

Explanatory Memorandum – 20 April 2018

2018 Noble Group Limited Credit Derivatives Auction Settlement Terms

Summary of important information for customers

- Compromised PBs (as defined below) will not be obliged to accept Customer Physical Settlement Requests even where they have entered into a market trade with the customer.
- Transferees receiving Deliverable Obligations under RASTs cannot be obliged to enter into the Restructuring Support Agreement (as defined below). Accordingly, a customer should not submit a Customer Physical Settlement Sell Request or Limit Offer if this would be necessary for them to be able to effect delivery.
- The settlement of RASTs will be expedited and the fallback buy-in provisions will apply if settlement is not made in accordance with the prescribed timetable.

Background

The AEJ DC is aware of the Reference Entity's ongoing debt restructuring pursuant to the Restructuring Support Agreement dated 14 March 2018 among the Reference Entity and certain of its creditors (each a "**Consenting Creditor**"), which includes holders of the Deliverable Obligations¹ (as amended from time to time) (the "**Restructuring Support Agreement**").²

The AEJ DC also understands that a holder of any of the Deliverable Obligations that is a Consenting Creditor is, subject to certain exceptions, generally prohibited from transferring its holding of any such Deliverable Obligation (or any additional portion thereof or of any other Deliverable Obligation, in either case that it subsequently purchases) unless, inter alia, the relevant transferee accedes to the Restructuring Support Agreement or the transferee is already a Consenting Creditor.

The AEJ DC has made certain amendments to the Auction Settlement Terms applicable to this Auction only in order to permit Participating Bidders who are Consenting Creditors (each, a "**Compromised PB**") to participate in this Auction. The amendments are set out in the Auction Settlement Terms dated 20 April 2018 that have been published in conjunction with this explanatory memorandum.

Market participants should note the following points in relation to the modifications that have been made to the Auction Settlement Terms applicable to this Auction.

RAST Settlement

As explained in the footnote to the Final List, Transferors under Representative Auction-Settled Transactions (i.e. transactions that are created pursuant to the Auction) ("**RASTs**") cannot oblige transferees to adhere to the Restructuring Support Agreement and therefore any portion of a Deliverable Obligation that is subject to the Restructuring Support Agreement (by virtue of the relevant holder being a Consenting Creditor) may not be capable of being delivered for the purposes of RAST settlement.

Customer Physical Settlement Requests

To avoid Compromised PBs entering into RASTs which they are unable to settle, the DC has determined on an exceptional basis to include the following modification to the Auction Settlement Terms:

¹ The Deliverable Obligations for the purposes of this Auction are set out on the Final List (see <https://dc.isda.org/cds/noble-group-limited-4/>).

² See: http://www.thisisnoble.com/images/documents/announcements/restructuring_support_agreement_20180314.pdf

- Under the normal Auction rules a Participating Bidder is obliged to accept Customer Physical Settlement Requests from customers in an amount up to the market position with respect to CDS transactions referencing the Reference Entity as between the customer and its affiliates and the Participating Bidder and its affiliates. This rule will **not** apply for this Auction such that a Compromised PB will **not** be obliged to accept any Customer Physical Settlement Requests if it is subject to contractual restrictions which prevent it from being able to settle RASTs in the normal way. Therefore, any Compromised PB may, but will not be obliged to, enter into Customer Buy RASTs and Customer Sell RASTs.
- **Accordingly, any customer that wishes to submit a Customer Physical Settlement Request for the purposes of this Auction would need to take the following actions as soon as possible:**
 - (i) **ascertain whether the Participating Bidder with which it has entered into the relevant CDS transactions is willing to accept any such request; and**
 - (ii) **if not, approach another Participating Bidder(s) to ascertain whether it would be willing to accept the Customer Physical Settlement Request and to ensure that any onboarding steps are resolved in a timely fashion.**
- Any customer wishing to submit a Customer Physical Settlement Request to a Participating Bidder would have to submit a Customer Physical Settlement Request Letter (the form of which will be attached as Exhibit 2 to the final publication version of the Auction Settlement Terms) to the relevant Participating Bidder **no later than 11:00 a.m. London time on Tuesday 24 April 2018, i.e. the day before the Auction.** .

Expedited Auction Process

To allow RASTs to settle before the implementation of the anticipated restructuring plan with respect to the Deliverable Obligations (e.g. conversion, write-down, cancellation or imposition of a block in the relevant clearing system) as contemplated in the Restructuring Support Agreement, the Physical Settlement Period for RASTs has been shortened as follows:

- (a) five Business Days following the Final Notice of Physical Settlement Date (which will be Wednesday 2 May 2018) in relation to a Customer Buy RAST. **That is, settlement of all Customer Buy RASTs would be required to be completed on or before Thursday 10 May 2018;**
- (b) ten Business Days following the Final Notice of Physical Settlement Date in relation to an Auction RAST. **That is, settlement of all Auction RASTs would be required to be completed on or before Thursday 17 May 2018;**
- (c) fifteen Business Days following the Final Notice of Physical Settlement Date in relation to a Customer Sell RAST; **That is, settlement of all Customer Sell RASTs would be required to be completed on or before Thursday 24 May 2018.**

The deadline for Buyers to deliver Notices of Physical Settlement has not been amended and will remain as the Business Day following the Auction Date, **i.e. this should be Thursday 26 April 2018 based on the Auction Date of Wednesday 25 April 2018.** If Buyer does not deliver a Notice of Physical Settlement by this deadline then Seller can deliver this notice no later than the third Business Day thereafter (i.e. by the Final Notice of Physical Settlement Date, which will be Wednesday 2 May 2018). If neither party delivers a Notice of Physical Settlement within these timeframes then the RAST will be terminated and not settled.

Buy-in provisions

Principally to deal with the expedited Auction process, but also to cater for transfers from a Consenting Creditor to a non-Consenting Creditor under RASTs, the buy-in provisions under Section 9.7 of the 2014 Definitions have been modified:

- If:
 - (a) Buyer specifies in its Notice of Physical Settlement that it is unable to deliver the Deliverable Obligation as it is a Consenting Creditor **AND** Seller has not subsequently notified Buyer that Seller is, notwithstanding the related transfer restrictions, able to take Delivery of the Deliverable Obligation (provided that Seller shall be obliged so to notify Buyer if Seller is a Consenting Creditor);
 - (b) Seller does **not** specify in any Notice of Physical Settlement that it delivers that Seller can take Delivery of the Deliverable Obligation notwithstanding Buyer may be a Consenting Creditor and therefore is subject to the transfer restrictions contained in the Restructuring Support Agreement (provided that Seller shall be obliged to include such a specification in such notice if it is a Consenting Creditor); or
 - (c) Buyer fails to deliver the Deliverable Obligation on or before the relevant Physical Settlement Date,

Seller will have the period from (and including) the Business Day following the relevant Physical Settlement Date to (and including) the third Business Day following the relevant Physical Settlement Date to try and buy in the Deliverable Obligation, during which time Buyer's right to deliver the Deliverable Obligation will be suspended.

- If Seller is unable to buy in the Deliverable Obligation by the end of this initial buy-in period, then the RAST settlement provisions revert to the normal procedures set out in Section 9.7 of the 2014 Definitions. That is, Buyer's right to deliver the Deliverable Obligation would be reinstated, subject to Seller's ability to suspend that right once again six Business Days after the end of the initial buy-in period if Seller is of the view that he can effect a buy-in (with this process repeating after the subsequent buy-in period until final settlement of the RAST trade).
- In seeking buy-in offers, Seller is only under an obligation to obtain firm tradeable quotations and need not commit actually to purchase the relevant Bonds. Seller may, in its sole discretion, elect to seek buy-in offers to purchase relevant Bonds from Consenting Creditors (e.g. to prevent RASTs from not settling).

Additional points

- If the relevant Deliverable Obligation is redeemed, exchanged or the aggregate amount thereunder is otherwise reduced to zero, in all cases prior to settlement, the RAST will terminate.
- The Auction will be held on Wednesday 25 April 2018 (and the corresponding Auction Settlement Date will be Monday 30 April 2018).
- Any dealer wishing to participate in the Auction as a participating bidder should note that the cut-off time to submit a Participating Bidder Letter (a form of which will be attached as Exhibit 1 to the final publication version of the Auction Settlement Terms) **will be 11:00 a.m. London time on Monday 23 April 2018.**