

EMEA DC Statement 20 May 2016

The DC met today to discuss the process for holding an Auction in respect of the Deliverable Obligations of Norske Skogindustrier ASA (the **Reference Entity**), pursuant to today's publication of the Initial List. The DC wishes to provide information to market participants on its current intentions as to the Auction in light of the scheduled maturity of the EUR150,000,000 11.75% Senior Unsecured Notes of the Reference Entity due 2016 (the **2016s**) on Wednesday 15 June 2016. The information set out below is subject to change, particularly if any obligations are added to, or removed from, the Initial List. But the DC felt it would be helpful to clarify its current expectations as to the timing and process. The DC has not yet determined whether or not to hold auctions in relation to the Reference Entity, and this will depend on the number of outstanding trades which are triggered following publication of the Final List. In any event the DC did not think that the timetable for the Auction prescribed in the DC Rules was appropriate, as described below.

Capitalised Terms otherwise used but not defined in this statement have the meaning given to them in the 2016 Credit Derivatives Determinations Committees Rules (January 20, 2016 version).¹

Prescribed timetable will not be followed

The DC Rules and the 2014 Definitions and the Updated 2003 Definitions, as applicable, between them prescribe the timetable for the Auction to take place following publication of the Initial List (subject to the ability of the DC to amend any of the relevant dates by Resolution).² The prescribed timetable for holding the Auction would therefore be as follows:

- (a) 5:00 p.m. Monday 23 May 2016: deadline for submitting additional potential Deliverable Obligations to the DC Secretary for inclusion on the Supplemental List;³
- (b) 7:00 p.m. Monday 23 May 2016: publication of Supplemental List;⁴
- (c) 5:00 p.m. Thursday 26 May 2016: deadline for challenging obligations on the Supplemental List;⁵ and
- (d) 5:00 p.m. Tuesday 31 May 2016: if applicable, deadline for resolving challenges.⁶

The DC will publish the Final List promptly following resolution of all DC Questions. Accordingly, if there are no challenges, the Final List would be expected to be published after 5:00 p.m. on Thursday 26 May 2016. If there are any challenges, the Final List would be expected to be published after 5:00 p.m. on Tuesday 31 May 2016. The prescribed timetable thereafter depends on when the Final List has been published.

Prescribed timetable where the Final List is published on Thursday 26 May 2016 (i.e. no challenges)

- (a) Tuesday 31 May 2016: Exercise Cut-off Date applicable to Seller;⁷
- (b) Friday 3 June 2016: Exercise Cut-off Date applicable to Buyer;⁸

¹ Available at http://dc.isda.org/wp-content/files_mf/1453298092DC_Rules__Jan_2016_Update.pdf

² See Section 3.3(f) (*Timetables*) of the DC Rules.

³ See Section 3.3(c) (*Adding Obligations*) of the DC Rules, being the next Relevant City Business Day immediately following the day that is two calendar days following publication of the Initial List.

⁴ See Section 3.3(c) (*Adding Obligations*) of the DC Rules, being the next Relevant City Business Day immediately following the day that is two calendar days following publication of the Initial List.

⁵ See Section 3.3(d) (*Challenging Potential Deliverable Obligations*) of the DC Rules, being the Relevant City Business Day occurring on the day that is three calendar days following publication of the Supplemental List.

⁶ See Section 3.3(e) (*The Final List of Deliverable Obligations*) of the DC Rules, being the Relevant City Business Day immediately following the day that is two calendar days following the Challenge Deadline (and noting that Monday 30 May 2016 is a bank holiday in London).

⁷ See Section 1.41(a)(i) of the 2014 Definitions and Section 1.26(b)(i) of the Updated 2003 Definitions, as applicable, in each case being two Relevant City Business Days following publication of the Final List.

- (c) Monday 6 June 2016: Movement Option Cut-off Date in respect of 2014 Transactions;⁹ and
- (d) Monday 13 June 2016: earliest possible Auction Date.¹⁰

Prescribed timetable where the Final List is published on Tuesday 31 May 2016 (i.e. Supplemental List challenged)¹¹

- (a) Thursday 2 June 2016: Exercise Cut-off Date applicable to Seller;
- (b) Tuesday 7 June 2016: Exercise Cut-off Date applicable to Buyer;
- (c) Wednesday 8 June 2016: Movement Option Cut-off Date in respect of 2014 Transactions; and
- (d) Wednesday 15 June 2016: earliest possible Auction Date.

Current DC intentions

The DC noted that the 2016s are scheduled to redeem on Wednesday 15 June 2016. Given the prescribed timelines described above, this would be around the time that any Auction would be expected to take place.

The DC was of the view that it would not be desirable for market participants to hold any Auction on or around the scheduled redemption date of the 2016s. Accordingly, the DC considered the alternatives of accelerating or delaying any Auction so that it would be either earlier or later than the scheduled redemption date.

The current intention of the DC is to delay the Auction Date to on or around 22/23 June 2016, following the scheduled maturity of the 2016s. This will avoid the difficulties of holding the auction close to the time when the only Bucket 1 deliverable is due to be redeemed, and the settlement and potential pricing issues in respect of the RASTs entered into as a result of the Bucket 1 Auction given the short time available before the only deliverable is potentially redeemed in full on its scheduled maturity date. The DC also noted Section 3.2(d) of the DC Rules, which requires the DC to attempt to ensure that auction settlement should be broadly reflective of the ability to settle which would have been available if Physical Settlement had been applicable, and noted that any such physical settlement would not have been required to be conducted on an expedited basis. In addition, the DC did not want to shorten the period in which obligations on the Initial List and Supplemental List may be supplemented and/or challenged, as described above, which would be necessary were the Auction to be held on an accelerated basis. Further, the DC noted that there was a risk of operational inefficiencies were an accelerated Auction Date to result in a foreshortened trigger period. A delayed auction would have a trigger period of normal length, albeit held later to correspond to the delayed auction date. On the balance of these factors, the DC was of the view that it was preferable to delay the Auction until after the scheduled maturity of the 2016s. The DC's current expectation is that the Auction terms will provide that if the 2016s are redeemed in full, the auction will be deemed to generate an Auction Final Price of 100%. If not, the Auction will proceed as normal.

The DC is continuing to discuss this process and will provide more information in due course.

⁸ See Section 1.41(a)(i) of the 2014 Definitions and Section 1.26(b)(i) of the Updated 2003 Definitions, as applicable, in each case being five Relevant City Business Days following publication of the Final List.

⁹ See Section 6.17 of the 2014 Definitions, being one Relevant City Business Day following the Exercise Cut-off Date applicable to Buyer.

¹⁰ See Section 3.4(c) (Auction Date) of the DC Rules, being six Relevant City Business Days following the Exercise Cut-off Date applicable to Buyer.

¹¹ See above for relevant Rules and Sections of the 2014 Definitions and Updated 2003 Definitions, as applicable.