



markit

**Markit RED Continuity
Procedures for European
LCDS**

November 2012

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All capitalized terms not defined herein have the meanings assigned to them in the most recently published version of the iTraxx LevX ISDA Standard Terms Supplement for use with Credit Derivative Transactions on Leveraged Loans ("LevX Standard Terms") or, as applicable, the ISDA Standard Terms Supplement for use with Credit Derivative Transactions on Leveraged Loans (the "Single Name Standard Terms" and together with the LevX Standard Terms, the "Standard Terms").

1.1 Procedures and Timeframes for Determination of Substitute Reference Obligations

In respect of Reference Obligations contained within the Markit Reference Entity Database for European Loan CDS ("RED LCDS"), the following process will apply to all occurrences of an event potentially constituting a Refinancing or resulting in a Cancellation and identification of one or more related Substitute Reference Obligations:

- I. Markit iTraxx LevX licensed market makers (the "Market Makers") who are in possession of information about an event potentially constituting a Refinancing or resulting in a Cancellation may inform Markit Group ("Markit") of such an event specifying the following with respect to each affected Reference Obligation and, in the case of a potential Refinancing, each potential Substitute Reference Obligation:
 - a) credit;
 - b) Reference Credit Agreement;
 - c) Reference Obligations (including global size and currency, if possible);
 - d) Lien, in each case as identified in RED LCDS; and
 - e) effective date of the Refinancing or the repayment or redemption resulting in a Cancellation.

All above listed information must be provided to Markit in order for Markit to circulate a Refinancing or Cancellation notification.
- II. For the avoidance of doubt, Market Maker(s) can only notify Markit on or after the effective date of the potential Refinancing or Cancellation and not before the event has taken effect.
- III. Within one London Business Day ("Business Day") of receipt of such information, Markit will circulate a standard Refinancing or Cancellation notification to all European RED LCDS subscribers and Market Makers (collectively, "Subscribers") (i) informing them of the potential occurrence of the Refinancing or Cancellation, (ii) specifying items a) to e) under section 1.1.I above with respect to the affected Reference Obligation(s) only and including the affected Markit iTraxx LevX Series numbers, if applicable, (iii) confirming that such potential Refinancing or Cancellation is under investigation and (iv) asking Subscribers to submit any relevant supporting documentation regarding such Refinancing or Cancellation which they might have in their possession. The same notice will be published on the European RED LCDS webpage.
- IV. Relevant supporting documentation (including any necessary currency conversion and evidence of a Refinancing) should be sent by Market Makers directly to the law firm instructed to confirm the occurrence of the Refinancing or Cancellation and identify any potential Substitute Reference Obligation in relation thereto (such instructed law firm, the "Designated Law Firm"). If any RED LCDS Subscriber which is not a Market Maker is in possession of any documentation relating to a potential Refinancing or Cancellation, such Subscriber may send such information to a Market Maker for submission to the Designated Law Firm. Each Market Maker may then submit to the Designated Law Firm all relevant supporting documentation in its possession.
- V. Such documentation must be submitted to the Designated Law Firm by the 65th calendar day after the day identified as the effective date of the potential Refinancing or Cancellation, with such day being the cut-off date for provision of information for the making of the interim determination by the Designated Law Firm.

1.2 Publication of Information Upon Occurrence of Refinancing

A. Interim Determinations

- I. The Designated Law Firm will provisionally review any potential Qualifying Credit Agreement(s) based on the information it receives from the Market Maker(s).
- II. On the day falling two Business Days prior to the 80th calendar day following the day identified as the date of the Refinancing, the Designated Law Firm will provide an interim summary containing the information specified below ("Interim Summary") to each Market Maker which sent to the Designated Law Firm all of the documentation used to prepare the Interim Summary:
 - Successor Credit Agreement(s)
 - Substitute Reference Obligation(s)
 - Reference Credit Agreement Weighting for each New Component Transaction with respect to LevX trades and the relevant percentages for single name LCDS
 - Date of the Refinancing
 - Details of the Successor Credit Agreement as set out in RED LCDS (i.e., Credit, Reference Credit Agreement, Example Borrower, Original Global Facility Amount, Ranking, Reference Obligations, Reference Obligation Currency)
- III. Within 1 Business Day of receipt, the Interim Summary will be forwarded by the Market Maker(s) to Markit for publication on the RED LCDS webpage and circulation to Subscribers via email. Such publication and circulation will be effected by Markit within 1 Business Day of receipt from the relevant Market Maker(s).
- IV. Markit will clearly indicate that such publication is effected on a provisional basis. Markit will email Subscribers advising them of the same.
- V. In either case, all Market Maker(s) will then have an opportunity to provide further relevant supporting documentation to the Designated Law Firm until the 90th calendar day following the date of the Refinancing. Again, if any RED LCDS Subscriber which is not a Market Maker is in possession of any documentation relating to a potential Refinancing or Cancellation, such RED LCDS Subscriber may send such information to a Market Maker for submission to the Designated Law Firm. Each Market Maker may then submit to the Designated Law Firm all relevant supporting documentation in its possession.
- VI. If one or more Market Maker(s) submit to the Designated Law Firm further supporting relevant documentation which is inconsistent with the conclusions reached in the Interim Summary (because, for example, it includes a different Qualifying Credit Agreement), the Designated Law Firm will inform Markit of any such subsequent relevant submission of information and upon becoming aware of such fact, Markit will promptly circulate a new email to Subscribers informing them of the same. The Designated Law Firm will then have a further period (starting from the end of the above referenced 90 day calendar period) to examine the new supporting documentation and make a final determination, which will be provided two Business Days prior to the 100th calendar day after the day identified as the effective date of the Refinancing.

B. Final Determinations

- I. On the day falling two Business Days prior to the 100th calendar day following the date of the Refinancing, the Designated Law Firm will provide a statement containing the final information specified below ("Final Summary") to each Market Maker which sent to the Designated Law Firm all of the documentation used to prepare the Final Summary:
 - Successor Credit Agreement(s),
 - Substitute Reference Obligation(s),
 - Reference Credit Agreement Weighting for each New Component Transaction with respect to LevX trades and the relevant percentages for single name LCDS trades
 - Date of the Refinancing

- Details of the Successor Credit Agreement as set out in RED LCDS (i.e., Credit, Reference Credit Agreement, Example Borrower, Original Global Facility Amount, Ranking, Reference Obligations, Reference Obligation Currency)

The requirement to issue a Final Summary may be satisfied by the Designated Law Firm by way of confirming that the Interim Summary constitutes a Final Summary.

- II. Within 1 Business Day of receipt, the Final Summary will be forwarded by the relevant Market Maker(s) to Markit for publication on the RED LCDS webpage and circulation to Subscribers via email. Such publication and circulation will be effected by Markit within 1 Business Day of receipt from the relevant Market Maker(s).

1.3 Publication of Information Upon Occurrence of Cancellation

If based on the evidence provided to the Designated Law Firm by the Market Maker(s), it is clear (a) that the funded portion of all of the relevant Reference Obligations have been redeemed, repaid or otherwise discharged in full (and no commitments attributable to any such Reference Obligations are available for utilisation under the relevant Reference Credit Agreement) (a "Cancellation") and (b) that there can be no Substitute Reference Obligation because for example the Reference Obligations have been entirely repaid by the proceeds of a bond issuance, then:

- I. The Designated Law Firm will, upon receipt of the information confirming the statements set forth in clauses (a) and (b) of this section 1.3, provide an Interim Summary containing such statements to each Market Maker which sent to the Designated Law Firm all of the documentation necessary for the Designated Law Firm to confirm such statements as soon as possible.
- II. Within 1 Business Day of receipt, the Interim Summary will be forwarded by the relevant Market Maker(s) to Markit for publication on the RED LCDS webpage and for circulation to Subscribers via email.
- III. Markit will then have 1 Business Day to publish such Interim Summary on the RED LCDS webpage and advise Subscribers of the same via email.
- IV. Such Interim Summary will then be subject to an additional 10 calendar day period for challenge (starting from the date of publication on the RED LCDS webpage). If the Interim Summary remains unchallenged for this period and the existing Reference Obligation(s) have been fully repaid, redeemed or discharged, then the Designated Law Firm will provide a Final Summary to such effect as soon as possible. The relevant Reference Credit Agreement will have a Reference Credit Agreement Weighting of zero with respect to LevX trades and single name LCDS trades will terminate at zero cost, in each case in accordance with the terms of the relevant Standard Terms. RED LCDS will be updated as soon as reasonably practicable and no later than 1 Business Day following the date of provision of the Final Summary. At the same time, a new version of the relevant annex reflecting such Reference Credit Agreement Weighting will be published by Markit.
- V. For the avoidance of doubt, if all or a portion of the existing Reference Obligation(s) remains outstanding, then RED LCDS and the relevant Markit iTraxx LevX Index comprising such Reference Obligation(s) will remain unchanged.

1.4 Publication of Information When Occurrence of Refinancing and/or Identification of Substitute Reference Obligation(s) is unclear

If the occurrence of a Refinancing and/or the identification of the Substitute Reference Obligation(s) in respect of Reference Obligation(s) contained in RED LCDS and/or the Markit iTraxx LevX Indices is unclear, the process will run as follows:

- I. If for any reason by the 65th calendar day after the day identified as the effective date of the Refinancing, the Designated Law Firm is unable to determine whether (i) there has been a Refinancing, (ii) a Substitute Reference Obligation(s) exist and/or (iii) no information has been provided by the Market Maker(s) to the Designated Law Firm in respect of a potential Refinancing and/or Substitute Reference Obligation(s), the Designated Law Firm will provide

an Interim Summary stating that (a) it has been unable to determine whether there has been a Refinancing and/or whether a Substitute Reference Obligation(s) exist and (b) indicating whether there has been a Cancellation or, if applicable, that it has been unable to determine whether a Cancellation has occurred. Markit will publish such Interim Summary on the RED LCDS webpage as soon as reasonably practicable and no later than 1 Business Day following the date of provision of the Interim Summary and will email Subscribers advising them of the same. Any such Interim Summary shall be subject to challenge by Market Makers within the time frame set forth in, and in accordance with the provisions of, section 1.2 above.

- II. On the day falling two Business Days prior to the 100th calendar day following the effective date of the Refinancing, the Designated Law Firm will provide a Final Summary stating that (a) it has been unable to determine whether there has been a Refinancing and a Substitute Reference Obligation(s) exist and (b) indicating whether there has been a Cancellation or, if applicable, that it has been unable to determine whether a Cancellation has occurred. Markit will publish such Final Summary on the RED LCDS webpage as soon as reasonably practicable and no later than 1 Business Day following the date of provision of the Final Summary and will email Subscribers advising them of the same.
- III. If all or a portion of the existing Reference Obligation(s) remains outstanding, then RED LCDS and the Markit iTraxx LevX Index comprising such Reference Obligation(s) will remain unchanged.
- IV. If the existing Reference Obligation(s) have been fully repaid, redeemed or discharged, then the relevant Reference Credit Agreement will have a Reference Credit Agreement Weighting of zero with respect to LevX trades and single name LCDS trades will terminate at zero cost, in each case in accordance with the terms of the relevant Standard Terms.

1.5 General

- I. This document is intended to provide a description of the procedures which Markit and Market Makers intend to follow in connection with events potentially constituting a Refinancing or resulting in a Cancellation and identification of one or more related Substitute Reference Obligations relating to Reference Credit Agreements and Reference Obligations contained in RED LCDS. Neither Markit nor any Market Maker makes any representation or warranty whatsoever with respect to such procedures and/or any conclusions reached as a result of such procedures.
- II. Market Makers and Markit will select a law firm of their preference to be appointed as the Designated Law Firm. Such selection process shall be initiated no later than the first date of trading of the Markit iTraxx LevX Indices. The same Designated Law Firm shall be used to confirm all occurrences of any potential Refinancing or Cancellation and identification of Substitute Reference Obligations and shall be deemed to be instructed on an on-going basis unless Market Makers agree otherwise. Market Makers may agree to change such Designated Law Firm from time to time subject to majority voting (in accordance with the voting procedures contained in the Markit iTraxx Rules), with such process to be coordinated by Markit.
- III. No reasoned version of the Interim and Final Summary will be available.
- IV. Determinations by the Designated Law Firm will be made in accordance with the most recently published version of the Standard Terms (including without limitation the procedure set forth in Section 2.30 of the Credit Derivatives Definitions as amended therein).
- V. A Market Maker who has not submitted all of the documentation sufficient to prepare the Interim and/or Final Summary will not receive such Interim and/or Final Summary from the Designated Law Firm. If, however, one or more Market Makers each submitted some but not all of the documentation used to prepare the Interim and/or the Final Summary, each such Market Maker shall, after consultation with each other and the Designated Law Firm, take reasonable steps (such as entering into undertakings in accordance with the terms of any



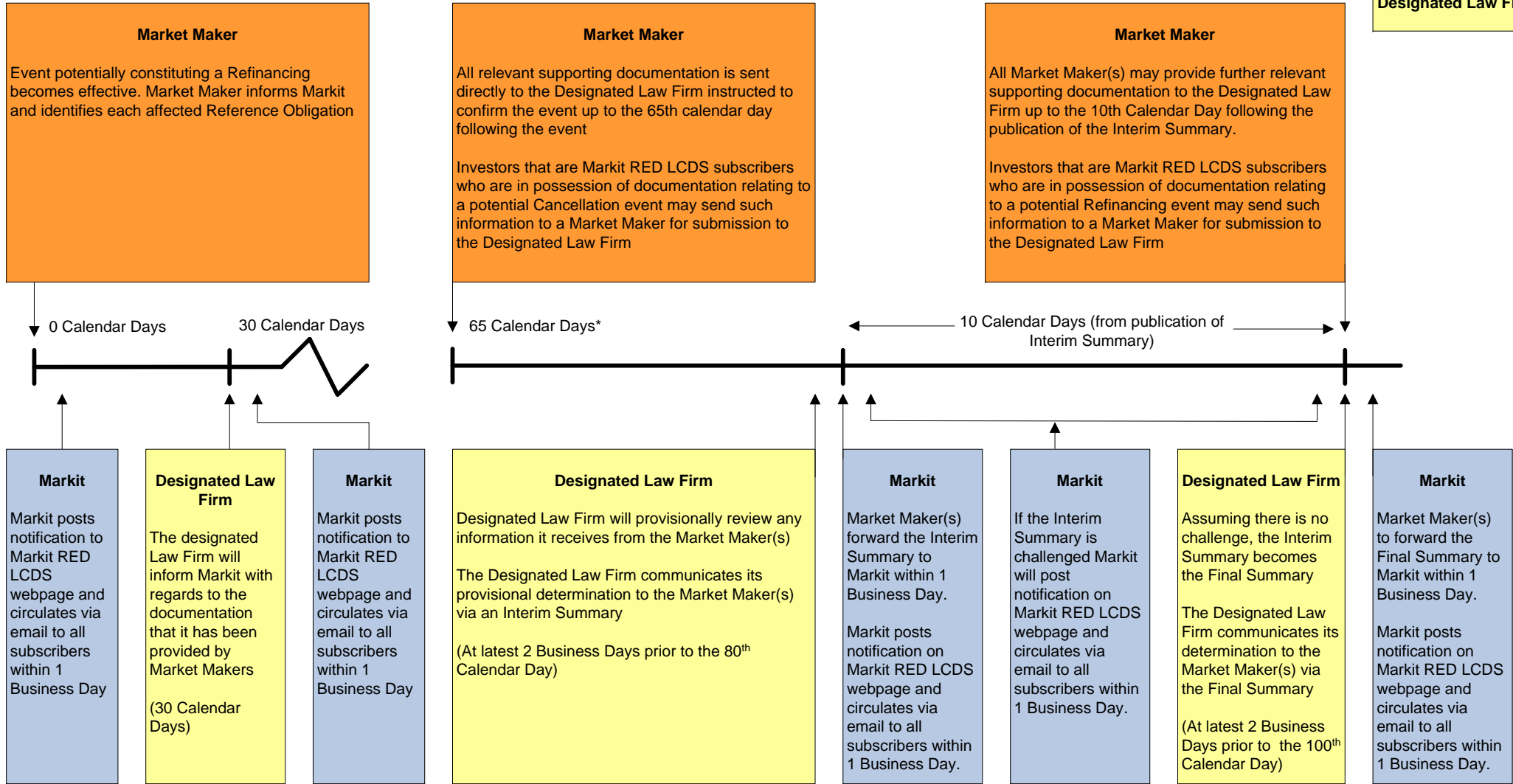
relevant Credit Agreements if necessary) to allow disclosure of such Interim and/or Final Summary by the Designated Law Firm to each of them.

- VI. Market Makers shall have the option to expressly instruct the Designated Law Firm to provide any Interim and/or Final Summary directly to Markit for publication on the RED LCDS webpage.
- VII. In all cases, Market Makers shall provide information to Markit and the Designated Law Firm to the extent they are able to do so without breaching any applicable duties of confidentiality or law.
- VIII. In accordance with the Standard Terms, trades will all be deemed to follow the conclusion set out in the Final Summary, irrespective of whether the parties to each transaction have access to information that would lead to a different conclusion.
- IX. Market Makers shall provide to Markit at least one Front Office, one Middle Office and one Legal contact for the purpose of receiving notices in relation to the Substitute Reference Obligation(s) review process.
- X. Markit RED LCDS Refinancing and Cancellation notifications shall be sent electronically via email and Markit Connex instant messaging.
- XI. Any queries regarding Markit RED LCDS should be sent to red@markit.com

Markit RED Continuity Procedures for European LCDS – Cancellation (Revised – July 2011)

Key:

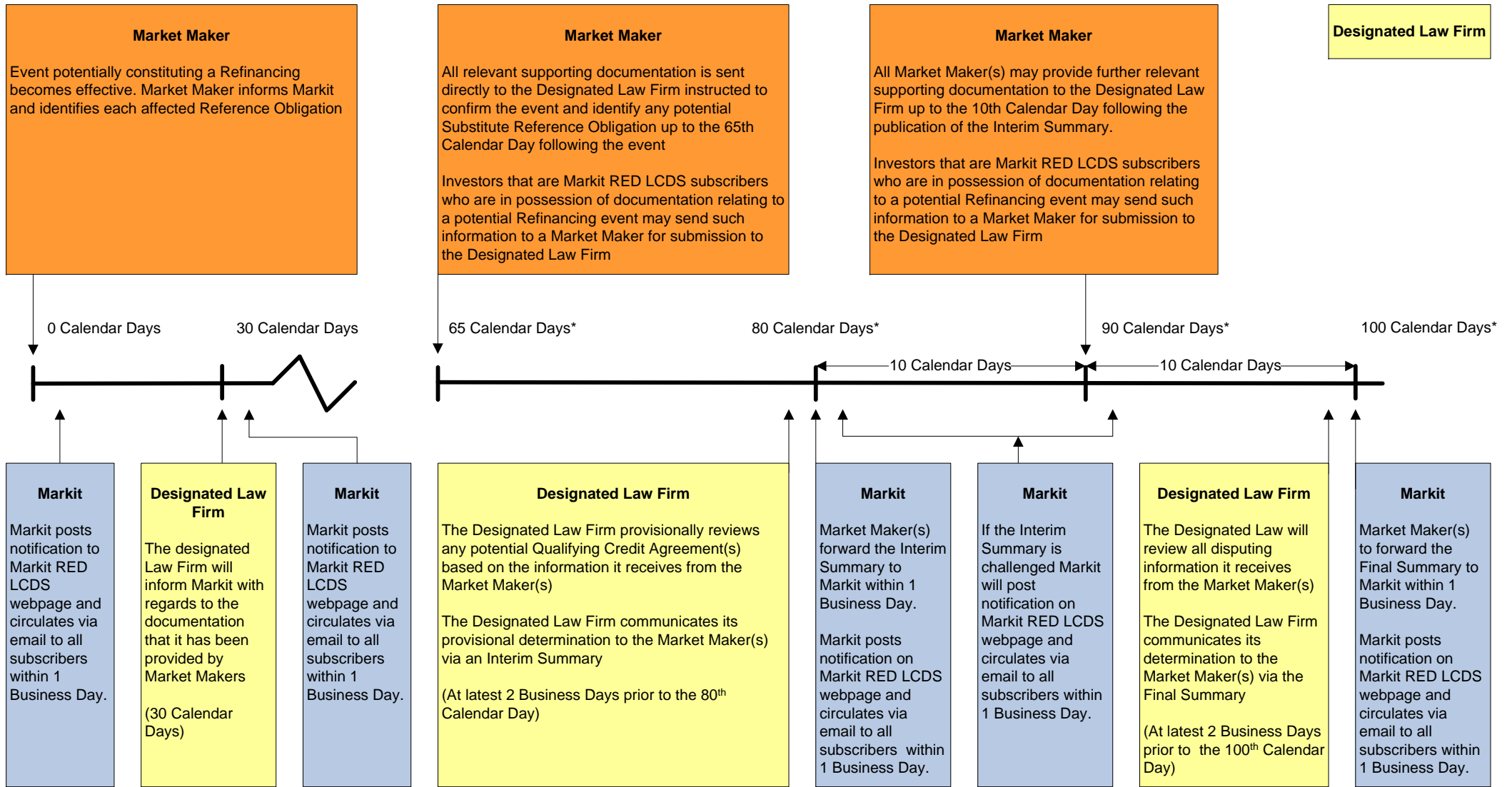
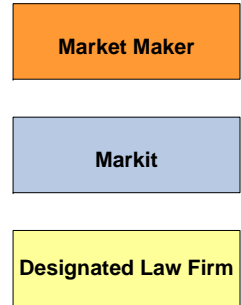
- Market Maker
- Markit RED
- Designated Law Firm



* Denotes the specified maximum time frame for the submission of documentation and the publication of the Interim and Final Summary – these timings may change if all required documentation is provided in a shorter timeframe, thus enabling the Designated Law Firm to make a determination. NB: The 10 Calendar Day review/challenge periods will remain and will not be shortened

Markit RED Continuity Procedures for European LCDS – Refinancing (Revised – July 2011)

Key:



* Denotes the specified maximum time frame for the submission of documentation and the publication of the Interim and Final Summary – these timings may change if all required documentation is provided in a shorter timeframe, thus enabling the Designated Law Firm to make a determination. NB: The two 10 Calendar Day review/challenge periods will remain and will not be shortened

Markit RED Continuity Procedures for European LCDS

– Substitution is unclear

Key:

