

STATEMENT OF TEMPORARY PRACTICE (AS AN INTERIM APPROACH) FOR CERTAIN EQUITY DERIVATIVE TRANSACTIONS INVOLVING KOREAN OR TAIWANESE SHARES OR INDICES REGARDING WHEN EXCHANGE-IMPOSED PRICE LIMITATIONS WOULD CONSTITUTE A MARKET DISRUPTION EVENT DUE TO A TRADING DISRUPTION

28 November 2008 – The International Swaps & Derivatives Association, Inc. (“**ISDA**”) today announced a statement of current practice articulated by certain members engaged in single stock or single index equity derivatives transactions involving Korean or Taiwanese shares documented under the 2002 ISDA Equity Derivatives Definitions (including as the relevant terms are modified under the 2007 AEJ Master Variance Swap Confirmation Agreement) (“**Applicable Transactions**”).

ISDA organized a series of teleconferences for members of the ISDA Asia Ex Japan Equity Working Group, AEJ Swap/Option Working Group, Asia-Pacific Legal & Regulatory Committee, Asia-Pacific Operations Committee and ISDA Members in Korea and Taiwan on 31 October, and 7, 13 and 20 November to discuss the circumstances under which exchange-imposed price limitations would constitute a Market Disruption Event due to a Trading Disruption.

The participants during one or more of the teleconferences or who provided feedback to ISDA included representatives from the following firms: ABN AMRO Bank N.V., Barclays Bank PLC, BBVA, BNP Paribas, CALYON, Citibank N.A., CQS (Global Services) Limited, Credit Suisse, DBS Bank, Deutsche Bank AG, Dresdner Bank, Goldman Sachs & Co., HSBC, JP Morgan, KBC Financial Products, Lacrosse, Macquarie Bank, Merrill Lynch, Morgan Stanley, Royal Bank of Canada, Royal Bank of Scotland, Samsung Securities, Societe Generale, Standard Chartered Bank, The Korea Development Bank, and UBS.

As there were divergent views, at the teleconference on 20 November or from feedback subsequently provided to ISDA, the following firms¹: ABN AMRO Bank N.V., Barclays Bank PLC, BNP Paribas, CALYON, Credit Suisse, DBS Bank, Deutsche Bank AG, Goldman Sachs & Co., KBC Financial Products, Macquarie Bank, Royal Bank of Scotland, Societe Generale, Standard Chartered Bank and UBS agreed to the following as an **interim approach** pending further discussions (which are targeted to be concluded by year-end 2008) with effect from 28 November 2008. It was also agreed that ISDA and the participants will explore with Bloomberg and other information service providers the feasibility of such providers developing a monitoring system that will provide alerts on a real-time basis for bid-up/offer-down, whether once only or for a continuous period of time, including aggregation for purposes of determining whether the 20% threshold for Index trades is crossed. Citibank N.A. and JP Morgan agreed to go along with the majority view. Merrill Lynch objected to the interim approach under items 1(a) and 1(c). HSBC and Lacrosse abstained from voting on the interim approach.

¹ This Statement has been updated to include DBS Bank, KBC Financial Products, Macquarie Bank and Standard Chartered Bank.

Statement

With regard to the Applicable Transactions and only insofar as exchange-imposed price limitations are concerned (but not otherwise):

1. It will be a Market Disruption Event for Trading Disruption if any one of the following is satisfied:

(a) there was a bid-up/offer-down once only on the relevant stock exchange during the last 15 minutes before the end of the regular trading session of such stock exchange (“**official cash close**”), disregarding any part of such 15 minutes when stocks are not freely tradeable, e.g., the pre-closing auction period. Using the Korean stock exchange as an example, this would be between 1:45 p.m. to 2:00 p.m. (HK time) but disregarding 1:50 p.m. to 2:00 p.m. (HK time) (being the pre-closing auction period); or

(b) the final print for the relevant stock exchange shows that at the official cash close, the market closed with unfilled bids (in the case of a limit up) or unfilled orders (in the case of a limit down); or

(c) there was a bid-up/offer-down once only on the relevant futures exchanges during the last 15 minutes before the official cash close.

“**Bid-up**” means that the bids cleared all offers and turned bid only at the limit-up price during the relevant period.

“**Offer-down**” means that the offers cleared all bids and turned offer only at the limit-down price during the relevant period.

2. If on the same day, some stocks were bid-up and some stocks were offer-down, for purposes of determining whether the 20% threshold for Index trades is crossed, both the bid-up stocks and the offer-down stocks should be aggregated.

3. 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 (as defined in the 2002 ISDA Equity Derivatives Definitions) will be used.

This Statement reflects the outcome of the discussions between market participants and has been issued by ISDA at the request of participants and in the interest of promoting the orderly valuation and settlement of positions by participants in the Applicable Transactions. Although parties are not obliged to follow the guidance provided in this Statement, ISDA strongly encourages participants to follow this guidance.