

Mallesons Stephen Jaques

S O L I C I T O R S

Australian Financial Markets
Association
Level 6
15 Castlereagh Street
SYDNEY NSW 2000

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Scott Farrell
Senior Associate
Direct line
(61 2) 9296 2142
Partners
Edward Kerr
Martin James

Review of ISDA Definitions and Australian Addenda

Thank you for your instructions to assist in the revision of the Guide to OTC Documents ("**Guide**") by reviewing certain of ISDA's definition booklets and the Australian Addenda in accordance with our letter of 6 October 2000.

In this advice, we set out:

- the materials which we have reviewed;
- a summary of our opinion;
- the assumptions and qualifications to which this opinion is subject;
- the further explanation of our opinion in relation to:
 - ⇒ the new ISDA definitions; and
 - ⇒ the Australian Addenda;
- a marked up version of the relevant Australian Addenda (contained in the in the schedule).

Please note that, as mentioned in our letter of 6 October 2000, we do not comment on any commercial differences between the Australian Addenda and ISDA Definitions. Although we have identified some areas of difference, this should not be taken to be a comprehensive analysis in relation to commercial issues.

1 Materials reviewed

ISDA definitions

- 1.1 We have reviewed the following ISDA definition booklets:

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LEVEL 60
GOVERNOR PHILLIP
TOWER
1 FARRER PLACE
SYDNEY NSW 2000
AUSTRALIA
DX 113 SYDNEY
ABN 22 041 424 954

TELEPHONE
(61 2) 9296 2000

FAX
(61 2) 9296 3999
EMAIL
syd@msj.com.au
www.msj.com.au

SYDNEY
MELBOURNE
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PORT MORESBY
LONDON

- (a) 1997 Bullion Definitions and 1997 Short Form Bullion Definitions (“**Bullion Definitions**”);
 - (b) 1997 Government Bond Option Definitions (“**Bond Option Definitions**”);
 - (c) 1998 FX & Currency Option Definitions and Annex (the latter in the form available on www.isda.org as of the date of this letter) (“**FX Definitions**”);
 - (d) 2000 Definitions and Annex (the latter in the form published with the 2000 Definitions) (“**2000 Definitions**”); and
 - (e) 2000 Supplement to the 1993 Commodity Derivative Definitions (“**Commodity Supplement**”),
- (together, the “**New ISDA Definitions**”).

1.2 In this letter, we make no comment on any ISDA Definitions other than the New ISDA Definitions.

Australian addenda

1.3 We have reviewed the following Australian Addenda:

- (a) September 1991 Australian Addendum No. 1 (as amended in September 1992 and March 1997) - Interest Rate Caps, Collars and Floors;
- (b) September 1991 Australian Addendum No. 2 (as amended in September 1992 and March 1994 and March 1997) - Swaptions;
- (c) September 1991 Australian Addendum No. 3 (as amended in September 1992 and March 1997) - Bond Options;
- (d) September 1991 Australian Addendum No. 4 (as amended in September 1992 and March 1994 and March 1997 and September 1998) - Currency Options;
- (e) September 1992 Australian Addendum No. 5 (as amended in March 1994 and September 1998) - Foreign Exchange Transactions;
- (f) September 1992 Australian Addendum No. 6 - A\$ Forward Rate Agreements;
- (g) September 1992 Australian Addendum No. 7 - Forward Rate Bill Agreements;
- (h) September 1992 Australian Addendum No. 8 - Synthetic Agreements for Forward Exchange;
- (i) March 1994 - Australian Addendum No. 11 - Commodity Transactions; and
- (j) March 1994 Australian Addendum No. 12 - Non-A\$ Forward Rate Agreements,

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(together the “**Australian Addenda**”). Please note that, for the purposes of this advice, we have not reviewed the September 1992 Australian Addendum No. 9 - Reciprocal Purchase Agreements or the June 1997 Australian Addendum No. 13 - Electricity Transactions.

2 **Opinion¹**

New ISDA Definitions and Australian regulatory issues

- 2.1 Use of the New ISDA Definitions in the Australian Jurisdictions² (instead of the Australian Addenda³) will not raise any additional regulatory issue under the laws of the Australian Jurisdictions.

Duplication between New ISDA Definitions and Australian Addenda

- 2.2 Some of the provisions in the Australian Addenda are also contained in the New ISDA Definitions. In some cases, equivalent (but not identical) provisions are contained in the Australian Addenda. These are identified in the attached marked up copies of the Australian Addenda.

Australian Addenda and Australian legal and regulatory issues

- 2.3 None of the provisions in the Australian Addenda need to be retained for the purpose of addressing regulatory issues arising under the laws of the Australian Jurisdictions.
- 2.4 Some of the provisions of the Australian Addenda do have a legal (contractual) purpose rather than a commercial purpose. These are identified in the attached marked up copies of the Australian Addenda. If the Australian Addenda do not need to be retained for commercial purposes, then these provisions may be included in the Schedule to the ISDA Master Agreement (“**Schedule**”).

3 **Assumptions and qualifications**

Assumptions

- 3.1 We have assumed that each transaction to which the New ISDA Definitions or the Australian Addenda are to apply are valid, binding and enforceable under all applicable laws. We understand that, in this opinion you do not want us to comment on the enforceability of any particular transactions.
- 3.2 We have also assumed that each party to a transaction has all the necessary licences and authorisations in order to enter into, and fulfil its obligations under the transaction. We

¹ This summary of our opinions remains subject to the detailed reasoning and the assumptions and qualifications contained in this letter.

² *Australian Jurisdictions* is defined in paragraph 3.3.

³ See paragraphs 2.3 and 2.4 for our opinion on whether clauses of the Australian Addenda need to be retained for legal or regulatory reasons.

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also understand that, in this opinion, you do not want us to comment on the regulation of derivatives in the Australian Jurisdictions generally, and we make no comment on the potential effect of the Financial Services Reform Act.

Qualifications

- 3.3 Mallesons Stephen Jaques is qualified to advise on the laws of the Commonwealth of Australia, New South Wales, Victoria, Queensland, Western Australia and the Australian Capital Territory. References to “**Australian Jurisdictions**” in this analysis are references to one of those jurisdictions. The opinions expressed in this analysis are limited to those laws. References to “**Australian Courts**” are references to the courts of Australian Jurisdictions.
- 3.4 We make no comment on taxation issues, including in respect of stamp duty and goods and services tax.
- 3.5 We make no comment as to whether the terms of the New ISDA Definitions or the Australian Addenda reflect current Australian market conventions or practice for any particular product. For example, we make no comment on the appropriateness of any formula or timing conventions contained in either the New ISDA Definitions or the Australian Addenda. We assume that every market participant will make its own independent assessment as to whether they will adopt the New ISDA Definitions or retain the Australian Addenda (or both).
- 3.6 Deletion of the Australian Addenda will result in amendments having to be made to parts of the Guide.
- 3.7 This opinion is of general legal advice only. This analysis is not intended to be an opinion upon which market participants can rely in actual situations. This is because the application of the Australian Addenda or the ISDA Definitions to a particular transaction ultimately depends on the terms of the transaction and the relevant facts. Accordingly, while every care has been taken in preparing this analysis, Mallesons Stephen Jaques does not accept responsibility for any losses suffered or liabilities incurred arising from use of this analysis in respect of a particular transaction.

4 **Further explanation - New ISDA Definitions**

2000 Definitions

- 4.1 The 2000 Definitions are comprised of the 2000 Definitions and the Annex to the 2000 Definitions (“**2000 Annex**”) (and where applicable, the National Currency Unit Supplement). Essentially they are a consolidation of the 1991 ISDA Definitions, 1998 Supplement to the 1991 ISDA Definitions and the 1998 ISDA Euro Definitions.
- 4.2 The 2000 Annex contains the provisions which may change or be added to from time to time such as definitions relating to:

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- (a) definitions of financial centres, business days, currencies and day count fractions;
- (b) floating rate options; and
- (c) rounding and valuation dates.

The 2000 Definitions have the effect of incorporating the latest form of the 2000 Annex published by ISDA into each Confirmation which incorporates the 2000 Definitions.

Regulation issues

- 4.3 Use of the 2000 Definitions in the Australian Jurisdictions (instead of the Australian Addenda) will not raise any additional regulatory issue under the laws of the Australian Jurisdictions.

Key new inclusions in the 2000 Definitions

- 4.4 Although we have not reviewed the 2000 Definitions from a perspective other than in respect of regulatory issues in the Australian Jurisdictions and duplication with the Australian Addenda, we note that provisions are included in the 2000 Definitions which address:
- (a) exchange of currency amounts in currency swaps other than at the commencement and end of transactions;
 - (b) obligations of calculation agents (however if the calculation agent is not a party to a transaction, it would not be bound unless it contractually agreed to be bound);
 - (c) negative interest rates (which will be taken to apply unless otherwise specified);
 - (d) different rounding of rates obtained by interpolation;
 - (e) self compounding overnight interest rate swaps;
 - (f) optional early termination (which uses a different procedure to the "break-date" clause contained in Part 18 of the Guide);
 - (g) mandatory early termination;
 - (h) partial and multiple exercise of options;
 - (i) automatic exercise and fallback exercise of swaptions (fallback exercise is taken to apply if automatic exercise does not); and
 - (j) methods of determining cash settlement amounts for swaptions and early termination.

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FX Definitions

- 4.5 The FX Definitions are comprised of the FX Definitions and the Annex A to the FX Definitions (“**FX Annex**”). Essentially they are an expansion of the 1992 ISDA FX and Currency Option Definitions to address a wider range of currencies and transactions (such as non-deliverable transactions).
- 4.6 The FX Annex contains provisions which may change or be added to from time to time such as definitions relating to:
- (a) definitions of financial centres, business days, currencies and day count fractions;
 - (b) currencies; and
 - (c) rounding and valuation dates.

The FX Definitions have the effect of incorporating the latest form of the FX Annex published by ISDA into each Confirmation which incorporates the FX Definitions.

Regulation issues

- 4.7 Use of the FX Definitions in the Australian Jurisdictions (instead of the Australian Addenda) will not raise any additional regulatory issue under the laws of the Australian Jurisdictions.

Key new inclusions in the FX Definitions

- 4.8 Although we have not reviewed the 2000 Definitions from a perspective other than in respect of regulatory issues in the Australian Jurisdictions and duplication with the Australian Addenda, we note that provisions are included in the FX Definitions which address:
- (a) non-deliverable FX transactions and currency options;
 - (b) automatic exercise being deemed to apply to currency options;
 - (c) the effect of a change in official currency exchange rates;
 - (d) disruption events, such as general inconvertibility of a currency (one of which, being “Price Source Disruption”, is taken to apply to non-deliverable transactions); and
 - (e) disruption fallbacks, including “Assignment of Claim” (which may not be legally effective in all circumstances) and delivery of benchmark obligations (which has special terms applicable to it).

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Other matters

- 4.9 It should be noted that the FX Annex includes Melbourne (as well as Sydney) as a financial centre in respect of the Australian dollar (this is relevant, for example to the default definition of Business Day). Only Sydney is referred to in the 2000 Definitions and the Bond Option Definitions.

Commodity Supplement

- 4.10 The Commodity Supplement supplements the 1993 ISDA Commodity Derivative Definitions (“**1993 Definitions**”) by adding new provisions and definitions. It does not replace the 1993 Definitions and requires the 1993 Definitions to also be incorporated for it to be used.

Regulation issues

- 4.11 Use of the Commodity Supplement in the Australian Jurisdictions (instead of the Australian Addenda) will not raise any additional regulatory issue under the laws of the Australian Jurisdictions.

Key new inclusions in the Commodity Supplement

- 4.12 The Commodity Supplement updates 1993 ISDA Definitions by:
- (a) including additional commodity reference prices for energy, metals and paper;
 - (b) incorporates price materiality into the price source disruption event; and
 - (c) incorporates two new disruption fallbacks, being “Fallback Reference Dealers” and “Postponement - Fallback Reference Price”.

We note that none of the additional prices are Australian-based. It is possible that a later supplement may include Australian energy prices. Should this occur there may be the opportunity for reviewing June 1997 Australian Addendum No. 13 - Electricity Transactions.

Bullion Definitions

- 4.13 The Bullion Definitions are two definition booklets, the short form definitions being an extract of the other (containing the terms relevant to physically settled transactions). The long form definitions (to which the cross references in this advice refer) contain provisions applying to both cash-settled and physically-settled bullion swaps and options.

Regulation issues

- 4.14 Use of the Bullion Definitions in the Australian Jurisdictions (instead of the Australian Addenda) will not raise any additional regulatory issue under the laws of the Australian Jurisdictions.

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Key inclusions in the Bullion Definitions

- 4.15 Although we have not reviewed the Bullion Definitions from a perspective other than in respect of regulatory issues in the Australian Jurisdictions and duplication with the Australian Addenda, we note that provisions are included which address:
- (a) automatic termination and discharge of similar bullion options;
 - (b) varying consequences should a party fail to pay a bullion option premium;
 - (c) indemnification for late delivery;
 - (d) novation netting;
 - (e) gross up for value added taxes;
 - (f) additional different market disruption events and disruption fallbacks;
 - (g) settlement disruption events; and
 - (h) the possibility of delivery on an allocated, as opposed to an unallocated, basis.

Amendments before use of the Bullion Definitions

- 4.16 Before use in the Australian Jurisdictions, market participants may consider including a provision in the Schedule in order to:
- (a) amend the cross -reference to the 1991 ISDA Definitions in Section 1.21 of the Bullion Definitions if the 2000 Definitions are being used (some of the terms are defined differently in the 2000 Definitions such as "Reset Date" and "Reuters Screen"); and
 - (b) clarify whether, in Article 9, the definition of "value added tax" is to include the Australian goods and services tax. If no clarification is made, the definition of value added tax may include the goods and services tax.

Bond Option Definitions

- 4.17 The Bond Option Definitions contain provisions applying to both cash-settled and physically-settled government bond options.

Regulation issues

- 4.18 Use of the Bond Option Definitions in the Australian Jurisdictions (instead of the Australian Addenda) will not raise any additional regulatory issue under the laws of the Australian Jurisdictions.

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Key inclusions in the Bond Option Definitions

- 4.19 Although we have not reviewed the Bond Option Definitions from a perspective other than in respect of regulatory issues in the Australian Jurisdictions and duplication with the Australian Addenda, we note that provisions are included which address:
- (a) short form designation of certain government bonds (none of which are the bonds of an Australian government);
 - (b) partial exercise and multiple exercise of bond options;
 - (c) limited rights to confirm exercise (which allows the seller to request whether the buyer is going to exercise the option immediately prior to, at or after the expiration time);
 - (d) conversion of bonds into other securities;
 - (e) dispute resolution;
 - (f) physical settlement disruption events;
 - (g) special consequences of a failure to deliver bonds (which allow for the provision of further assurances and for the other party to close out by the "buy-in" of the bonds); and
 - (h) corrections to published prices (30 calendar day period).

5 Australian Addenda

- 5.1 Marked up revised drafts of the Australian Addenda are attached, showing those provisions which could be:
- (a) deleted because the provisions are included in the New ISDA Definitions;
 - (b) retained in the Schedule, if short form confirmations are used, for clarification or for another reason; and
 - (c) deleted if a commercial decision is made to delete them (or put them in the Schedule).

Please note that we have approached the review of the Australian Addenda from the approach of facilitating their removal. As a result, we have suggested insertion of a general provision in the Schedule wherever possible. Of course, these provisions could remain in the Australian Addenda as well.

- 5.2 In making these comments, we have assumed that:

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- (a) all bond options are government bond options (the relevant Australian Addendum appears to contemplate Commonwealth government bonds); and
- (b) all deliverable commodity derivatives are in respect of bullion.

6 **Benefit**

This opinion is addressed to you personally and may not, without our prior written consent, be:

- (a) relied on by another person;
- (b) disclosed, except to members of the Australian Financial Markets Association and persons who in the ordinary course of your business have access to your papers and records, on the basis that they will make no further disclosure;
- (c) filed with a government or other agency or quoted or referred to in a public document.

This opinion is strictly limited to the matters stated in it and does not apply by implication to other matters.

This opinion is given in respect of the laws of the Relevant Jurisdictions which are in force at 9.00 am local time on the date of this letter. This opinion does not purport to address issues which may arise from draft legislation proposed by any government as at the date of this letter.

Yours faithfully

Mallesons Stephen Jaques

Encl

SEPTEMBER 1991
AUSTRALIAN ADDENDUM No. 1
(AS AMENDED IN SEPTEMBER 1992 AND MARCH 1997) -
INTEREST RATE CAPS, COLLARS AND FLOORS

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAP DEALERS ASSOCIATION, INC.

This Addendum applies to any Transaction described in its Confirmation as a "Rate Cap Transaction", "Rate Collar Transaction" or "Rate Floor Transaction".

~~(1) **Swap Basis.** If the Calculation of Floating Amount is specified as "Swap Basis", Article 6.1 of the 1991 Definitions published by International Swap Dealers Association, Inc ("1991 Definitions") applies to the Transaction.~~

~~For a Rate Cap Transaction or the Rate Cap part of a Rate Collar Transaction to which Swap Basis applies, if the Cap Rate is less than the Floating Rate, then the Floating Rate Payer must pay the Floating Amount to the Fixed Rate Payer.~~

~~For a Rate Floor Transaction or the Rate Floor part of a Rate Collar Transaction to which Swap Basis applies, if the Floor Rate exceeds the Floating Rate, then the Floating Rate Payer must pay the Floating Amount to the Fixed Rate Payer.~~

Addressed in Article 6 of the 2000 Definitions.

(2) **FRA Basis.** If the Calculation of Floating Amount is specified as "FRA Basis", Article 6.1 of the 1991 Definitions does not apply to the Transaction. Instead the Floating Amount payable on a Payment Date:

- (i) for a Rate Cap Transaction or the Rate Cap part of a Rate Collar Transaction, is to be calculated in accordance with the formula in paragraph (3) of this Addendum; and
- (ii) for a Rate Floor Transaction or the Rate Floor part of a Rate Collar Transaction is to be calculated in accordance with the formula in paragraph (4) of this Addendum.

Paragraphs (2), (3) and (4) appear to address the type of transactions dealt with (in a different manner) in Section 8.4(b) and Article 6 of the 2000 Definitions. It is a commercial decision whether to delete.

(3) **Floating Amount - Rate Cap Transaction**

$$FA = NA \times 36500 \times \left[\frac{(1)}{(36500 + (CR \times N))} - \frac{(1)}{(36500 + (F \times N))} \right]$$

where

FA = Floating Amount

NA = Notional Amount

N = actual number of days in the Calculation Period in respect of which payment is being made

CR = Cap Rate

F = Floating Rate (plus or minus the Spread, if any) calculated on an assumption that Article 6.2(a)(i) of the 1991 Definitions did not exist

If the Cap Rate is less than the Floating Rate, then the Floating Rate Payer must pay the Floating Amount to the Fixed Rate Payer.

(4) **Floating Amount - Rate Floor Transaction**

$$FA = NA \times 36500 \times \left[\frac{(1)}{(36500 + (F \times N))} - \frac{(1)}{(36500 + (FR \times N))} \right]$$

where

FA = Floating Amount

NA = Notional Amount

N = actual number of days in the Calculation Period in respect of which payment is being made

FR = Floor Rate

F = Floating Rate (plus or minus the Spread, if any) calculated on an assumption that Article 6.2(a)(i) of the 1991 Definitions did not exist

If the Floor Rate exceeds the Floating Rate, then the Floating Rate Payer must pay the Floating Amount to the Fixed Rate Payer.

(5) **Fixed Amount adjustment.** If the Fixed Rate Payment Date is adjusted in accordance with a Business Day Convention, then the Fixed Amount is to be adjusted in accordance with the formula

$$A = P \times \frac{SR}{100} \times \frac{N}{365}$$

where:

A = Amount by which the Fixed Amount is to be adjusted

P = The original amount of the Fixed Amount

SR = The rate for the period of the adjustment determined pursuant to the undue enrichment procedures of Australian Bankers Association

N = The number of days of the adjustment

Not in 2000 Definitions. It is a commercial decision whether to delete.

Paragraph (6) is the same as paragraph (3) of the May 1989 Addendum published by International Swap Dealers Association Inc.

- (6) — For purposes of the determination of a Market Quotation for a Terminated Transaction in respect of which a party (“X”) had, immediately prior to the designation or occurrence of the relevant Early Termination Date, no future payment obligations, whether absolute or contingent, under Section 2(a)(i) of this Agreement with respect to the Terminated Transaction:
- (i) — the quotations obtained from Reference Market makers shall be such as to preserve the economic equivalent of the payment obligations of the party (“Y”) that had, immediately prior to the designation or occurrence of the relevant Early Termination Date, future payment obligations, whether absolute or contingent, under Section 2(a)(i) of this Agreement with respect to the Terminated Transaction; and
 - (ii) — if X is making the determination such amounts shall be expressed as positive amounts and if Y is making the determination such amounts shall be expressed as negative amounts.

Not in 2000 Definitions. However, as noted in paragraphs I.A.4 and II.G.4 of the User’s Guide to the ISDA Master Agreement, equivalent wording is already included in 1992 ISDA Master Agreement definition of Market Quotation.

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SEPTEMBER 1991
AUSTRALIAN ADDENDUM No. 2
(AS AMENDED IN SEPTEMBER 1992
AND MARCH 1994 AND MARCH 1997) -
SWAPTIONS

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAP DEALERS ASSOCIATION, INC.

This Addendum applies to any Transaction described in its Confirmation as a "Swaption".

- (1) **Cash Settlement Amount.** If Cash Settlement is applicable, the Cash Settlement Amount is the value of the Underlying Swap Transaction at the Relevant Time* as determined by:
- (a) the Calculation Agent; or
 - (b) if the parties do not agree on the value determined by the Calculation Agent, the following method. The Calculation Agent is to determine a value of the Underlying Swap Transaction using the method set out in the definition of "Market Quotation" in Section 14 of this Agreement except that the Calculation Agent must request Reference Market-makers to quote at the mid-market rate. The value of the Underlying Swap Transaction is the Market Quotation determined by the Calculation Agent.

If Reference Market-makers are specified in the Confirmation, then quotes are to be sought only from those Reference Market-makers.

If no Calculation Agent is specified in the Confirmation, then the Calculation Agent for the purpose of determining the Cash Settlement Amount is the Seller.

*For a European Option, the "Relevant Time" is the Expiration Time. For an American Option, the "Relevant Time" is the time when the Notice of Exercise is delivered.

More comprehensive cash settlement valuation and payment provisions contained in Section 17.2 of the 2000 Definitions. However, it is a commercial decision whether to delete.

- (2) **Premium or Cash Settlement Amount adjustment.** If the Premium Payment Date or Cash Settlement Payment Date is adjusted in accordance with a Business Day Convention, then the Premium or Cash Settlement Amount is to be adjusted in accordance with the formula:

$$A = P \times \frac{SR}{100} \times \frac{N}{365}$$

where:

A = Amount by which the Premium or Cash Settlement Amount is to be adjusted

P = The original amount of the Premium or Cash Settlement Amount

SR = The rate for the period of the adjustment determined pursuant to the undue enrichment procedures of Australian Bankers Association.

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N = The number of days of the adjustment

Not in 2000 Definitions. It is a commercial decision whether to delete.

- (3) ~~Notice of Exercise.~~ A Notice of Exercise should specify:
- (i) ~~the name of the Buyer;~~
 - (ii) ~~the name of the Seller;~~
 - (iii) ~~whether the Swaption is to pay or receive the Fixed Rate;~~
 - (iv) ~~the Fixed Rate;~~
 - (v) ~~the Notional Amount;~~
 - (vi) ~~the Expiration Date;~~
 - (vii) ~~the Termination Date;~~
 - (viii) ~~the Trade Date.~~

Not in 2000 Definitions. Information should already be included in Confirmation. If commercially necessary, could be placed in the Schedule.

- (4) ~~Written Confirmation.~~ Written Confirmation is applicable.

Section 12.2 of the 2000 Definitions provide for oral or written exercise if written exercise not specified in Confirmation. If commercially necessary, could be placed in the Schedule.

- (5) **Exercise Period for American Option.** The Exercise Period for an American Option is any date from and including the Trade Date to and including the Expiration Date.

Section 12.1(a) of the 2000 Definitions provide for the Exercise Period to be between Commencement Date (which will default to the first Premium Payment Date) and Latest Exercise Time on Expiration Date. It is a commercial decision whether Trade Date is to be used.

- (6) ~~Non payment of Premium.~~ Unless otherwise agreed a purported exercise of the Swaption is not effective if the Premium due for payment before the purported exercise has not been paid in full.

Not in 2000 Definitions. However, is addressed by Section 2(a)(iii) of ISDA Master Agreement.

Paragraph (7) is the same as paragraph (4) of the July 1990 Addendum published by International Swap Dealers Association, Inc.

- (7) ~~For purposes of the determination of a Market Quotation for a Terminated Transaction that is identified as an Option, the quotations obtained from Reference Market makers shall take into account, as of the relevant Early Termination Date, the economic equivalent of the right or rights granted pursuant to that Option which are or may become exercisable.~~

Not in 2000 Definitions. However, paragraphs I.A.4 and II.G.4 of the User's Guide to the ISDA Master Agreement state that equivalent wording is already included in 1992 ISDA Master Agreement definition of Market Quotation.

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SEPTEMBER 1991
AUSTRALIAN ADDENDUM No. 3
(AS AMENDED IN SEPTEMBER 1992 AND MARCH 1997) -
BOND OPTIONS

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAP DEALERS ASSOCIATION, INC.

This Addendum applies to any Transaction described in its Confirmation as a "Bond Option".

(1) ~~Definitions.~~ The following terms used in a Confirmation have the indicated meanings:

~~"Put" means:~~

- ~~(i) when the Bond Option is for Physical Settlement, the Seller grants the Buyer the right to require the Seller to purchase from the Buyer the Security subject to the Bond Option; or~~
- ~~(ii) when the Bond Option is for Cash Settlement, the Seller grants the Buyer the right to receive from the Seller the Cash Settlement Amount, if any.~~

~~"Call" means:~~

- ~~(i) when the Bond Option is for Physical Settlement, the Seller grants the Buyer the right to require the Seller to sell to the Buyer the Security subject to the Bond Option; or~~
- ~~(ii) when the Bond Option is for Cash Settlement, the Seller grants the Buyer the right to receive from the Seller the Cash Settlement Amount, if any.~~

Equivalent provisions in Section 2.4 of the Bond Option Definitions.

"Physical Settlement Amount" means the purchase price of the Security subject to the Bond Option calculated in accordance with the formula published by the Reserve Bank of Australia for calculating the purchase price of bonds and by reference to the Strike Yield. On the Physical Settlement Payment Date the party buying the Security subject to the Bond Option must pay the Physical Settlement Amount to the other party and the other party must at the same time transfer the Security (in accordance with the then prevailing bond market convention) to the party buying the Security.

Section 6.3(b) of the Bond Option Definitions provides for more generic calculation of "Bond Payment". It is a commercial decision whether to delete.

"Cash Settlement Amount" means the monetary value of the price difference, if any, in favour of the Buyer resulting from the difference between the purchase price of the Security subject to the Bond Option calculated in accordance with the formula published by the Reserve Bank of Australia for calculating the purchase price of bonds and by reference to:

- (i) the Strike Yield; and
- (ii) the Reference Yield being a yield agreed between the Buyer and Seller to be the prevailing yield at the Relevant Time* for the Security subject to the Bond Option. If the Buyer and Seller cannot agree, the Reference Yield is the average of mean

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buying and selling quotes for the Security subject to the Bond Option as quoted to the Seller at the Relevant Time by 5 institutions which are active participants in the Sydney bond market (excluding the highest and lowest yields quoted).

*For a European Option, the "Relevant Time" is the Expiration Time. For an American Option, the "Relevant Time" is the time when the Notice of Exercise is delivered.

On the Cash Settlement Payment Date the Seller must pay the Cash Settlement Amount, if any, to the Buyer.

Section 7.3(c) of the Bond Option Definitions provides for more generic calculation of "Spot Price". It is a commercial decision whether to delete.

- (2) **Premium or Cash Settlement Amount adjustment.** If the Premium Payment Date or Cash Settlement Payment Date is adjusted in accordance with a Business Day Convention, then the Premium or Cash Settlement Amount is to be adjusted in accordance with the formula

$$A = P \times \frac{SR}{100} \times \frac{N}{365}$$

where:

A = Amount by which the Premium or Cash Settlement Amount is to be adjusted

P = The original amount of the Premium or Cash Settlement Amount

SR = The rate for the period of the adjustment determined pursuant to the undue enrichment procedures of Australian Bankers Association.

N = The number of days of the adjustment

Not in Bond Option Definitions. It is a commercial decision whether to delete..

- (3) ~~**Notice of Exercise.** A Notice of Exercise should specify:~~

- ~~(i) the name of the Buyer;~~
- ~~(ii) the name of the Seller;~~
- ~~(iii) whether the Bond Option is a put or call;~~
- ~~(iv) the Expiration Date;~~
- ~~(v) the Strike Yield;~~
- ~~(vi) the Security subject to the Bond Option;~~
- ~~(vii) the Trade Date.~~

Not in Bond Option Definitions. Information should already be included in Confirmation. If commercially necessary, could be placed in Schedule.

- (4) ~~**Written Confirmation.** Written Confirmation is applicable.~~

Section 4.2 of the Bond Option Definitions provide for oral or written exercise if written exercise not specified in Confirmation. If commercially necessary, could be placed in Schedule.

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- (5) **Exercise Period for American Option.** The Exercise Period for an American Option is any date from and including the Trade Date to and including the Expiration Date.

Section 4.1(a) of the Bond Option Definitions provide for the Exercise Period to be between Commencement Date (which will default to the first Trade Date) and Latest Exercise Time on Expiration Date. It is a commercial decision whether Trade Date is to be used.

- (6) ~~Non Payment of Premium.~~ Unless otherwise agreed, a purported exercise of the Bond Option is not effective if the Premium due for payment before the purported exercise has not been paid in full.

Not in 2000 Definitions. However, is addressed by Section 2(a)(iii) of ISDA Master Agreement.

Paragraph (7) is the same as paragraph (4) of the July 1990 Addendum published by International Swap Dealers Association, Inc.

- (7) ~~For purposes of the determination of a Market Quotation for a Terminated Transaction that is identified as an Option, the quotations obtained from Reference Market makers shall take into account, as of the relevant Early Termination Date, the economic equivalent of the right or rights granted pursuant to that Option which are or may become exercisable.~~

Not in Bond Option Definitions. However, as noted in paragraphs I.A.4 and II.G.4 of the User's Guide to the ISDA Master Agreement, equivalent wording is already included in 1992 ISDA Master Agreement definition of Market Quotation.

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SEPTEMBER 1991
AUSTRALIAN ADDENDUM No. 4
(AS AMENDED IN SEPTEMBER 1992, MARCH 1994,
MARCH 1997 AND SEPTEMBER 1998)
CURRENCY OPTIONS

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.

This Addendum applies to any Transaction described in its Confirmation as a "Currency Option".

- (1) **Expiration Date.** In the definition of "Expiration Date" in Section 3.5(d) of the 1998 FX and Currency Option Definitions published by International Swaps and Derivatives Association, Inc, the Emerging Markets Traders Association and the Foreign Exchange Committee ("1998 FX and Currency Option Definitions") the words commencing with "subject" to the end of that sentence are deleted.

Not in FX Definitions. Not required if the default Business Day Convention for the Expiration Date is to be Following. It is a commercial decision whether to delete.

- (2) **Strike Price.** If the Settlement Date is adjusted by a business day convention, the Strike Price is to be adjusted in accordance with the Australian foreign exchange market convention.

Not contained in FX Definitions. It is a commercial decision whether to delete.

- (3) **Premium, Price.** If both a "Premium" and a "Price" are specified in its Confirmation, the term "Price" will be deemed not to be included in the Confirmation.

Not contained in FX Definitions. It is a commercial decision whether to delete.

- (4) ~~**Non-payment of Premium.** Unless otherwise agreed, a purported exercise of the Currency Option is not effective if the Premium due for payment before the purported exercise has not been paid in full.~~

Not in FX Definitions. However, is addressed by Section 2(a)(iii) of ISDA Master Agreement.

- (5) **Expiration Date before Premium Payment Date.** If the Expiration Date occurs before the Premium Payment Date and the Buyer does not pay the Premium on or before the Premium Payment Date, then any purported exercise of the Currency Option is ineffective and the Seller need not settle on the Settlement Date or at any other time.

Not in FX Definitions. It is a commercial decision whether to delete.

- (6) **Partial exercise.** If agreed between the Buyer and Seller, the Buyer may elect to exercise any part of the Currency Option. The following conditions apply to a partial exercise:
- (i) the Buyer must specify in the Notice of Exercise the amount of the Put Currency or Call Currency the subject of the partial exercise;

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- (ii) after a partial exercise the terms of the Currency Option will be deemed to have been amended by reducing the amount of the Put Currency and the amount of the Call Currency by the amounts of the partial exercise.

Not in FX Definitions. Possible to refer to Section 12.3 of the 2000 Definitions. It is a commercial decision whether to delete.

- (7) **Premium adjustment.** If the Premium Payment Date or a day for paying a surrender premium is adjusted in accordance with the Australian foreign exchange market convention, then the Premium or surrender premium is to be adjusted in accordance with the formula

$$A = P \times \frac{SR}{100} \times \frac{N}{365}$$

where:

A = Amount by which the Premium or surrender premium is to be adjusted

P = The original amount of the Premium or surrender premium

SR = The rate for the period of the adjustment determined pursuant to the undue enrichment procedures of Australian Bankers Association.

N = The number of days of the adjustment

Not in FX Definitions. It is a commercial decision whether to delete.

- ~~(8) **Notice of Exercise.** A Notice of Exercise should specify:~~

~~(i) the name of the Buyer;~~

~~(ii) the name of the Seller;~~

~~(iii) the Strike Price;~~

~~(iv) whether the Currency Option is a put or call;~~

~~(v) the Expiration Date~~

~~(vi) the Put Currency and amount and Call Currency and amount the subject of the exercise;~~

~~(vii) whether the Currency Option is being fully or partially exercised.~~

Not in FX Definitions. Information should already be included in Confirmation. If commercially necessary, could be placed in Schedule.

- (9) **In-the-Money Amount.** Unless otherwise agreed by the parties, the Settlement Currency for the In-the-Money Amount is the currency in which the Premium is payable.

Wider range of possibilities in Section 3.7(c) of FX Definitions. It is a commercial decision whether to delete.

- (10) **Spot Rate.** Section 1.16(e) of the 1998 FX and Currency Option Definitions is amended by inserting the following additional sentence:

“The time at which such rate is to be determined for a European Option is the Expiration Time; and for an American Option or a Bermuda Option is the time when the Notice of Exercise is given.”

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Not in FX Definitions. It is a commercial decision whether to delete.

- (11) **Surrender.** The Buyer may give a notice to the Seller offering to surrender all or part of the unexercised part of a Currency Option. The following conditions apply to a surrender:
- (i) unless otherwise specified by the Buyer, a surrender offer will be taken as an offer to surrender the whole of the Currency Option;
 - (ii) the Seller in its absolute discretion may reject an offer to surrender;
 - (iii) a surrender may occur only if the terms of the surrender are agreed (including, without limitation, any consideration for the surrender and the time when that consideration must pass);
 - (iv) a surrender arrangement may be concluded orally or in writing, but if concluded orally must be confirmed in writing as soon as practicable;
 - (v) a surrender of a Currency Option is effective when the consideration passes. The Buyer then will be taken to have surrendered its rights in respect of the Currency Option (or, if a partial surrender, the agreed part) and to have released the Seller from any further obligation in respect of the Currency Option (or, if a partial surrender, the agreed part).

Not in FX Definitions. Although technically not required it is a commercial decision whether to delete.

- (12) **** Automatic Exercise - One of the following alternatives should be deleted. If neither is deleted, it will be deemed that Automatic Exercise does not apply. ****

Automatic Exercise does not apply. Unless otherwise agreed, Section 3.6(c) of the 1998 FX and Currency Option Definitions does not apply to any Currency Option between the parties.

Automatic Exercise applies. Automatic Exercise applies to Currency Options between the parties except that, for the purpose of construing Section 3.6(c) of the 1998 FX and Currency Option Definitions, the Spot Rate to be used for determining the In-the-Money Amount is to be either:

- (a) the rate of exchange between the Put Currency and the Call Currency which appears at or about the Expiration Time on the Expiration Date of the Currency Option on a screen which in accordance with Australian market conventions is a screen which can be used for this purpose (paragraph [12.12](m) of the AFMA Guide to OTC Documents sets out screens which can be so used); or
- (b) if no such rate so appears, a rate of exchange which the Buyer reasonably shows to be the prevailing market rate of exchange between the Put Currency and the Call Currency at the Expiration Time on the Expiration Date.

Not in FX Definitions. It is a commercial decision whether to delete.

- (13) **Application and confirmations**

- (a) ~~By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every Currency Option between them entered into after that time is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.~~

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~~This applies whether or not the parties:~~

- ~~(i) refer to the ISDA Master Agreement or this Addendum; or~~
- ~~(ii) state that a Currency Option is governed by the terms of any other master agreement~~

~~when entering into or confirming the Currency Option.~~

~~If a Currency Option is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then the terms of any other master agreement do not apply to it even if the parties state that the Currency Option is governed by the terms of any other master agreement when entering into or confirming the Currency Option.~~

Not in FX Definitions. Not required if Confirmation refers to ISDA Master Agreement. Could be placed in Schedule if short form confirmations used.

- ~~(b) The parties acknowledge that Currency Options governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated may be confirmed by various methods including, without limitation, the following:~~

- ~~Telephone~~
- ~~Telex~~
- ~~Letter~~
- ~~Reuters direct dealing system~~
- ~~Telerate trading service~~
- ~~Other electronic service or messaging system~~
- ~~Facsimile~~

~~A confirmation produced by any of these methods in accordance with market conventions constitutes a Confirmation for the purpose of this Agreement. Each such Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement in which this Addendum is incorporated.~~

Not in FX Definitions. Technically unnecessary due to general wording in the Master Agreement. Could be placed in Schedule for clarification.

- ~~(c) The definitions and provisions contained in the 1998 FX and Currency Option Definitions and in this Addendum are incorporated into each Confirmation. If there is an inconsistency between those definitions and provisions and any such Confirmation, the Confirmation will govern.~~

Not in FX Definitions. Not required if Confirmation refers to FX Definitions. Could be placed in Schedule if short form confirmations used.

- ~~(d) Each Currency Option is both an "Option" and a "Transaction" for the purpose of the ISDA Master Agreement in which this Addendum is incorporated.~~

Not in FX Definitions. Not required if full ISDA Confirmation wording used. Could be placed in Schedule if short form confirmations used.

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SEPTEMBER 1992
AUSTRALIAN ADDENDUM No. 5
(AS AMENDED IN MARCH 1994 AND SEPTEMBER 1998)
FOREIGN EXCHANGE TRANSACTIONS

**ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.**

~~(1) — Application~~

~~By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every FX Transaction between them entered into after that time is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.~~

~~This applies whether or not the parties:~~

- ~~(a) — refer to the ISDA Master Agreement or this Addendum; or~~
- ~~(b) — state that an FX Transaction is governed by the terms of any other master agreement when entering into or confirming the FX Transaction.~~

~~If an FX Transaction is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then the terms of any other master agreement do not apply to it even if the parties state that the FX Transaction is governed by the terms of any other master agreement when entering into or confirming the FX Transaction.~~

Not in FX Definitions. Not required if Confirmation refers to ISDA Master Agreement. Could be placed in Schedule if short form confirmations used.

~~(2) — 1998 FX and Currency Option Definitions~~

~~The definitions and provisions contained in the 1998 FX and Currency Option Definitions (as published by International Swaps and Derivatives Association Inc., the Emerging Markets Traders Association and the Foreign Exchange Committee) (the "1998 FX and Currency Option Definitions") are incorporated into each Confirmation. If there is an inconsistency between those definitions and provisions and any such Confirmation, the Confirmation will govern.~~

Not in New ISDA Definitions but not necessary if appropriate ISDA Definitions are incorporated in the relevant Confirmations. Could be placed in Schedule if short form confirmations used.

~~(3) Australian foreign exchange market conventions~~

~~Each FX Transaction is governed by the Australian foreign exchange market conventions. To the extent that the Australian foreign exchange market conventions are inconsistent with the 1998 FX and Currency Option Definitions, the Australian foreign exchange market conventions prevail.~~

Not contained in FX ISDA Definitions. Commercial issue as to whether to delete.

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(4) ~~Confirmations~~

~~The parties acknowledge that FX Transactions governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated may be confirmed by various methods including the following:~~

- ~~Telephone~~
- ~~Reuters direct dealing system~~
- ~~Telex~~
- ~~Austraclear~~
- ~~FINE~~
- ~~SWIFT MT300 messages~~
- ~~Other electronic services or messaging systems~~
- ~~Letter~~
- ~~Facsimile~~

~~A confirmation produced by any method in accordance with market conventions constitutes a Confirmation for the purpose of this Agreement whether or not it is in the form exhibited in the 1998 FX and Currency Option Definitions. Each such Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement in which this Addendum is incorporated.~~

Not in FX Definitions. Technically unnecessary due to general wording in the Master Agreement. Could be placed in schedule for clarity.

SEPTEMBER 1992
AUSTRALIAN ADDENDUM No. 6 -
A\$ FORWARD RATE AGREEMENTS

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAP DEALERS ASSOCIATION, INC.

~~(1) Application~~

~~By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every FRA between them (whether entered into before or after that time) is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.~~

~~This applies whether or not the parties:~~

~~(a) refer or referred to the ISDA Master Agreement or this Addendum; or~~

~~(b) state or stated that a FRA is governed by the ABAFRA Terms~~

~~when entering into or confirming the FRA.~~

~~If a FRA is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then the ABAFRA Terms do not apply to it even if the parties state or stated that the FRA is governed by the ABAFRA Terms when entering into or confirming the FRA.~~

Not in 2000 Definitions. Not required if Confirmation refers to ISDA Master Agreement. Could be placed in Schedule if short form confirmations used.

(2) Definitions

It is a commercial decision whether to delete many of these. However, because they work together, some of the definitions should not be retained if others are to be deleted.

In this Addendum and in any Confirmation:

"**ABAFRA Terms**" means any version of the terms and conditions applicable to FRAs recommended by the Australian Dollar Forward Rate Agreements Working Party of Banks and Merchant Banks operating under the auspices of the Australian Bankers' Association (ABA). These terms and conditions were first approved by the ABA in June 1986 and were amended in May 1989. The latest version appears in the booklet published in 1990 by Australian Financial Markets Association entitled "Dealing Conventions and Market Terminology".

Not in 2000 Definitions. It is a commercial decision whether to delete.

~~"AUD-BBR-BBSW" has the same meaning as in the 1991 Definitions.~~

Defined in 2000 Definitions.

"**Borrower**" means the entity seeking to protect itself against a future rise in interest rates.

Fixed Rate Payer used in 2000 Definitions. It is a commercial decision whether to delete.

"**Business Day**" means a day (not being a Saturday or a Sunday) when:

(a) banks are open for business in the city or cities where amounts are or are potentially payable; and

(b) the Reserve Bank of Australia is conducting a clearing exchange in that city or those cities.

Limits the definition in 2000 Definitions. It is a commercial decision whether to delete.

"**Contract Amount**" means the notional amount on which the calculation of the Settlement Sum is based.

Calculation Amount used in 2000 Definitions. It is a commercial decision whether to delete.

"**Contract Rate**" means the agreed forward rate of interest for the Settlement Period.

Fixed Rate used in 2000 Definitions. It is a commercial decision whether to delete.

"**Deal Date**" means the date on which the FRA is negotiated.

Trade Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Designated Maturity**" means, for the purpose of calculating an Interest Settlement Rate, the period determined in accordance with paragraph (3) of this Addendum.

Different definition provided in Annex to 2000 Definitions. It is a commercial decision whether to delete.

"**FRA**" means an agreement known as a forward rate agreement where the Contract Amount is Australian dollars under which two parties agree to compensate each other if the interest rate applicable on a certain future date differs from an agreed interest rate.

Not in 2000 Definitions. It is a commercial decision whether to delete.

"**Interest Settlement Rate**" means, unless otherwise agreed, AUD-BBR-BBSW.

Various Floating Rates possible in 2000 Definitions. It is a commercial decision whether to delete.

"**Lender**" means the entity seeking to protect itself against a future fall in interest rates.

Floating Rate Payer used in 2000 Definitions. It is a commercial decision whether to delete.

"**Maturity Date**" means, subject to paragraph (4) of this Addendum, the date on which the Settlement Period ends.

Termination Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Settlement Date**" means, subject to paragraph (4) of this Addendum, the date on which the Settlement Period starts.

Payment Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Settlement Period**" means the number of days from and including the Settlement Date to but not counting the Maturity Date.

Calculation Period used in 2000 Definitions. It is a commercial decision whether to delete.

"**Settlement Sum**" means the amount equal to the difference between the amounts calculated in accordance with the following formulae:

$$\frac{36500 \times A}{(D \times Is) + 36500}$$

and

$$\frac{36500 \times A}{(D \times Ic) + 36500}$$

where:

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A = Contract Amount

Is = Interest Settlement Rate on the Settlement Date for the Designated Maturity (expressed as a number and not a percentage eg 8.1875 not 8.1875%)

Ic = Contract Rate (expressed as a number and not a percentage)

D = Settlement Period

Different FRA Discounting formula contained in Section 8.4(b) of 2000 Definitions. It is a commercial decision whether to delete.

~~"1991 Definitions" means the 1991 ISDA Definitions published by International Swap Dealers Association, Inc.~~

Not in 2000 Definitions. Definitions incorporated in Confirmation or Schedule

(3) Calculation of Interest Settlement Rate

When the Interest Settlement Rate is AUD-BBR-BBSW, then for the purpose of calculating the Interest Settlement Rate using that definition:

- (a) the Reset Date is the Settlement Date; and
- (b) unless otherwise agreed, the Designated Maturity (that is, the tenor of bills of exchange) is a period to be determined by the length of the Settlement Period in accordance with the following table

Designated Maturity - tenor of	covers a Settlement Period of
one month	16 - 45 days
two months	46 - 75 days
three months	76 - 105 days
four months	106 - 135 days
five months	136 - 165 days
six months	166 - 195 days

Not in 2000 Definitions. It is a commercial decision whether to delete.

(4) Adjustment of Settlement Date and Maturity Date

If the Settlement Date or the Maturity Date does not fall on a Business Day, then it is to be adjusted in accordance with the Modified Following Business Day Convention. A reference to a Business Day in the definition of Modified Following Business Day Convention in the 1991 Definitions is a reference to a Business Day as defined in this Addendum rather than as defined in the 1991 Definitions.

Not in 2000 Definitions. It is a commercial decision whether to delete.

(5) Settlement

On the Settlement Date:

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- (a) if the Contract Rate exceeds the Interest Settlement Rate, the Borrower must pay the Settlement Sum to the Lender; or
- (b) if the Interest Settlement Rate exceeds the Contract Rate, the Lender must pay the Settlement Sum to the Borrower.

Equivalent terms in Section 8.4(b) of 2000 Definitions. It is a commercial decision whether to delete.

(6) **Payments**

Payments must be made in Australian dollars on the Settlement Date. They must be made by bank cheque before 4.00 pm (local time in the place for payment) or through Austraclear, unless otherwise agreed.

Not in 2000 Definitions. It is a commercial decision whether to delete.

(7) **Confirmations**

- ~~(a) The parties acknowledge that FRAs governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated may be confirmed by various methods including, without limitation, the following:~~

~~_____ Austraclear
_____ Telephone
_____ Telex
_____ Letter
_____ SWIFT MT340 messages
_____ Reuters direct dealing system
_____ Telerate trading service
_____ Facsimile~~

~~A confirmation produced by any of these methods in accordance with market conventions constitutes a Confirmation for the purpose of this Agreement. Each such Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement in which this Addendum is incorporated.~~

Not in 2000 Definitions. Technically unnecessary due to general wording in the Master Agreement. Could be included in Schedule for clarity.

- ~~(b) The definitions and provisions contained in the 1991 Definitions and in this Addendum are incorporated into each Confirmation. If there is an inconsistency between those definitions and provisions and any such Confirmation, the Confirmation will govern.~~

Not in 2000 Definitions. Definitions incorporated in Confirmation or Schedule. Could be included in Schedule if short form confirmations used.

- (c) The parties acknowledge that some Confirmations may describe some items by a term other than the defined term in this Addendum. For example:

"Contract Amount" may be referred to as "Face Value", "Notional Amount" or "Amount";

"Contract Rate" may be referred to as "Rate";

"Settlement Period" may be referred to as "Contract Period".

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In any case where the intention is clear that a term used in a Confirmation is intended to specify the particulars for a defined term in this Addendum, then that term is to be deemed to be that defined term in this Addendum.

Not in 2000 Definitions. It is a commercial decision whether to delete.

- (d) When a party specifies in the Austraclear Menu:
- (a) "B" at the "side of the trade" item, it intends that the party is the Borrower;
 - (b) "L" at the "side of the trade" item, it intends that the party is the Lender;
 - (c) "Y" at the "Use BBSW (Y/N)" item, it intends that the Interest Settlement Rate is to be AUD-BBR-BBSW.

Not in 2000 Definitions. It is a commercial decision whether to delete.

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SEPTEMBER 1992
AUSTRALIAN ADDENDUM No. 7 -
FORWARD RATE BILL AGREEMENTS

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAP DEALERS ASSOCIATION, INC.

(1) Application

~~By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every FRB between them (whether entered into before or after that time) is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.~~

~~This applies whether or not the parties:~~

~~(a) refer or referred to the ISDA Master Agreement or this Addendum; or~~

~~(b) state or stated that a FRB is governed by the terms of another master agreement~~

~~when entering into or confirming the FRB.~~

~~If a FRB is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then the terms of any other master agreement do not apply to it even if the parties state or stated that the FRB is governed by the terms of any other master agreement when entering into or confirming the FRB.~~

Not in 2000 Definitions. Not required if Confirmation refers to ISDA Master Agreement. Could be inserted in schedule if short form confirmations used.

(2) Definitions

It is a commercial decision whether to delete many of these. However, because they work together, some of the definitions should not be retained if others are to be deleted.

In this Addendum and in any Confirmation:

~~"AUD BBR BBSW" has the same meaning as in the 1991 Definitions.~~

Defined in 2000 Definitions.

"**Borrower**" means the entity seeking to protect itself against a future rise in bank bill interest rates.

~~*Fixed Rate Payer used in 2000 Definitions. It is a commercial decision whether to delete.*~~

"**Business Day**" means a day (not being a Saturday or a Sunday) when:

(a) banks are open for business in the city or cities where amounts are or are potentially payable; and

(b) the Reserve Bank of Australia is conducting a clearing exchange in that city or those cities.

~~*Limits the definition in 2000 Definitions. It is a commercial decision whether to delete.*~~

"**Contract Amount**" means the notional amount on which the calculation of the Settlement Sum is based.

~~*Calculation Amount used in 2000 Definitions. It is a commercial decision whether to delete.*~~

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"**Contract Rate**" means the agreed forward rate of interest for the Settlement Period.

Fixed Rate used in 2000 Definitions. It is a commercial decision whether to delete.

"**Deal Date**" means the date on which the FRB is negotiated.

Trade Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Designated Maturity**" means, for the purpose of calculating an Interest Settlement Rate, the period determined in accordance with paragraph (3) of this Addendum.

Different definition provided in 2000 Annex. It is a commercial decision whether to delete.

"**FRB**" means an agreement known as a forward rate bill agreement where the Contract Amount is in Australian dollars under which:

- (a) two parties agree to compensate each other if the interest rate applicable on a certain future date differs from an agreed interest rate; and
- (b) one party may become obliged to deliver a negotiable instrument having certain agreed features.

Not in 2000 Definitions. It is a commercial decision whether to delete.

"**Interest Settlement Rate**" means, unless otherwise agreed, AUD-BBR-BBSW.

Various Floating Rates possible in 2000 Definitions. It is a commercial decision whether to delete.

"**Lender**" means the entity seeking to protect itself against a future fall in bank bill interest rates.

Floating Rate Payer used in 2000 Definitions. It is a commercial decision whether to delete.

"**Maturity Date**" means, subject to paragraphs (4) and (5) of this Addendum, the date on which the Settlement Period ends.

Termination Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Settlement Date**" means, subject to paragraphs (4) and (5) of this Addendum, the date on which the Settlement Period starts.

Payment Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Settlement Period**" means the number of days from and including the Settlement Date to but not counting the Maturity Date.

Calculation Period used in 2000 Definitions. It is a commercial decision whether to delete.

"**Settlement Sum**" means the amount equal to the difference between the amounts calculated in accordance with the following formulae:

$$\frac{36500 \times A}{(D \times Is) + 36500}$$

and

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$$\frac{36500 \times A}{(D \times Ic) + 36500}$$

where:

A = Contract Amount

Is = Interest Settlement Rate on the Settlement Date for the Designated Maturity (expressed as a number and not a percentage eg 8.1875 not 8.1875%)

Ic = Contract Rate (expressed as a number and not a percentage)

D = Settlement Period

Different FRA Discounting formula contained in Section 8.4(b) of 2000 Definitions. It is a commercial decision whether to delete.

~~"1991 Definitions" means the 1991 ISDA Definitions published by International Swap Dealers Association, Inc.~~

Not in 2000 Definitions. Definitions incorporated in Confirmation or Schedule

(3) Calculation of Interest Settlement Rate

When the Interest Settlement Rate is AUD-BBR-BBSW, then for the purpose of calculating the Interest Settlement Rate using that definition:

- (a) the Reset Date is the Settlement Date; and
- (b) unless otherwise agreed, the Designated Maturity (that is, the tenor of bills of exchange) is a period to be determined by the length of the Settlement Period in accordance with the following table.

Designated Maturity - tenor of	covers a Settlement Period of
one month	16 - 45 days
two months	46 - 75 days
three months	76 - 105 days
four months	106 - 135 days
five months	136 - 165 days
six months	166 - 195 days

Not in 2000 Definitions. It is a commercial decision whether to delete.

(4) Settlement Date and Maturity Date

The Settlement Date and Maturity Date must each fall on one of the first to the fifteenth days of a month. If for any reason the parties agree otherwise, they must also agree on a basis for calculating the Interest Settlement Rate as if the Settlement Date or Maturity Date occurred in the early part of the month. It is expected that the parties will agree on averaging quotes for this purpose from four reference market makers.

Not in 2000 Definitions. It is a commercial decision whether to delete.

(5) Adjustment of Settlement Date and Maturity Date

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If the Settlement Date or the Maturity Date does not fall on a Business Day, then it is to be adjusted in accordance with the Modified Following Business Day Convention. A reference to a Business Day in the definition of Modified Following Business Day Convention in the 1991 Definitions is a reference to a Business Day as defined in this Addendum rather than as defined in the 1991 Definitions.

Not in 2000 Definitions. It is a commercial decision whether to delete.

(6) Cash Settlement

On the Settlement Date:

- (a) if the Contract Rate exceeds the Interest Settlement Rate, the Borrower must pay the Settlement Sum to the Lender; or
- (b) if the Interest Settlement Rate exceeds the Contract Rate, the Lender must pay the Settlement Sum to the Borrower.

Equivalent terms in Section 8.4(b) of 2000 Definitions. It is a commercial decision whether to delete.

(7) Physical settlement

If the Borrower is determined by Austraclear to be a net borrower in connection with a particular Settlement Date or the Lender is determined by Austraclear to be a net lender in connection with a particular Settlement Date, then the party must comply with the FRB market conventions in connection with the physical delivery of stock on the Settlement Date.

Not in 2000 Definitions. It is a commercial decision whether to delete.

(8) Payments

Payments must be made in Australian dollars on the Settlement Date. They must be made by bank cheque before 4.00 pm (local time in the place for payment) or through Austraclear, unless otherwise agreed.

Not in 2000 Definitions. It is a commercial decision whether to delete.

(9) Confirmations

~~(a) The parties acknowledge that FRBs governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated must be confirmed through Austraclear.~~

~~A confirmation through Austraclear constitutes a Confirmation for the purpose of this Agreement. Each such Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement in which this Addendum is incorporated.~~

Not in 2000 Definitions. It is a commercial decision whether to delete.

~~(b) The definitions and provisions contained in the 1991 Definitions and in this Addendum are incorporated into each such Confirmation. If there is an inconsistency between those definitions and provisions and any such Confirmation, the Confirmation will govern.~~

~~*Not in 2000 Definitions. Definitions incorporated in Confirmation. Could be included in Schedule if short form confirmations used.*~~

(c) The following terms used in the Austraclear FRTRADE menu correspond to the following terms in this Addendum:

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FRTRADE menu this Addendum

Buy	Borrower
Sell	Lender
Amount	Contract Amount
Rate	Contract Rate

(d) When a party specifies in the Austraclear Menu:

(a) "B" at the "Buy/sell" item, it intends that the party is the Borrower;

(b) "L" at the "Buy/sell" item , it intends that the party is the Lender.

Not in 2000 Definitions. It is a commercial decision whether to delete.

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SEPTEMBER 1992
AUSTRALIAN ADDENDUM No. 8 -
SYNTHETIC AGREEMENTS FOR FORWARD EXCHANGE

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAP DEALERS ASSOCIATION, INC.

~~(1) Application~~

~~By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every SAFE between them entered into after that time is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.~~

~~This applies whether or not the parties:~~

~~(a) refer to the ISDA Master Agreement or this Addendum; or~~

~~(b) state that a SAFE is governed by the terms of any other master agreement~~

~~when entering into or confirming the SAFE.~~

~~If a SAFE is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then the terms of any other master agreement do not apply to it even if the parties state that the SAFE is governed by the terms of any other master agreement when entering into or confirming the SAFE.~~

Not in FX Definitions. Not required if Confirmation refers to ISDA Master Agreement. Could be included in Schedule if short form confirmations used.

~~(2) Definitions~~

It is a commercial decision whether to delete many of these. However, because they work together, some of the definitions should not be retained if others are to be deleted.

In this Addendum and in any Confirmation:

"Broken Date SAFE" means a SAFE for which the Forward Period is not based on the conventional value dates applicable to each subsequent month for the currencies concerned in the Sydney foreign exchange market on the Trade Date.

Not in FX Definitions. It is a commercial decision whether to delete.

"Business Day" means any day (other than a Saturday or Sunday) on which banks are open for business in each of Sydney, Melbourne, Singapore and New York.

Section 1.1 of the FX Definitions has broader definition. It is a commercial decision whether to delete.

"Buyer" means the party who, under the Notional Forward, would notionally receive the Primary Currency on the Maturity Date.

Reference Currency Buyer used in the FX Definitions. It is a commercial decision whether to delete.

"Contract Amounts" means the amounts (respectively the First Contract Amount and the Second Contract Amount) of the Primary Currency which are the subject of the SAFE.

Reference Currency Notional Amount used in the FX Definitions. It is a commercial decision whether to delete.

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"Contract Forward Spread" means the premium or discount agreed between the parties on the Trade Date as the premium or discount at which the parties would, as at the Trade Date, be prepared to enter into a forward foreign exchange transaction equivalent in all respects to the Notional Forward.

Not used in the FX Definitions. It is a commercial decision whether to delete.

"ERA" means an agreement under which two parties agree to compensate each other at the near (settlement) date for any difference between the forward margin agreed at the dealing date and the notional forward margin prevailing on the fixing date for a specified contract period.

Not used in the FX Definitions. It is a commercial decision whether to delete.

"First Contract Amount" means the amount of the Primary Currency which would notionally be exchanged on the Settlement Date, as described in paragraph (a) of the definition of Notional Forward.

Reference Currency Notional Amount used in the FX Definitions. It is a commercial decision whether to delete.

"Fixing Date" means the Business Day which is two Business Days before the Settlement Date.

Valuation Calculation Date used in the FX Definitions. It is a commercial decision whether to delete.

"Forward Period" means the period of the Notional Forward as determined by agreement between the parties on the Trade Date and being the period from (but excluding) the Settlement Date to (and including) the Maturity Date.

Not used in the FX Definitions. It is a commercial decision whether to delete.

"FXA" has the same meaning as an ERA except that, unlike an ERA, a notional outright forward spread is also agreed for the settlement date.

Not used in the FX Definitions. It is a commercial decision whether to delete.

"Maturity Date" means the date agreed between the parties to be the date on which the Notional Forward would notionally be completed (by means of the second exchange referred to in paragraph (b) of the definition of Notional Forward).

Not used in the FX Definitions. It is a commercial decision whether to delete.

"Notional Forward" means a notional forward foreign exchange transaction between the parties under which, if it were to take place:

- (a) the Seller would, on the Settlement Date and in exchange for an amount of the Primary Currency equal to the First Contract Amount, pay to the Buyer an amount in the Secondary Currency determined as follows:
 - (i) in the case of an ERA, by reference to the SAFE Settlement Spot Rate;
 - (ii) in the case of an FXA, by reference to the Outright Exchange Rate, and
- (b) the Seller would, on the Maturity Date, pay to the Buyer an amount of the Primary Currency equal to the Second Contract Amount in exchange for an amount of the Secondary Currency determined as follows:
 - (i) in the case of an ERA, by application of the Contract Forward Spread applied to the SAFE Settlement Spot Rate;

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(ii) in the case of an FXA, by application of the Contract Forward Spread to the Outright Exchange Rate.

Not used in the FX Definitions. It is a commercial decision whether to delete.

"Outright Exchange Rate" means the rate as agreed between the parties on the Trade Date for Primary Currency against Secondary Currency for value on the Settlement Date (and expressed in units of Secondary Currency per unit of Primary Currency).

Forward Rate used in the FX Definitions. It is a commercial decision whether to delete.

"Primary Currency" means the currency agreed to be such by the Buyer and Seller and being the currency in which the Contract Amounts are expressed.

Reference Currency used in the FX Definitions. It is a commercial decision whether to

"SAFE" means a transaction between parties seeking to protect themselves against future movements in foreign exchange forward spreads.

Not used in the FX Definitions. It is a commercial decision whether to delete.

"SAFE Designated Banks" means the banks on the panel of not less than eight banks authorised to quote for the purpose of establishing the SAFE Settlement Forward Spread.

Not used in the FX Definitions. It is a commercial decision whether to delete.

"SAFE Interest Settlement Rate" means, in respect of a Forward Period, the rate calculated on the basis of the offered rates for deposits in US Dollars for a period equivalent to the Forward Period which appear on the Reuters page specified below at the time specified below on the Fixing Date for Settlement Date value. The Reuters pages specified below are to be reviewed in the order they appear. The first of the pages which shows at least two rates is the page to be used for setting the rate. The rate for the Forward Period is the arithmetic mean of the rates on the page.

First - Reuters Screen SIBO page at 11.00 am Singapore time

Second - Reuters Screen LIBO page at 11.00 am London time

Third - Reuters Screen NYNO page at 11.00 am New York time

If none of those pages shows at least two rates at the relevant time, paragraph (5) applies.

Not used in the FX Definitions. It is a commercial decision whether to delete.

"SAFE Settlement Forward Spread" means, in respect of a Forward Period, the spread calculated, and published, by the information vendor for the time being designated by Australian Financial Markets Association to make such calculation. The information vendor is to calculate such spread by taking the premia or discounts quoted to it by the SAFE Designated Banks as the mid market premium or discount for foreign exchange forwards equivalent to the Notional Forward as at 12 noon Sydney time on the Fixing Date for Settlement Date value, expressing each premium as a negative number and each discount as a positive number, and eliminating the two highest and the two lowest (or, in the event of equality, two of the highest or lowest as appropriate), taking the average of the remaining four rates and then (if necessary) rounding the resultant figure to four decimal places. Paragraph (5) applies if the spread is not published by this method for any reason.

Not used in the FX Definitions. It is a commercial decision whether to delete.

"SAFE Settlement Spot Rate" means, in respect of a Forward Period, the rate calculated on the basis of the spot rates of exchange for the exchange of the Primary Currency against the Secondary Currency which appear on the Reuters Screen OZZU Page as of 12 noon Sydney time on the Fixing Date for Settlement Date value. If at least eight rates appear on the Reuters Screen OZZU Page, the rate for that Forward Period will be the arithmetic mean of such rates after eliminating the two highest and the two lowest (or, in the event of equality, two of the highest or lowest as appropriate)

proves not to be a Business Day, then the Settlement Date is the immediately succeeding day which is a Business Day.

Different definition of Settlement Day used in the FX Definitions. It is a commercial decision whether to delete.

"Settlement Rate" means the SAFE Interest Settlement Rate, the SAFE Settlement Forward Spread or the SAFE Settlement Spot Rate.

Different definition of Settlement Rate used in the FX Definitions. It is a commercial decision whether to delete.

"Trade Date" means the date on which the SAFE is entered into by the parties.

Defined in Section 1.25 of FX Definitions.

(3) Settlement

On the Settlement Date:

- (a) if the Settlement Amount is negative (that is, less than zero), the Seller must pay the Settlement Amount to the Buyer; or
- (b) if the Settlement Amount is positive (that is, greater than zero), the Buyer must pay the Settlement Amount to the Seller.

*Equivalent provisions (may be commercial differences) in Section 2.2(b) of FX Definition. s
It is a commercial decision whether to delete.*

(4) Broken Dates

If the parties enter into a Broken Date SAFE, the definitions of SAFE Interest Settlement Rate, SAFE Settlement Forward Spread and SAFE Settlement Spot Rate set out in paragraph (2) do not apply. Instead the parties must agree, when entering into the Broken Date SAFE, an alternative meaning for those terms.

Not contained in FX Definitions. It is a commercial issue whether to delete.

(5) Non-availability of Settlement Rates

If circumstances described in a Settlement Rate definition occur which result in this paragraph (5) applying, the Settlement Rate is to be the average of not less than three rates provided to the chairman of the Australian Foreign Exchange Brokers Association by members of that Association nominated by its chairman. A certificate from the chairman specifying the rate is conclusive evidence of the rate.

Different provisions for Disruption Events contained in Article 5 of FX Definitions. It is a commercial decision whether to delete.

(6) Payment

~~All payments must be made for value on the Settlement Date, in the Secondary Currency and in immediately available, freely transferable and freely convertible funds by credit to the account of the recipient specified by it for such purposes.~~

Dealt with in Section 2(a)(ii) of ISDA Master Agreement and Section 2.2(b) of FX Definitions.

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MARCH 1994
AUSTRALIAN ADDENDUM No. 11 -
COMMODITY TRANSACTIONS

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.

~~(1) Application~~

~~By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every Commodity Transaction between them entered into after that time is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.~~

~~This applies whether or not the parties:~~

~~(a) refer to the ISDA Master Agreement or this Addendum; or~~

~~(b) state that a Commodity Transaction is governed by the terms of any other master agreement~~

~~when entering into or confirming the Commodity Transaction.~~

~~If a Commodity Transaction is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then the terms of any other master agreement do not apply to it even if the parties state that the Commodity Transaction is governed by the terms of any other master agreement when entering into or confirming the Commodity Transaction.~~

Not in New ISDA Definitions. Not required if Confirmation refers to ISDA Master Agreement. May be included in Schedule if short form confirmations used.

~~(2) Confirmations~~

~~(a) The parties acknowledge that Commodity Transactions governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated may be confirmed by various methods including, without limitation, the following:~~

- ~~_____ Telex~~
- ~~_____ Letter~~
- ~~_____ Reuters direct dealing system~~
- ~~_____ Telerate trading service~~
- ~~_____ Facsimile~~

Not in New ISDA Definitions. Technically unnecessary due to general wording in the Master Agreement. May be included in Schedule for clarity.

~~(b) A confirmation produced by any method constitutes a Confirmation for the purpose of this Agreement. Each such Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement in which this Addendum is incorporated.~~

Not in New ISDA Definitions. Technically unnecessary due to general wording in the Master Agreement. May be included in Schedule for clarity.

~~(c) The parties acknowledge that some Confirmations may describe some items by a term other than the defined term in this Addendum or in the 1993 ISDA Commodity Derivative Definitions. For example:~~

~~"Settlement Date" may be referred to as "Maturity Date" or "Value Date"; and~~

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"Floating Price" may be referred to as "Reference Price".

In any case where the intention is clear that a term used in a Confirmation is intended to specify the particulars for a defined term in this Addendum or the 1993 ISDA Commodity Derivative Definitions, then that term is to be deemed to be that defined term.

Not included in New ISDA Definitions. To the extent that Confirmations do not use the appropriate term from the ISDA Definitions, this will be required.

- ~~(d) References to ounces in relation to precious metals in a Confirmation are references to troy ounces.~~

Contained in section 1.14 of Bullion Definitions

(3) Definitions

- ~~(a) The definitions and provisions contained in the 1991 ISDA Definitions, the 1993 ISDA Commodity Derivative Definitions and in this Addendum are incorporated into each Confirmation. If there is an inconsistency between those definitions and provisions and any such Confirmation, the Confirmation will govern.~~

Not in New ISDA Definitions but not necessary if appropriate ISDA Definitions are incorporated in the relevant Confirmations. May be included in Schedule if short form confirmations used.

- ~~(b) In this Addendum "Commodity Transaction" means any transaction which is or is described in its confirmation as a forward commodity transaction, a spot commodity transaction or a commodity option whether or not the Settlement Date is fixed and any other type of transaction falling within the meaning of "Transaction" in the 1993 ISDA Commodity Derivative Definitions. "Commodity Transaction" also means any other type of transaction which the parties agree to be a Commodity Transaction.~~

Required only if Addendum is retained.

- ~~(c) Each Commodity Transaction is a "Transaction" for the purpose of the ISDA Master Agreement in which this Addendum is incorporated.~~

Not necessary if appropriate language is incorporated in the relevant Confirmations. May be included in Schedule if short form confirmations used.

- ~~(d) In this Addendum references to the 1991 ISDA Definitions and the 1993 ISDA Commodity Derivative Definitions are references to those publications as published by the International Swaps and Derivatives Association, Inc.~~

Required only if Addendum is retained.

(4) Certain definitions and other provisions relating to forward commodity contracts and spot commodity contracts

It is a commercial decision whether to delete many of these. However, because they work together, some of the definitions should not be retained if others are to be deleted.

- (a) The following definitions apply to any transaction which is, or is described in its confirmation as, a forward commodity contract or a spot commodity contract (whether or not the Settlement Date is fixed).

Bullion Trades used in the Bullion Definitions. Required only if Addendum retained.

"Buyer" means the party specified as buyer in the Confirmation.

Referred to only in respect of Bullion Options in the Bullion Definitions. Not specifically referred to in respect of other Bullion Trades.

If "Cash Settlement" is specified to be applicable, it means that:

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- (i) the Buyer must pay the Cash Settlement Amount to the Seller on the Settlement Date, if the Final Settlement Price exceeds the Floating Price; or
- (ii) the Seller must pay the Cash Settlement Amount to the Buyer on the Settlement Date, if the Floating Price exceeds the Final Settlement Price.

Contained in Article 4 of the Bullion Definitions in respect of Bullion Trades.

"**Cash Settlement Amount**" means, unless the parties otherwise specify in the Confirmation, the absolute value of an amount calculated in accordance with the following formula:

Quantity (expressed as a number) x the difference between the Final Settlement Price and the Floating Price

Equivalent formula in Article 4 of the Bullion Definitions

"**Final Settlement Price**" means the price per Unit which the Seller would receive on the Settlement Date in accordance with the agreement between the parties if the Commodity were to be physically delivered.

Contract Price used in the Bullion Definitions.

"**Fixed Amount**" means, unless the parties otherwise specify in the Confirmation, an amount equal to the Quantity multiplied by the Final Settlement Price.

Not defined equivalent term used in Section 2.2 of the Bullion Definitions.

If "**Physical Settlement**" is specified to be applicable, it means the Seller must deliver the Quantity to the Buyer on the Settlement Date and the Buyer must pay the Fixed Amount to the Seller on the Settlement Date.

Addressed in Article 3 of the Bullion Definitions.

"**Quantity**" means the quantity (expressed in Units) of the Commodity the subject of the Transaction.

Ounces used in the Bullion Definitions.

"**Seller**" means the party specified as seller in the Confirmation.

Referred to only in respect of Bullion Options in the Bullion Definitions. Not specifically referred to in respect of other Bullion Trades.

"**Spot Price**" means the spot price for a Commodity agreed to be prevailing on the Trade Date, expressed as a price per relevant Unit for settlement within two Business Days after the Trade Date.

Multiple Bullion Reference Prices specified in Article 11 of the Bullion Definitions.

- (b) When a Commodity Transaction is, or is described in its confirmation as, a floating forward transaction, then the Settlement Date is to be a Business Day elected by the Seller (which election is to be made by giving the Buyer at least two Business Days' notice).

Not in the Bullion Definitions. Commercial decision whether to delete.

(5) **Certain definitions relating to commodity options**

The following definitions apply to any Transaction which is or is described in its confirmation as a commodity option and for which there is no "Physical Settlement" procedure specified in Article 8 of the 1993 ISDA Commodity Derivative Definitions. Such a Transaction is also an "Option" for the purpose of the 1993 ISDA Commodity Derivative Definitions.

Referred to as Bullion Options in the Bullion Definitions.

"Expiration Time" means the latest time on the Expiration Date at which the Seller will accept a Notice of Exercise.

Addressed in Section 2.5 of the Bullion Definitions.

"Fixed Amount" means, unless the parties otherwise specify in the Confirmation, an amount equal to the Quantity (expressed as a number) multiplied by the Strike Price per Unit.

Addressed in Section 2.7 of Bullion Definitions.

If **"Physical Settlement"** is specified to be applicable to the commodity option, it means that the Seller grants to the Buyer the right to cause Seller to either, depending on whether the commodity option is a Put or a Call, purchase or deliver the Quantity on the Settlement Date in return for the Fixed Amount. In those circumstances, for the purpose of Section 8.3 of the 1993 ISDA Commodity Derivative Definitions, the definition of:

- (a) "Call" is to be taken to mean an Option entitling, but not obligating, the Buyer to purchase from the Seller on the Settlement Date, the Quantity in exchange for the Fixed Amount; and
- (b) "Put" is to be taken to mean an Option entitling, but not obligating, the Buyer to sell to the Seller on the Settlement Date, the Quantity in exchange for the Fixed Amount.

Addressed in Articles 2 and 3 of Bullion Definitions.

"Quantity" means the quantity (expressed in Units) of the Commodity the subject of the Transaction.

Ounces used in Bullion Definitions.

(6) Physical Settlement

When "Physical Settlement" is specified to be applicable to a Commodity Transaction, the following provisions apply:

- ~~(a) if the Commodity Transaction requires the delivery of gold or silver, then the gold or silver must comply with the rules of the London Bullion Market Association relating to good delivery and fineness;~~

Contained in Section 1.6 and 1.7 of Bullion Definitions.

- ~~(b) Section 2(c) of this Agreement is amended by:~~

- ~~(i) adding the words "or deliverable" after "payable" in lines 1, 6, 8, 10 and 11;~~
- ~~(ii) adding the words "or, in the case of delivery obligations, the same commodity" after "in the same currency" in line 2 and 10; and~~
- ~~(iii) adding the words "or delivery" after "payment" in line 4; and~~
- ~~(iv) adding the words "or deliver" after "pay" in line 8;~~

Addressed in Article 5 of Bullion Definitions.

- (c) in addition to the representations contained in Section 3 of this Agreement, each party will be deemed to have represented to the other party at the time it delivers any commodity to the other party pursuant to this Agreement, that it has full legal and beneficial title to that commodity and it delivers the same free and clear of any security interest, claim, lien or encumbrance of any kind;

Not included Bullion Definitions. Assume it is included in LBMA rules. Could be included in Schedule, having general application.

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- (d) the definition of "Tax" in Section 14 of this Agreement is amended by adding "or delivery" after "of any payment";

Not included in Bullion Definitions. Could be included in Schedule.

- (e) either party may change the place nominated by it to receive delivery of a Commodity by giving notice to the other party at least five Business Days before the scheduled date for the delivery unless the other party gives timely notice of a reasonable objection to the change. The party nominating the change must pay the other party any additional costs incurred by the other party in changing the place of delivery; and

Not included in Bullion Definitions. Commercial decision whether to delete.

- ~~(f) subject to the amendments in this Addendum, and to the extent the context does not otherwise require, all other references (if any) in this Agreement to "payment", "payments", "pay", "paid" and "payable" are deemed to include references to "delivery", "deliveries", "deliver", "delivered" and "deliverable", respectively.~~

Not included in Bullion Definitions. Should not be necessary (unless concerns specific to a Transaction exist)

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MARCH 1994
AUSTRALIAN ADDENDUM No. 12 -
NON-A\$ FORWARD RATE AGREEMENTS

ADDENDUM TO SCHEDULE TO MASTER AGREEMENT OF
INTERNATIONAL SWAPS AND DERIVATIVES ASSOCIATION, INC.

(1) Application

~~By incorporating this Addendum in their ISDA Master Agreement, the parties agree that every Non-A\$ FRA between them (whether entered into before or after that time) is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated.~~

~~This applies whether or not the parties:~~

~~(a) refer or referred to the ISDA Master Agreement or this Addendum; or~~

~~(b) state or stated that a Non-A\$ FRA is governed by any other terms (including, without limitation, the FRABBA Terms)~~

~~when entering into or confirming the Non-A\$ FRA.~~

~~If a Non-A\$ FRA is a Transaction governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated, then no other terms (including, without limitation, the FRABBA terms) apply to it even if the parties state or stated that the FRA is governed by any other terms when entering into or confirming the Non-A\$ FRA.~~

Not in 2000 Definitions. Not required if Confirmation refers to ISDA Master Agreement. Could be included in Schedule if short form confirmations used.

(2) Definitions

It is a commercial decision whether to delete many of these. However, because they work together, some of the definitions should not be retained if others are to be deleted.

In this Addendum and in any Confirmation:

"**FRABBA Terms**" means the London Interbank Forward Rate Agreements Recommended Terms and Conditions as published by British Bankers' Association.

Not in 2000 Definitions. It is a commercial decision whether to delete.

"**Borrower**" means the entity seeking to protect itself against a future rise in interest rates.

Fixed Rate Payer used in 2000 Definitions. It is a commercial decision whether to delete.

"**Business Day**" means a day (not being a Saturday or a Sunday) when banks are open for business in the city or cities where amounts are or are potentially payable.

Different to the definition in 2000 Definitions. It is a commercial decision whether to delete.

"**Contract Amount**" means the notional amount on which the calculation of the Settlement Sum is based.

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Calculation Amount used in 2000 Definitions. It is a commercial decision whether to delete.

"**Contract Currency**" means the currency in which the Non-A\$ FRA is based.

Implied through Calculation Amount in 2000 Definitions. It is a commercial decision whether to delete.

"**Contract Rate**" means the agreed forward rate of interest for the Settlement Period.

Fixed Rate used in 2000 Definitions. It is a commercial decision whether to delete.

"**Deal Date**" means the date on which the Non-A\$ FRA is negotiated.

Trade Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Fixing Date**" means the day which is two Business Days before the Settlement Date. However, when the Contract Currency is Pounds Sterling or New Zealand Dollars, the Fixing Date and the Settlement Date are the same.

Reset Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Interest Settlement Rate**" means, unless otherwise agreed, the rate for the Contract Currency and Settlement Period as shown on Telerate page 3750.

Various Floating Rates possible in 2000 Definitions. It is a commercial decision whether to delete.

"**Lender**" means the entity seeking to protect itself against a future fall in interest rates.

Floating Rate Payer used in 2000 Definitions. It is a commercial decision whether to delete.

"**Maturity Date**" means, subject to paragraph (3) of this Addendum, the date on which the Settlement Period ends.

Termination Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Non-A\$ FRA**" means an agreement known as a forward rate agreement where the Contract Currency is other than Australian dollars under which two parties agree to compensate each other if the interest rate applicable on a certain future date differs from an agreed interest rate.

Not in 2000 Definitions. It is a commercial decision whether to delete.

"**Settlement Date**" means, subject to paragraph (3) of this Addendum, the date on which the Settlement Period starts.

Payment Date used in 2000 Definitions. It is a commercial decision whether to delete.

"**Settlement Period**" means the number of days from and including the Settlement Date to but not counting the Maturity Date.

Calculation Period used in 2000 Definitions. It is a commercial decision whether to delete.

"**Settlement Sum**" means:

for all Contract Currencies other than New Zealand Dollars, the amount calculated in accordance with the following formula:

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$$\frac{(Ic - Is) \times D \times A}{(B \times 100) + (Is \times D)}$$

where the Contract Currency is New Zealand Dollars, the amount equal to the difference between the amounts calculated in accordance with the following formulae:

$$\frac{36500 \times A}{(D \times Is) + 36500}$$

and

$$\frac{36500 \times A}{(D \times Ic) + 36500}$$

where:

A = Contract Amount

Is = Interest Settlement Rate on the Fixing Date (expressed as a number and not a percentage eg 8.1875 not 8.1875%)

Ic = Contract Rate (expressed as a number and not a percentage)

D = Settlement Period

B = 360 or 365 depending on market custom for the relevant currency.

Different FRA Discounting formula contained in Section 8.4(b) of 2000 Definitions. It is a commercial decision whether to delete.

~~"1991 Definitions" means the 1991 ISDA Definitions published by International Swaps and Derivatives Association, Inc.~~

Not in 2000 Definitions. Definitions incorporated in Confirmation or Schedule

(3) Adjustment of Settlement Date and Maturity Date

If the Settlement Date or the Maturity Date does not fall on a Business Day, then it is to be adjusted in accordance with the Modified Following Business Day Convention. A reference to a Business Day in the definition of Modified Following Business Day Convention in the 1991 Definitions is a reference to a Business Day as defined in this Addendum rather than as defined in the 1991 Definitions.

Not in 2000 Definitions. It is a commercial decision whether to delete.

(4) Settlement

On the Settlement Date:

(a) if the Contract Rate exceeds the Interest Settlement Rate, the Borrower must pay the Settlement Sum to the Lender; or

(b) if the Interest Settlement Rate exceeds the Contract Rate, the Lender must pay the Settlement Sum to the Borrower.

Equivalent terms in Section 8.4(b) of 2000 Definitions. It is a commercial decision whether to delete.

(5) **Payments**

Payments must be made for value on the Settlement Date. They must be made in the Contract Currency in immediately available, freely transferable and freely convertible funds by credit to the payee's specified account.

Not in 2000 Definitions. It is a commercial decision whether to delete.

(6) **Confirmations**

~~(a) The parties acknowledge that Non-A\$ FRAs governed by the terms of this Addendum and the ISDA Master Agreement in which it is incorporated may be confirmed by various methods including, without limitation, the following:~~

~~Telephone~~

~~Telex~~

~~Letter~~

~~SWIFT MT340 messages~~

~~Reuters direct dealing system~~

~~Telerate trading service~~

~~Facsimile~~

~~A confirmation produced by any method in accordance with market conventions constitutes a Confirmation for the purpose of this Agreement. Each such Confirmation supplements, forms part of, and is subject to the ISDA Master Agreement in which this Addendum is incorporated.~~

Not in 2000 Definitions. Technically unnecessary due to general wording in the Master Agreement. Could be included in Schedule, for clarity.

~~(b) The definitions and provisions contained in the 1991 Definitions and in this Addendum are incorporated into each Confirmation. If there is an inconsistency between those definitions and provisions and any such Confirmation, the Confirmation will govern.~~

Not in 2000 Definitions. Definitions incorporated in Confirmation. Could be included in Schedule if short form confirmations used.

(c) The parties acknowledge that some Confirmations may describe some items by a term other than the defined term in this Addendum. For example:

"Contract Amount" may be referred to as "Face Value", "Notional Amount" or "Amount";

"Contract Rate" may be referred to as "Rate";

"Settlement Period" may be referred to as "Contract Period".

In any case where the intention is clear that a term used in a Confirmation is intended to specify the particulars for a defined term in this Addendum, then that term is to be deemed to be that defined term in this Addendum.

Not in 2000 Definitions. It is a commercial decision whether to delete.

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