Designated Bonds Delivery Party is not obliged to physically deliver such Designated Bonds in the Aggregate Face Value on the Settlement Date and shall instead pay to the other Party the sum of the following two amounts on the Settlement Date:

- (1) the aggregate of the Redemption Amount of such Designated Bonds in the Aggregate Face Value (prior to the withholding or deduction of any tax); and
- (2) the aggregate of the interest accrued on the amount of the above Redemption Amount (based on the inter-bank interest rate and the rule of simple interest) during the period from (and including) the date when the issuer actually distributes the Redemption Amount to (but excluding) the Settlement Date.

3.2 Payment after Delivery

means a type of Physical Settlement Method, under which the payment by the Physical Settlement Paying Party of the Physical Settlement Amount under a Bond



Derivative Transaction shall be conditional upon the completion by the Designated Bonds Delivery Party of the delivery obligation for the corresponding Designated Bonds to be Delivered under such Transaction.

3.3 Delivery after Payment

means a type of Physical Settlement Method, under which the delivery by the Designated Bonds Delivery Party of the Designated Bonds to be Delivered under a Bond Derivative Transaction shall be conditional upon the completion by the Physical Settlement Paying Party of the payment obligation of the corresponding Physical Settlement Amount under such Transaction.

3.4 Delivery versus Payment

means a type of Physical Settlement Method, under which the payment by the Physical Settlement Paying Party of the Physical Settlement Amount under a Bond Derivative Transaction shall be made at the same time and conditional upon the delivery by the Designated Bonds Delivery Party of the corresponding Designated Bonds to be Delivered under such Transaction, and vice versa.

3.5 Designated Bonds Delivery Party

means, in respect of a Bond Derivative Transaction subject to the Physical Settlement Method, the Seller where such Transaction is a Bond Forward Transaction, or the Party obliged to deliver the Designated Bonds to be Delivered as set out in the Transaction Confirmation for such Transaction where such Transaction is another type of Bond Derivative Transaction.

3.6 Physical Settlement Paying Party

means, in respect of a Bond Derivative Transaction subject to the Physical Settlement Method, the Purchaser where such Transaction is a Bond Forward Transaction, or the Party obliged to pay the Physical Settlement Amount as set out in the Transaction Confirmation for such Transaction where such Transaction is another type of the Bond Derivative Transaction.

3.7 Settlement Date

means, in respect of a Bond Derivative Transaction subject to the Physical Settlement Method, the date designated as settlement date in the Transaction Confirmation for such Transaction. If that date is not a Settlement System Business Day, unless otherwise agreed in the Transaction Confirmation, the Settlement Date shall be the first Settlement System Business Day after that date. Provided that (i) the Parties



agree that the Physical Settlement Disruption Events apply to such Transaction, and (ii) the occurrence of a Physical Settlement Disruption Event results in the failure to delivery through the clearing system of the relevant Registration and Settlement Institution of all or a part of the Designated Bonds to be Delivered on the Settlement Date, then the Settlement Date for those Designated Bonds to be Delivered which are affected by such Physical Settlement Disruption Event shall be adjusted pursuant to the terms of the Remedies for Physical Settlement Disruption Events.

3.8 Physical Settlement Payment Date

means, in respect of a Bond Derivative Transaction subject to the Physical Settlement Method, the date designated as physical settlement payment date in the Transaction Confirmation for such Transaction. If the Transaction Confirmation does not set out the Physical Settlement Payment Date, the Physical Settlement Payment Date shall be the Settlement Date. If that date is not a Payment Business Day for one Settlement Currency, unless otherwise agreed in the Transaction Confirmation, the Physical Settlement Payment Date for the corresponding Physical Settlement Amount in such Settlement Currency shall be the first Payment Business Day for such Settlement Currency after that date. Provided that (i) the Parties agree that the Physical Settlement Disruption Events apply to such Transaction, and (ii) the occurrence of a Physical Settlement Disruption Event results in the failure to fully deliver through the clearing system of the relevant Registration and Settlement Institution all or a part of the Designated Bonds to be Delivered on the Settlement Date, and (iii) such Transaction adopts the Delivery versus Payment or the Payment after Delivery, then the Physical Settlement Payment Date for those Designated Bonds to be Delivered which are affected by such Physical Settlement Disruption Event shall be adjusted pursuant to the terms of the Remedies for Physical Settlement Disruption Events.

3.9 Designated Bonds to be Delivered

means, in respect of a Bond Derivative Transaction subject to the Physical Settlement Method, the Designated Bonds with a nominal amount equal to the Aggregate Face Value.

3.10 Physical Settlement Amount

means, in respect of a Bond Derivative Transaction subject to the Physical Settlement Method, one of the following amounts as determined by the Calculation Institution:

1. Where such Transaction is a Bond Forward Transaction:



The Physical Settlement Amount is equal to the aggregate of the Gross Price Amount of the Designated Bonds to be Delivered under such Transaction. If the Designated Bonds to be Delivered under such Transaction are denominated and issued in RMB, the currency of the corresponding Physical Settlement Amount shall be RMB, the unit of which shall be expressed in Yuan; if the Designated Bonds to be Delivered under such Transaction are denominated and issued in a currency other than RMB, the currency of the corresponding Physical Settlement Amount shall be that currency, the unit of which shall be expressed by reference to the common practice of the National Inter-bank Bond Market applicable to the Bonds denominated in such currency.

However, for a Designated Bond to be Delivered:

- (1) if such Bond has the Registration Date during the period from (and including) the previous Interest Payment Date prior to the Settlement Date (or the Value Date, in case such Bond has no Interest Payment Date prior to the Settlement Date) to (but excluding) the Settlement Date, the Gross Price Amount of such Bond shall be its Net Price Amount;
- (2) if such Bond has the Registration Date on the Settlement Date and the Designated Bonds Delivery Party fails to deliver such Bonds in the Aggregate Face Value to the Physical Settlement Paying Party prior to the closing time of the Settlement Date of the relevant Registration and Settlement Institution, the Gross Price Amount of such Bond shall be its Net Price Amount;
- (3) if (i) the Parties agree that the Physical Settlement Disruption Events apply to such Transaction, and (ii) the occurrence of a Physical Settlement Disruption Event results in the failure to fully deliver such Designated Bond to be Delivered to the Physical Settlement Paying Party on the Settlement Date, and (iii) such non-delivered Designated Bond to be Delivered has the Registration Date during the period from (and including) the scheduled Settlement Date to (but excluding) the completion date for the actual delivery of such non-delivered Designated Bond to be Delivered, the Gross Price Amount for any non-delivered Designated Bond to be Delivered shall be its Net Price Amount.

Under any of the above circumstances, if the Physical Settlement Amount has already been paid to the Designated Bonds Delivery Party prior to the above adjustment, the Designated Bonds Delivery Party shall be obliged to promptly



refund to the Physical Settlement Paying Party any over-collected amount, unless otherwise provided in other applicable terms or rules (including but not limited to any condition precedent to perform as applicable to such Transaction under this Agreement).

2. Where such Transaction is another type of Bond Derivative Transaction:

The Physical Settlement Amount is such amount designated as physical settlement amount in the Transaction Confirmation for such Transaction (or determined by the method set out in the Transaction Confirmation). When the Parties agree in the Transaction Confirmation the Physical Settlement Amount or its determination method, they shall also agree on the currency and unit of currency applicable to the Physical Settlement Amount.

3.11 Physical Settlement Disruption Events

means, in respect of a Designated Bond, the events beyond the control of the Parties which cause the non-delivery of such Designated Bond through the clearing system of the relevant Registration and Settlement Institution.

3.12 Remedies for Physical Settlement Disruption Events

In respect of a Bond Derivative Transaction, where the Parties agree to apply the Physical Settlement Disruption Events, the Settlement Date shall be adjusted to the first Settlement System Business Day capable of delivering the Designated Bonds to be Delivered after the scheduled Settlement Date, provided that a Physical Settlement Disruption Event causes the non-delivery of the Designated Bonds to be Delivered on such scheduled Settlement Date. If such Transaction applies the Delivery versus Payment or the Payment after Delivery, the Physical Settlement Payment Date shall be extended correspondingly.

If a Physical Settlement Disruption Event only affects the delivery of a part of the Designated Bonds to be Delivered on the Settlement Date, the Settlement Date and the Physical Settlement Payment Date for those Designated Bonds to be Delivered not affected by such Physical Settlement Disruption Event shall remain as the scheduled dates. In such circumstance, the Parties shall negotiate a proper ratio of the Physical Settlement Amount payable on the scheduled Physical Settlement Payment Date. If the Parties fail to reach a consensus promptly, such ratio will be determined by the Calculation Institution.

If the Parties cannot complete the full delivery of the Designated Bonds to be Delivered, nor can they agree on a solution, before the closing time of the relevant Registration



and Settlement Institution on the eighth (8th) Settlement System Business Day after the scheduled Settlement Date, any Party may, during the period when the non-delivery status remains, deliver to the other Party a written notice (which shall only take the method set out in Section 19(1) of the Master Agreement) to designate any Business Day falling within fifteen (15) Business Days from the effective date of such notice as the Early Termination Date. For this purpose, the above event and circumstance will constitute a Termination Event under Section 7(4) of the Master Agreement and such Transaction will be the only Affected Transaction (for the avoidance of doubt, if a part of the Designated Bonds to be Delivered under such Transaction has completed the delivery and the corresponding part of the Physical Settlement Amount has been paid prior to the effective date of notice, such Affected Transaction shall not be treated as including such delivered Designated Bonds to be Delivered and such paid Physical Settlement Amount), while the Parties are both Affected Parties. For such Termination Event, the Parties are not bound by Sections 10(1) and (2) of the Master Agreement.

3.13 Bond Cover Mechanism

In respect of a Bond Derivative Transaction subject to the Physical Settlement Method, if the Parties agree to apply the Bond Cover Mechanism, where (i) the Designated Bonds Delivery Party fails to deliver the Designated Bonds to be Delivered on the relevant Settlement Date (except a non-delivery caused by a Physical Settlement Disruption Event) and (ii) such non-performance has not been fully remedied prior to the closing time of the relevant Registration and Settlement Institution on the fifth (5th) Settlement System Business Day from the Settlement Date, the Physical Settlement Paying Party shall be entitled to purchase from third parties the equivalent Designated Bonds up to the non-delivered quantity of such Designated Bonds to be Delivered, so as to cover the corresponding non-delivery obligation of the Designated Bonds Delivery Party, provided that such non-performance is continuing and no Early Termination Date has occurred or been effectively designated in relation to such non-performance. The Physical Settlement Paying Party shall be entitled to deduct from the Physical Settlement Amount payable to the Designated Bonds Delivery Party any costs and expenses (including the transaction costs actually incurred and other related expenses, but excluding any indirect cost or expense) actually incurred for the purchase of the above Bonds. If the Physical Settlement Amount then payable to the Designated Bonds Delivery Party is lower than the above costs and expenses, or the Physical Settlement Amount has been paid to the Designated Bonds Delivery Party prior to making the above deduction, then the Designated Bonds Delivery Party shall



reimburse the Physical Settlement Paying Party accordingly upon the request of the Physical Settlement Paying Party.

The Physical Settlement Paying Party shall notify the Designated Bonds Delivery Party its intention to cover and the cover period (which shall not go beyond the forty-fifth (45th) day after the relevant Settlement Date) not later than two (2) days prior to the implementation of such intended cover. The notice may take the form of telephone notice and may (but not must) be made within five (5) Settlement System Business Days from the Settlement Date. The purchase by the Physical Settlement Paying Party of such equivalent Designated Bonds is not restricted by any subsequent performance by the Designated Bonds Delivery Party and, unless the Physical Settlement Paying Party notifies the Designated Bonds Delivery Party that it will no longer apply the Bond Cover Mechanism, the Designated Bonds Delivery Party shall not deliver such Bonds during the cover period. The Physical Settlement Paying Party shall notify the Designated Bonds Delivery Party in writing such information as the quantity, price and relevant costs and expenses of the purchased bonds as soon as practicable after the delivery of such bonds is completed.

3.14 Redemption Amount

means, in respect of a Bond, the sum of the principal and interest that an onshore institutional investor of the National Inter-bank Bond Market, which holds such Bond in a nominal amount equal to its Face Value, shall be entitled to receive from the issuer of such Bond, in the event that such issuer early redeems the above nominal amount of such Bond from such investor.



Schedule - Transaction Confirmation for Bond Forward Transactions

The transaction confirmation for this Bond Forward Transaction (the “**Transaction Confirmation**”) confirms the terms and conditions of a Bond Forward Transaction bearing the above serial number (the “**Transaction**”) between [*inserting the name of the party sending this Transaction Confirmation*] and [*inserting the name of the party receiving this Transaction Confirmation*] (collectively as the “**Parties**”) on the Trade Date.

This Transaction Confirmation replaces and substitutes any other confirmation message (including written, electronic or telephone confirmation messages in any other form) in relation to the Transaction, except the Contract Note, made by the Parties on or prior to the date of this Transaction Confirmation in relation to the Transaction.

This Transaction Confirmation is subject to the *China Inter-bank Market Financial Derivative Transactions Master Agreement (2009 Version)* dated [*inserting the signing date*] between the Parties (the “**Master Agreement**”) and its supplement (which takes the form of the Supplement to the *China Inter-bank Market Financial Derivative Transactions Master Agreement (2009 Version)* with reasonable amendments and supplements by the Parties) (the “**Supplement**”). This Transaction Confirmation, together with the Contract Note for the Transaction, constitute the “**Effective Transaction Agreement**” referred to in the Master Agreement. This Transaction Confirmation supplements the Master Agreement and the Supplement and constitutes a part of this Agreement. Unless expressly amended by this Transaction Confirmation, all terms of the Master Agreement and the Supplement apply to this Transaction Confirmation.

If the provisions of this Transaction Confirmation are inconsistent with the provisions of the Master Agreement (excluding Section 23 of the Master Agreement) or the Supplement, the provisions of this Transaction Confirmation shall prevail in respect of the Transaction. However, if the provisions of this Transaction Confirmation are inconsistent with Section 23 of the Master Agreement, Section 23 of the Master Agreement shall prevail.

The *China Inter-bank Market Bond Derivative Transactions Definitions Document (2012 Version)* (the “**Bond Definitions Document**”) issued by the National Association of Financial Market Institutional Investors apply to this Transaction Confirmation. If there is a conflict between this Transaction Confirmation and the Bond Definitions Document, this Transaction Confirmation shall prevail in respect of the Transaction.

If the relevant trading system of the Trade Center generates the Contract Note for the Transaction and the Parties have confirmed the Contract Note in such trading system, this



Transaction Confirmation shall be treated as a supplement to, rather than a substitution of, the above Contract Note. For this purpose, this Transaction Confirmation shall be treated as a supplemental contract to the Transaction set out in Article 8 of the *Administrative Rules for Bond Forward Transactions in the National Inter-bank Bond Market*. If the provisions of this Transaction Confirmation are inconsistent with the provisions of the Contract Note, the provisions of the Contract Note shall prevail. For the avoidance of doubt, in the event that the format restriction of the Contract Note causes that (i) the Parties do not provide a matter in the Contract Note, but this Transaction Confirmation provides such matter (provided that such provisions do not negate any original provisions of the Contract Note or deviate from the main part of any original provisions of the Contract Note) or (ii) the provisions of the Contract Note do not cover all intentions of the Parties on such matter, while this Transaction Confirmation expands, supplements to or sets out some applicable or non-applicable conditions on the provisions of the Contract Note (provided that such expansion, supplement or set-out of conditions does not negate any original provisions of the Contract Note or deviates from the main part of any original provisions of the Contract Note), then this Transaction Confirmation shall not be treated as inconsistent with the Contract Note in respect of such provisions.

For those terms used in this Transaction Confirmation but not defined, their definitions are set out in the Master Agreement, the Supplement or the Bond Definitions Document.

The terms of the Transaction are set out as below:

I. General Terms

Trade Date: [], [The Parties do not give another definition on Trade Date.]¹

Purchaser: []

Seller: []

Designated Bonds:

| Serial No. | Code of Eligible Bonds | Full Name of Eligible Bonds | Short Name of Eligible Bonds | Currency of Eligible Bonds | Other Descriptions on Eligible Bonds |
|-------------------------|------------------------|-----------------------------|------------------------------|----------------------------|--------------------------------------|
| Designated Bonds | | | | | |

¹ Please select or amend on the basis of the circumstances.



Amount of Designated Bonds²: []

Net Price: [The Parties do not give another definition on Net Price.]¹

Payment Business Day: [[The Parties do not set out a different Payment Business Day.]¹

Calculation Institution: [], [The Parties do not set out a different dispute resolution procedure under the definition of Calculation Institution.]¹

Other Duties of the Calculation Institution: []

II. Settlement Provisions

Settlement Method: **Physical Settlement Method**

Relevant Provisions on Physical Settlement

Method of Physical Settlement: [Payment after Delivery]/[Delivery after Payment] / [Delivery versus Payment]³

Settlement Date: []

Physical Settlement Payment Date: [Settlement Date,]¹ [if that date is not a Payment Business Day for one Settlement Currency, the Physical Settlement Payment Date for the part of Physical Settlement Equivalent Amount corresponding to that Settlement Currency shall be the first Payment Business Day for such Settlement Currency after that date.]¹

Physical Settlement Disruption Events: [Apply] [Not Apply]³

Bond Cover Mechanism: [Apply] [Not Apply]³

Settlement Currency: [The Parties do not set out a different Settlement Currency.]¹

III. Account Information

Purchaser:

² This amount shall be the multiples of the Face Value of the Designated Bonds.

³ Please select on the basis of the circumstances.



Name of Account Bank:

Account Name:

Account Number:

Code of Large Value Payment System:

Seller:

Name of Account Bank:

Account Name:

Account Number:

Code of Large Value Payment System:

IV. Other Provisions



Please countersign one duplicate copy of this Transaction Confirmation to confirm that the above contents accurately set out the terms of agreement between you and us and post it to us, or please send to us a letter substantially similar to this letter which shall set out the main terms of the Transaction and express that you agree on such terms and which shall be affixed with your company chop.

[inserting the name of the party sending this Transaction Confirmation]

Signature: _____

Name: _____

Position: _____

Company Chop:

[inserting the name of the party receiving this Transaction Confirmation] hereby confirm on the signing date set out in the beginning of this Transaction Confirmation:

The above contents of this Transaction Confirmation correctly and completely reflect the terms and conditions agreed between you and us on the Transaction. We have no objection to the above contents of this Transaction Confirmation.

[inserting the name of the party receiving this Transaction Confirmation]

Signature: _____

Name: _____

Position: _____

Company Chop: