



International Swaps and Derivatives Association, Inc.  
Suite 1502 Wheelock House  
20 Pedder Street  
Central, Hong Kong  
Telephone: 852 2200 5900  
Facsimile: 852 2840 0105  
email: [isdahk@isda.org](mailto:isdahk@isda.org)  
website: [www.isda.org](http://www.isda.org)

**MARKET PRACTICE STATEMENT FOR CERTAIN EQUITY DERIVATIVE TRANSACTIONS INVOLVING CERTAIN ASIA EX-JAPAN SHARES OR INDICES REGARDING WHAT WOULD CONSTITUTE A MARKET DISRUPTION EVENT, INCLUDING DUE TO EXCHANGE-IMPOSED PRICE LIMITATIONS**

8 January 2009 - The International Swaps & Derivatives Association, Inc. ("**ISDA**") today announced a market practice statement (the "**Statement**") in regard to single stock or single exchange index equity derivatives transactions involving shares traded on exchanges in the following countries: Korea, Taiwan, Hong Kong, India, Indonesia, Malaysia, Singapore, Thailand, Philippines, Vietnam and Pakistan ("**Applicable Transactions**").

ISDA will work with market participants to effect the appropriate amendments to the transactional documentation with effect from 9 January 2009 in order to contractually implement the guidance set out in the Statement.

In the meantime, in the interest of promoting the orderly valuation and settlement of the Applicable Transactions, ISDA strongly urges all participants to apply the guidance set out in the Statement to all Applicable Transactions (regardless of when entered into) but only in respect of events occurring on or after 9 January 2009.

In addition, ISDA will continue to work with information service providers to develop a monitoring system that will provide alerts on a real-time basis of the occurrence of a Market Disruption Event.

At a meeting held on 7 January 2009, the Statement and the above implementation plan was endorsed by the following firms: Barclays Bank PLC, BNP Paribas, BOA/Merrill Lynch, Calyon, Citigroup, Credit Suisse, Deutsche Bank AG, Dresdner Bank, Goldman Sachs & Co., JP Morgan, Morgan Stanley, Nomura, Royal Bank of Scotland/ABN AMRO Bank N.V., Societe Generale, and UBS.

**STATEMENT**

With regard to outstanding Applicable Transactions (regardless of when entered into) but only in respect of events occurring on or after 9 January 2009:

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

(a) there was a Bid-up/Offer-down at least once on the relevant stock exchange during the last 30 minutes before the end of the regular trading session of such stock exchange ("**official cash close**"), disregarding any part of such 30 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 1:30 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 offers (in the case of a limit down); or

(c) in regard to Index trades, there was a Bid-up/Offer-down at least once for at least one Relevant Exchange-traded Contract on the relevant futures exchanges during the last 30 minutes before the official cash close.

“**at least once**” means that it will be sufficient to constitute an MDE if there is at least one occurrence of a Bid-up or of an Offer-down during the relevant period, regardless of how long such occurrence lasted.

“**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.

“**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.

2. For purposes of determining whether an MDE has occurred in respect of an Index trade:

(a) the aggregate of all stocks in respect of which a Trading Disruption, an Exchange Disruption or an Early Closure has occurred or exists must comprise 20% or more of the level of the Index;

(b) 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 shall 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.