Supplemental terms and conditions where repurchase transactions are to be effected in UK gilt-edged securities

1. Interpretation

1.1 In this Part of this Annex:

(a) the Agreement means the Agreement dated substantially in the form of the ICMA/SIFMA Global Master Repurchase Agreement of which this Annex forms part;

(b) CREST means the computer-based system and associated clerical procedures operated by Euroclear UK & Ireland Ltd to facilitate the transfer of gilt-edged securities and other uncertificated securities;

(c) CHAPS system means the same day payment system operated by the CHAPS Clearing Company Limited;

(d) gilt-edged securities means securities which are gilt-edged securities for the purposes of section 1024 of the Income Tax Act 2007.

1.2 Terms to which a defined meaning is given in the Agreement have the same meanings in this Annex.

2. Scope

2.1 The parties have agreed that the Transactions to which the Agreement applies may include Transactions in respect of gilt-edged securities.

2.2 The terms and conditions set out in this Annex apply to Transactions in respect of gilt-edged securities and, to the extent and in the circumstances provided in paragraph 3.3(c) below, Transactions wholly or partly in respect of such other securities as are referred to in that paragraph.

3. CREST

3.1 CREST shall be an agreed securities clearance system for the purposes of paragraph 6(a)(ii) of the Agreement.

3.2 Where under the rules and procedures of CREST the delivery of any Securities from a securities account in the name of one party or its nominee or agent (the transferor) to a securities account in the name of the other party or its nominee or agent (the transferee) gives rise to an assured payment obligation by which the settlement bank acting for the transferee is obliged to make a payment to the settlement bank acting for the transferor, the creation of that assured payment obligation shall for the purposes of the Agreement and any Transaction be treated as a payment from the transferee to the transferor of an amount equal to the amount of the assured payment obligation.
3.3

(a) Subject to and in accordance with the following provisions of this sub-
paragraph, the parties may agree to enter into an overnight sale and repurchase
transaction (a *DBV Transaction*) to be effected under the "delivery-by-value"
facility of CREST.

(b) The Confirmation relating to a DBV Transaction -

(i) shall specify the Transaction as a DBV Transaction;

(ii) shall not describe the Purchased Securities;

(iii) shall specify as the Purchase Price the consideration to be input in
respect of the delivery of the Purchased Securities through CREST;

(iv) shall specify the pricing rate for that DBV Transaction.

(c) The Purchased Securities under a DBV Transaction shall be such Securities
(which may include Securities which are not gilt-edged securities) as shall be
selected and delivered by CREST on the apportionment of securities to the
relevant delivery in accordance with the rules and procedures of CREST.

(d) The amount by which the Repurchase Price under a DBV Transaction exceeds
the Purchase Price shall be paid by Seller to Buyer on the Repurchase Date on
or as soon as practicable after the delivery of Equivalent Securities through
CREST from a securities account of Buyer to a securities account of Seller.
Such payment shall be made through CREST or outside CREST in same day
funds.

(e) If on the Repurchase Date of a DBV Transaction Equivalent Securities are not
delivered to Seller by reason of the fact that either party's membership of
CREST has been terminated or suspended then, unless before the latest time
for delivery of such Equivalent Securities under the rules and procedures of
CREST an Event of Default has occurred under paragraph 10 of the
Agreement in respect of either party, such non-delivery shall be deemed to
constitute -

(i) where Buyer's membership of CREST has been terminated or
suspended, a failure by Buyer to deliver Equivalent Securities on the
Repurchase Date;

(ii) where Seller's membership of CREST has been terminated or
suspended, a failure by Seller to pay the Repurchase Price on the
Repurchase Date.

(f) If on the Repurchase Date of a DBV Transaction Equivalent Securities are not
delivered to Seller by reason of the fact that there are insufficient Securities of
the relevant description standing to the credit of Buyer's account to enable
delivery of the Equivalent Securities or there is insufficient cash standing to
the credit of Seller's account to enable payment of the Repurchase Price then,
unless before the latest time for delivery of such Equivalent Securities under
the rules and procedures of CREST an Event of Default has occurred under paragraph 10 of the Agreement in respect of either party, such non-delivery shall be deemed to constitute –

(i) where there are insufficient Securities of the relevant description standing to the credit of Buyer’s account to enable delivery of the Equivalent Securities, a failure by Buyer to deliver Equivalent Securities on the Repurchase Date;

(ii) where there is insufficient cash standing to the credit of Seller’s account to enable payment of the Repurchase Price, a failure by Seller to pay the Repurchase Price on the Repurchase Date.

(g) If after an Event of Default has occurred under paragraph 10 of the Agreement Equivalent Securities to the Purchased Securities are delivered to a securities account of Seller against the creation of an assured payment obligation in accordance with the rules and procedures of CREST notwithstanding the termination of the relevant DBV Transaction, such delivery shall give rise to the following obligations, each of which shall be conditional on the simultaneous performance of the other -

(i) an obligation on Seller to deliver to Buyer on demand securities equivalent to the securities so delivered; and

(ii) an obligation on Buyer to pay to Seller on demand a sum equal to the amount of the assured payment obligation so created.

3.4

(a) The parties may agree to enter into a series of DBV Transactions to be confirmed by a single Confirmation, each such DBV Transaction being for the same Purchase Price and each such DBV Transaction other than the first commencing on the Repurchase Date of the previous Transaction. Such a series of DBV Transactions is in this paragraph referred to as -

(i) an **Open DBV Repo** if the Repurchase Date of the last Transaction in the series is not specified in the Confirmation but it is instead provided that, if either party gives to the other notice of not less than a stated period, the DBV Transaction which will be due for Termination on the date specified in the notice will be the last Transaction in the series and the series will be limited accordingly;

(ii) a **Term DBV Repo** if the date on which the last Transaction in the series is due for Termination is specified in the Confirmation.

(b) Subject to the following provisions of this sub-paragraph, paragraph 3.3 above shall apply in respect of each DBV Transaction forming part of an Open DBV Repo or a Term DBV Repo.

(c) It shall not be necessary for any Transaction forming part of an Open DBV Repo or a Term DBV Repo to be evidenced by a separate Confirmation and,
subject to sub-paragraph 3.4(d) below, each such Transaction shall be deemed to be entered into on the Repurchase Date of the preceding such Transaction.

(d) Notwithstanding the preceding provisions of this sub-paragraph, a transaction which would otherwise be deemed to be entered into on any day and would form part of an Open DBV Repo or a Term DBV Repo shall be deemed not to be entered into if before the parties have taken the steps necessary to effect delivery of the Purchased Securities under that Transaction on that day in accordance with the rules and procedures of CREST -

(i) an Event of Default has occurred in relation to either party; or

(ii) an earlier Transaction forming part of that Open DBV Repo or Term DBV Repo has been terminated under paragraph 10(h) or 10(i) of the Agreement.

(e) In any case where sub-paragraph 3.4(d) above applies, no further Transaction forming part of the relevant Open DBV Repo or Term DBV Repo shall arise.

(f) Subject to sub-paragraph 3.4(h) below, and save in so far as the Confirmation relating to an Open DBV Repo or Term DBV Repo may otherwise provide, that part (if any) of the Repurchase Price in respect of each Transaction in the relevant series (other than the last such Transaction) which exceeds the Purchase Price shall not be payable on the Repurchase Date, but shall instead be deferred until, and shall be payable on, the Repurchase Date of the last Transaction in the series. Such payments shall be made through CREST or outside CREST in same day funds.

(g) Any amount payable in respect of a Transaction forming part of an Open DBV Repo or Term DBV Repo payment of which has been deferred under sub-paragraph 3.4(f) above shall, until it is paid or the relevant Transaction is terminated under any provision of paragraph 10 of the Agreement, be treated for the purposes of paragraph 4(c) of the Agreement as if it were an amount payable under paragraph 5 of the Agreement.

(h) If any Transaction forming part of an Open DBV Repo or Term DBV Repo is terminated under any provision of paragraph 10 of the Agreement, any amounts payable in respect of any earlier Transactions forming part of that Open DBV Repo or Term DBV Repo payment of which has been deferred under sub-paragraph 3.4(f) above shall become due and payable immediately.

4. **Transactions in partly-paid Securities**

4.1 This paragraph applies where -

(a) the Purchased Securities under a Transaction are Securities on which a call or instalment remains to be paid; and

(b) the due date for the payment of any such call or instalment occurs before the Termination of the Transaction.
4.2 Seller shall pay to Buyer, for value on or before the due date of the call or instalment, an amount equal to the call or instalment payable on that date in respect of Securities equivalent to the Purchased Securities.

4.3 No adjustment to the Repurchase Price shall be made in consequence of the call or instalment or of the payment made by Seller under paragraph 4.2 above.

4.4 On and from the due date for the payment of the call or instalment the expression "Equivalent Securities" shall with respect to that Transaction be taken to mean Securities of the same issuer, forming part of the same issue and being of an identical type, nominal value, description and amount as the Purchased Securities but after payment of the call or instalment in question.

5. Exercise of rights of conversion

5.1 This paragraph applies where the Purchased Securities under a Transaction are Securities in respect of which a right of conversion (whether arising under the terms of issue of the Securities or under a conversion offer made after such issue) becomes exercisable before the Termination of the Transaction.

5.2 Seller may, not later than a reasonable period before the latest time for the exercise of the right of conversion, give to Buyer written notice to the effect that, on Termination of the Transaction, it wishes to receive Securities in such form as will arise if the right of conversion is exercised or, in the case of a right of conversion which may be exercised in more than one manner, is exercised in such manner as is specified in the notice.

5.3 With effect from the latest time for the exercise of the right of conversion the expression "Equivalent Securities" shall be taken to mean -

(a) if a notice has been given under paragraph 5.2 above not later than the time specified in that sub-paragraph, such amount of such Securities of such description as fall to be held by a holder of Securities of the same issuer, forming part of the same issue and being of an identical type, nominal value, description and amount as the Purchased Securities if he has exercised the right of conversion in the manner specified in the notice;

(b) in any other case, such amount of Securities of such description as fall to be held by a holder of Securities of the same issuer, forming part of the same issue and being of an identical type, nominal value, description and amount as the Purchased Securities if he has not exercised the right of conversion.

6. Termination of on demand Transactions

6.1 Paragraph 3(e) of the Agreement shall not apply, but shall be replaced by the following -

"(e) In the case of on demand Transactions, demand for Termination shall be made by Buyer or Seller, by telephone or otherwise, and shall provide for Termination to occur as soon as reasonably practicable after such demand or on such date (being at least one Business Day after that on which the demand is made) as may be specified in the demand: provided that, unless otherwise agreed between the parties, a demand which
is made before 10 a.m. on a Business Day may provide for Termination to occur not later than the close of business on that day.

7. **Dividend entitlements: effect on margin provisions**

7.1 This paragraph applies where -

(a) the ex-dividend date for the payment of any dividend on any Purchased Securities occurs before the Termination of the relevant Transaction; or

(b) the ex-dividend date for the payment of any dividend on any gilt-edged securities which have been delivered to a party as Margin Securities occurs before Equivalent Margin Securities have been delivered to the other party.

7.2 For the purposes of paragraph 4 of the Agreement -

(a) where paragraph 7.1(a) above applies, from the period from the ex-dividend date until the Termination of the Transaction, Buyer shall be deemed to have received a payment of Cash Margin equal to the amount of the dividend payable on the Purchased Securities by reference to that ex-dividend date;

(b) where paragraph 7.1(b) above applies, the party which has received those Margin Securities shall, from the period from the ex-dividend date until Equivalent Margin Securities are delivered to the other party, be deemed to have received a payment of Cash Margin equal to the amount of the dividend payable on those Margin Securities by reference to that ex-dividend date.