MARKET PRACTICE STATEMENT FOR VARIANCE SWAP TRANSACTIONS INVOLVING JAPANESE SHARES OR INDICES REGARDING WHEN EXCHANGE-IMPOSED DAILY PRICE LIMITATIONS WOULD CONSTITUTE A MARKET DISRUPTION EVENT DUE TO A TRADING DISRUPTION

22 October, 2009 – The International Swaps & Derivatives Association, Inc. ("**ISDA**") today announced a market practice statement ("**this Statement**") in regard to the circumstances under which exchange-imposed daily price limitations would constitute a Market Disruption Event due to a Trading Disruption for variance swaps involving Japanese shares or indices ("**Applicable Transactions**").

This Statement may be used as a framework for a Calculation Agent in making its materiality determination as to whether a Market Disruption Event has occurred. This Statement is intended to replace the statement published 10 March, 2009. In the interest of promoting the orderly valuation and settlement of Applicable Transactions, ISDA recommends that participants apply the guidance set out in this Statement to Applicable Transactions (regardless of when entered into) but only in respect of events occurring on or after 22 October, 2009.

The following firms endorse this Statement: Artradis Fund Management, Barclays Bank PLC, BlueMountain, BNP Paribas, Bank of America/Merrill Lynch, Credit Suisse, Daiwa Sec. SMBC, Deutsche Bank AG, Goldman Sachs & Co., JP Morgan, KBC Financial Products, Mitsubishi UFJ Securities Co., Ltd., Morgan Stanley, Nomura, RBS, Societe Generale and UBS.

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

Statement

With regard to outstanding Applicable Transactions (regardless of when entered into) but only in respect of events occurring on or after 22 October, 2009 and only insofar as exchange-imposed daily price limitations are concerned (but not otherwise):

1. It will be a Market Disruption Event for Trading Disruption in respect of a Share Variance Swap Transaction if there was a Continuous Bid-up or a Continuous Offer-down for the relevant Share on the Relevant Exchange during the Relevant Observation Period. Any Trading Disruption due to exchange-imposed daily price limitations which does not meet these criteria will never be a Market Disruption Event

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2. It will be a Market Disruption Event for Trading Disruption in respect of an Index Variance Swap Transaction if at least one of (a) and (b) below is satisfied:

   (a) the aggregate of all stocks in respect of which a Continuous Bid-up or a Continuous Offer-down has occurred on the Relevant Exchange during the

Relevant Observation Period comprises 20% or more of the level of the Index, provided that:

(i) if on the same day, some stocks were Continuous Bid-up and some stocks were Continuous Offer-down, for purposes of determining whether the 20% threshold for Index trades is crossed, both the Continuous Bid-up stocks and the Continuous Offer-down stocks shall be aggregated;

(ii) with respect to TOPIX and Nikkei 225 indices, the Relevant Exchange will be Tokyo Stock Exchange, Inc. and for stocks that have dual listing on both the Tokyo Stock Exchange, Inc. and the Osaka Securities Exchange, Co., Ltd., only Tokyo Stock Exchange, Inc. shall be observed; and

(iii) for purposes of determining the % contribution of a stock to the 20% threshold for Index trades, the weighting of that stock as of the official cash close on the previous Exchange Business Day will be used, and

(b) there was a Continuous Bid-up or a Continuous Offer-down for at least one Relevant Exchange-traded Contract on the Related Exchange during the Relevant Observation Period.

Any Trading Disruption due to exchange-imposed daily price limitations which does not meet these criteria will never be a Market Disruption Event.

For the purposes hereof:

"**Continuous Bid-up**" means:

(1) in relation to a Share, that (i) throughout the Relevant Observation Period, there was either (a) at least one bid (or buy order) for that Share at the Limit-up Price on the Relevant Exchange, or (b) a special bid quote (*kai tokubetsu kehai)* indicated by the Relevant Exchange; and (ii) throughout the Relevant Observation Period, no orders were executed at all; and

(2) in relation to a Relevant Exchange-traded Contract, that (i) throughout the Relevant Observation Period, there was either (a) at least one bid (or buy order) for that Relevant Exchange-traded Contract at the Limit-up Price on the Related Exchange, or (b) a special bid quote (*kai tokubetsu kehai)* indicated by the Related Exchange; and (ii) throughout the Relevant Observation Period, no orders were executed at all.

"**Continuous Offer-down**" means:

(1) in relation to a Share, that (i) throughout the Relevant Observation Period, there was either (a) at least one offer (or sell order) for that Share at the Limit-down Price on the Relevant Exchange, or (b) a special offer quote (*uri tokubetsu kehai)* indicated by the Relevant Exchange; and (ii) throughout the Relevant Observation Period, no orders were executed at all; and

(2) in relation to a Relevant Exchange-traded Contract, that (i) throughout the Relevant Observation Period, there was either (a) at least one offer (or sell order) for that Relevant Exchange-traded Contract at the Limit-down Price on the Related Exchange, or (b) a special offer quote (*uri tokubetsu kehai)* indicated by the Related Exchange; and (ii) throughout the Relevant Observation Period, no orders were executed at all.

"**Limit-down Price**" means:

(1) in relation to a Share and a Scheduled Trading Day, the lowest price at which that Share can be traded on that Scheduled Trading Day, pursuant to the trading rules of the Relevant Exchange; and

(2) in relation to a Relevant Exchange-traded Contract and a Scheduled Trading Day, the lowest price at which that Relevant Exchange-traded Contract can be traded on that Scheduled Trading Day, pursuant to the trading rules of the Related Exchange.

"**Limit-up Price**" means:

(1) in relation to a Share and a Scheduled Trading Day, the highest price at which that Share can be traded on that Scheduled Trading Day, pursuant to the trading rules of the Relevant Exchange; and

(2) in relation to a Relevant Exchange-traded Contract and a Scheduled Trading Day, the highest price at which that Relevant Exchange-traded Contract can be traded on that Scheduled Trading Day, pursuant to the trading rules of the Related Exchange.

"**Relevant Exchange**" means, in relation to a Transaction, the exchange specified as the "Exchange" in the Confirmation of that Transaction.

"**Relevant Exchange-traded Contract**" means the futures contract on the relevant Index with the soonest expiry date, unless such expiry date coincides with a valuation date for the Index trade concerned, in which case, it shall mean (i) the futures contracts on the relevant Index with the soonest expiry date, and (ii) the futures contracts on the relevant Index with the next following expiry date.

"**Relevant Observation Period**" means, in relation to an exchange, the 10-minute period that starts 15 minutes before, and ends 5 minutes before, the actual closing time for the regular trading session on that exchange. For example, if the exchange is Tokyo Stock Exchange, Inc., the Relevant Observation Period in relation to a Share starts at (and including) 14:45:00 and ends at (and including) 14:54:59, and if the exchange is Osaka Securities Exchange, Co., Ltd., the Relevant Observation Period in relation to a Share starts at (and including) 14:55:00 and ends at (and including) 15:04:59.

Other capitalized terms used in this Statement but not defined have the meaning given to those terms in the 2002 ISDA Equity Derivatives Definitions.

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