



QUICK REFERENCE GUIDE FOR PARTICIPATION IN THE SPECIAL LIQUIDITY SCHEME AFTER THE END OF THE DRAWDOWN WINDOW

Scheme usage and Treasury Bills

The SLS will operate for up to three years from the end of the Drawdown Period, at the Bank's discretion. The term of the transactions will be for one year or to the maturity of the eligible securities as held under the Scheme at the end of the Drawdown Period, whichever is the shorter.

The Treasury Bills provided have a maturity of 9 months. In order to allow the transactions to continue, the maturing Treasury Bills need to be exchanged for new 'on-the-run' Treasury Bills in the month prior to their maturity. All new Treasury Bills will have between 8 and 9 months to maturity. A reference guide for the Treasury Bill rollover process can be found at http://www.bankofengland.co.uk/markets/sls/sls_tbill_user_guide.pdf and a calendar of rollover windows at http://www.bankofengland.co.uk/markets/sls/sls_rolloverwindows.pdf.

The Bank may in its discretion allow a maturing transaction to be rolled over at any time. In a roll over, the maturing transaction is terminated and replaced with a new transaction for which (a) the swap securities and collateral securities are the same as under the maturing transaction; (b) the transaction date is the date on which the rollover transaction is entered into; (c) the term of the rollover transaction will be (i) one year or (ii) to the maturity of the eligible securities as held under the Scheme at the end of the Drawdown Period, whichever is the shorter. The Bank will send a confirmation to counterparties evidencing that a maturing transaction has been rolled, unless the Bank decides that a maturing transaction will not be rolled (in which case it will be terminated).

Subject to maintaining the prescribed minimum participation level (the Scheme Floor – see below under Fee), participants may terminate, or partially terminate, particular transactions before their contractual maturity date against surrender of the Treasury Bills. The template to terminate or partially terminate a transaction can be found at http://www.bankofengland.co.uk/markets/sls/sls_confirmation_templates_appendixvii.xls.

For participants delivering covered bonds and non-pass through RMBS collateral 'amortisation limits' are applied over the three year life of the SLS when the original legacy assets are topped-up or substituted by assets originated after 31 December 2007 in order to determine the maximum value of such securities that can be delivered by each institution under the SLS. The Year 1 limit began to apply from the close of the SLS Drawdown Period on 30 January 2009. Participants should make the Bank aware promptly of SLS eligible pass-through RMBS issued after the close of the Drawdown Period as this may affect their amortisation limits. Similar amortisation limits are applied to credit card ABS. Participants who have not previously used credit card ABS as collateral in the SLS and wish to substitute eligible credit card ABS for existing SLS collateral should make the Bank aware as soon as possible that they are planning to do so.

Collateral

Details about haircuts are published in the Market Notices available at <http://www.bankofengland.co.uk/markets/sls/index.htm>. The Bank also reserves the right to vary haircuts on collateral.

Re-margining will take place daily based on updated valuations of the eligible securities provided, and of the Treasury Bills lent under the Scheme, across all Scheme transactions with a participant, subject to a threshold of £1 million. Margin securities (referred to as Additional Collateral in the SLS) may

consist of SLS eligible securities and additionally of securities that are routinely eligible as collateral in the Bank's short-term Open Market Operations.

Collateral substitutions are permitted at the discretion of the Bank throughout the life of the Scheme. Following the end of the Drawdown Period, if eligible securities substituted into the Scheme have a shorter maturity than the underlying collateral swap, the term of the SLS transaction is similarly reduced.

Custody fees incurred by the Bank in holding SLS collateral, including where securities have been pre-positioned with the Bank, will be charged back to participants.

The Bank reserves the right to change the list of eligible collateral for the SLS. The Bank reserves the right to reject any security offered for any reason.

Fee

The fee payable on borrowings of Treasury Bills will be the spread between 3-month LIBOR and 3-month General Collateral gilt repo rate, as observed by the Bank, subject to a floor of 20bps. The fee may vary at the Bank's discretion.

The spread will be re-fixed every 3 months after a drawdown, with daily calculation of the fee based on the mark-to-market value of the Treasury Bills at closing Debt Management Office (DMO) reference prices. The fee for each transaction is payable every 3 months at the end of the re-fix period, or upon termination of the transaction.

If a participant's usage of the Scheme is below the Scheme Floor (whether as a result of such a termination or otherwise) Scheme fees nevertheless remain payable and are calculated by reference to the Scheme Floor.

Participants should be aware that this document is intended only as a quick reference guide and should be consulted together with the SLS Procedures dated 22 December 2008. In the event of any conflict between the SLS Procedures and the procedures set out in this document the SLS Procedures shall prevail.

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Templates for all SLS transactions and collateral movements, together with other reference documents, are available at <http://www.bankofengland.co.uk/markets/sls/index.htm> .