

EMEA DC Statement 19 August 2016

2016 Grupo Isolux Corsán Finance B.V. Credit Derivatives Auction Settlement Terms

Summary of important information for customers

- Compromised PBs (as defined below) are not obliged to accept Customer Physical Settlement Requests even where they have entered into a market trade with the customer.
- Transferees receiving the Deliverable Obligation under RASTs cannot be obliged to enter into the Restructuring Agreement (as defined below). Accordingly, a customer should not submit a Customer Physical Settlement Request or Limit Order 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 immediately if settlement is not made in accordance with the prescribed timetable.

Background

The EMEA DC is aware of the Reference Entity's ongoing debt restructuring pursuant to the Restructuring Agreement dated 13 July 2016 between, *inter alia*, Grupo Isolux Corsán, S.A. and the Reference Entity and certain of their creditors (each a "**Compromised Creditor**"), which includes holders of the sole Deliverable Obligation (as amended from time to time) (the "**Restructuring Agreement**").

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

The EMEA DC has decided to make certain amendments to the Auction Settlement Terms applicable to this Auction only in order to permit Participating Bidders who are Compromised Creditors (each, a "**Compromised PB**") to participate in this Auction.

Market participants should note the following points and 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 Agreement and therefore any portion of the Deliverable Obligation that is subject to the Restructuring Agreement (by virtue of the relevant holder being a Compromised Creditor) may not be capable of being delivered for the purposes of RAST settlement. Transferors under a RAST who are Compromised Creditors will need to satisfy themselves that any transfer of the Deliverable Obligation under RASTs fall within one of the permitted exceptions to the restriction of sales/transfers specified in the Restructuring Agreement (e.g. the transferee is or is willing to become a Compromised Creditor).

Customer Physical Settlement Requests

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

- 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 is **not** 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 is not 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 should take the following actions as soon as possible:**
 - (i) **ascertain whether the Participating Bidder with which you have 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.**
- By way of reminder, any customer that wishes to submit a Customer Physical Settlement Request to a Participating Bidder must submit a Customer Physical Settlement Request Letter (the form of which is attached as Exhibit 2 to the Auction Settlement Terms) to the relevant Participating Bidder **no later than 5:00 p.m. London time on Tuesday 23 August 2016 (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 sole Deliverable Obligation (e.g. conversion, write-down, cancellation or imposition of a block in the relevant clearing system) as contemplated in the Restructuring Agreement, the Physical Settlement Period for RASTs has been shortened as follows:

- (a) two Business Days following the Notice of Physical Settlement Date (which is Thursday 25 August 2016) in relation to a Customer Buy RAST. **That is, settlement of all Customer Buy RASTs would be required to be completed on or before Tuesday 30 August 2016;**
- (b) four Business Days following the 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 1 September 2016;**
- (c) six Business Days following the 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 Monday 5 September 2016.**

The deadline for Buyers to deliver Notices of Physical Settlement has not been amended and remains as the Business Day following the Auction Date, **i.e. Thursday 25 August 2016**. If Buyer does not deliver a Notice of Physical Settlement by this deadline then Seller can deliver this notice on the next Business Day. 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 Compromised PB to a non-Compromised PB under Auction RASTs created in respect of a Compromised PB's initial market submission, 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 Compromised Creditor **AND** Seller has not subsequently notified Buyer that Seller is, notwithstanding the related transfer restrictions, able to take Delivery of the Deliverable Obligation;
 - (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 Compromised Creditor and therefore is subject to the transfer restrictions contained in the Restructuring Agreement; or
 - (c) Buyer fails to deliver the Deliverable Obligation on or before the relevant Physical Settlement Date,

Seller will have until the second 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.

Additional points

- If the 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.
- 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 is attached as Exhibit 1 to the Auction Settlement Terms) is **5:00 p.m. London time on Monday 22 August 2016**.