



**TERMS AND CONDITIONS FOR PARTICIPATION IN THE BANK OF  
ENGLAND'S OPERATIONS UNDER THE STERLING MONETARY  
FRAMEWORK**

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## **ELIGIBILITY CRITERIA FOR PARTICIPATION IN THE BANK OF ENGLAND'S OPERATIONS UNDER THE STERLING MONETARY FRAMEWORK**

The criteria for an institution to be eligible to participate in the Bank of England's Operations under the Sterling Monetary Framework are set out below. The Bank may, in its absolute discretion, waive, add to or vary any or all of the criteria in relation to any institution or institutions.

Any capitalised term used in the Eligibility Criteria and not otherwise separately defined herein, shall bear the same meaning as set out in the glossary to the Terms and Conditions for Participation in the Bank of England's Operations under the Sterling Monetary Framework.

### **1. ELIGIBILITY CRITERIA**

#### **1.1 If an institution is:**

- (a) an authorised person as defined in the Financial Services and Markets Act 2000 and is either (A) an eligible institution (as defined in paragraph 2 of Schedule 2ZA to the Bank of England Act 1998); or (B) an investment firm which has been designated by the Prudential Regulation Authority for prudential supervision in accordance with Article 3 of the PRA Regulated Activities Order (a ***Broker Dealer***); or
- (b) a central counterparty operating in UK markets which is either authorised or recognised pursuant to EMIR in the United Kingdom (a ***CCP***); or
- (c) an international central securities depository which (A) in the Bank's opinion, is active in sterling markets; and either (B) is recognised or has applied for recognition pursuant to CSDR in the United Kingdom or (C) in the Bank's opinion, is being regulated to broadly equivalent UK standards (an ***ICSD***),

and if in the Bank's opinion:

- (d) an institution has the operational capability to participate in and efficiently to settle Transactions with the Bank;
- (e) an institution acts in a way that is consistent with the Bank's objective of achieving competitive and fair sterling markets;

- (f) an institution regularly provides to the Bank such liquidity and risk management information as the Bank may require, where such information is not already provided to the Bank (including the Prudential Regulation Authority);
- (g) an institution contributes to the Bank's market intelligence work in support of its functions as a monetary authority;
- (h) none of the events set out in clause 11 of Part A of the Terms and Conditions has occurred in relation to an institution;
- (i) no objection to an institution's admission to or participation in the Bank's Operations under the Sterling Monetary Framework has been made by the Prudential Regulation Authority, the Financial Conduct Authority or by any other relevant UK or overseas regulatory body; and
- (j) where an institution is a member of a Group and is not the primary entity within the Group, and the Bank has requested a guarantee, a guarantee in a form satisfactory to the Bank has been provided by the primary entity of the Group,

then, subject to the Bank's standards of prudence and risk and to paragraph 1.2 to 1.5, the institution will be eligible to participate in the Bank's Operations under the Sterling Monetary Framework.

#### 1.2 In addition:

- (a) to be eligible to participate in the Reserves Account Facility, an institution should also be an Operational Standing Facilities Participant;
- (b) to be eligible to participate in the Contingent Term Repo Facility, an institution must be a Discount Window Facility Participant;
- (c) CCPs shall not be eligible to participate in any Open Market Operations; and
- (d) ICSDs shall not be eligible to participate in the Discount Window Facility or any Open Market Operations.

#### 1.3 One or more institutions in a Group may apply for access to the Discount Window Facility and Open Market Operations.

1.4 In respect of the Reserves Account Facility and Operational Standing Facilities, the Bank will normally limit the number of Participants within a Group, unless more than one Participant within that Group has direct membership of CHAPS or CREST. If an institution has been granted access to such a Facility and another member of the institution's Group also wishes to apply for the same Facility then it must demonstrate to the Bank's satisfaction that:

- (a) there are legal or regulatory barriers to the movement of liquidity or collateral around the Group;
- (b) access to that Facility does not increase complexity in the Group's use of the Sterling Monetary Framework or the Bank's risk management; and
- (c) access to that Facility is appropriate given the relative scale and independence of the applicant institution compared to the rest of the Group.

1.5 The Bank may restrict the number of Participants in the same Group with access to a Facility if the circumstances of the Group change (for example, on a merger or major organisational or business change).

## **2. LEGAL OPINIONS**

2.1 Where an institution is incorporated in a jurisdiction other than England and Wales, it must supply to the Bank on request and in a form and substance satisfactory to the Bank one or more legal opinions confirming under the laws of the jurisdiction or jurisdictions in which it is incorporated and has its head or main office and, if appropriate, in which it has a branch or office from which it is acting in connection with the Bank's Operations under the Sterling Monetary Framework:

- (a) the institution's power and authority to enter into and to execute the Documentation and the performance of its obligations thereunder; and
- (b) that the terms and conditions set out in the Documentation constitute valid and legally binding obligations of the institution enforceable in accordance with their terms.

2.2 Where a guarantee is to be provided by the primary entity of a Group in accordance with paragraph 1.1(j) of the Eligibility Criteria and that primary entity is incorporated in a jurisdiction other than England and Wales, the institution must supply to the Bank on request and in a form and substance satisfactory to the Bank

one or more legal opinions confirming under the laws of the jurisdiction or jurisdictions in which the primary entity is incorporated and has its head or main office:

- (a) such primary entity's power and authority to enter into and to execute the guarantee and the performance of its obligations thereunder; and
- (b) that the terms and conditions set out in the guarantee constitute valid and legally binding obligations of such primary entity enforceable in accordance with their terms.

# **TERMS AND CONDITIONS FOR PARTICIPATION IN THE BANK OF ENGLAND'S OPERATIONS UNDER THE STERLING MONETARY FRAMEWORK**

## **1. INTRODUCTION, SCOPE AND APPLICATION**

1.1 These Terms and Conditions together with the Operating Procedures and any Market Notices:

- (a) set out the terms and conditions for participation in the Bank's Operations under the Sterling Monetary Framework;
- (b) govern:
  - (i) SMF Advances and DWF Transactions entered into between the Bank and the Participant;
  - (ii) the provision of collateral by the Participant to the Bank;
  - (iii) Outright Purchase Transactions entered into between the Bank and the Participant;
  - (iv) Liquidity Withdrawal Repurchase Transactions entered into between the Bank and the Participant; and
  - (v) Deposits accepted by the Bank in the course of those Operations under the Sterling Monetary Framework.

1.2 These Terms and Conditions are divided into eight parts:

- (a) Part A sets out general provisions that apply to all of the Bank's Operations under the Sterling Monetary Framework;
- (b) Part B sets out terms and conditions that apply to SMF Advances;
- (c) Part C sets out terms and conditions that apply to DWF Transactions;
- (d) Part D sets out terms and conditions that apply to the provision of collateral for SMF Advances, DWF Transactions, and, where applicable, RTGS and the NCS;
- (e) Part E sets out terms and conditions that apply to Liquidity Withdrawal Repurchase Transactions;
- (f) Part F sets out terms and conditions that apply to Deposits;
- (g) Part G sets out terms and conditions that apply to Outright Purchase Transactions; and
- (h) Part H sets out a glossary of defined terms used in the Documentation.

1.3 Annexes to these Terms and Conditions apply where collateral is provided in the form of Loans. Where a Participant has entered into one or more Annexes before the Effective Pooling Date, that Participant will be required to enter into replacement Annexes to take effect from the Effective Pooling Date.

1.4 These Terms and Conditions and the Operating Procedures (including any amendments made from time to time in accordance with clause 8 of Part A) and any Market Notices will be published on the Bank's website at [www.bankofengland.co.uk](http://www.bankofengland.co.uk).

1.5 For the purposes of the document entitled "Annex for Loan Transactions: Assignment" and any similar document which the Bank has confirmed to the Participant may be used to assign Loan Collateral to the Bank, these Terms and Conditions, the facilities made available to the Participant pursuant to these Terms and Conditions and any Operating Procedures published with respect to such facilities shall be "Applicable Terms and Conditions", "Applicable Facilities" and "Applicable Operating Procedures".

1.6 On and with effect from the Effective Pooling Date:

- (a) all repurchase and lending transactions then outstanding under the Bank's open market operations, operational standing facility, indexed long-term repo operations and contingent term repo facility shall terminate and the Bank shall be deemed to have made an SMF Advance in respect of each such repurchase and lending transactions under its Open Market Operations, Operational Standing Facility, Indexed Long-Term Repo or Contingent Term Repo Facility, as the case may be, so that:
  - (i) the amount of the SMF Advance shall be equal to the purchase price under the relevant repurchase transaction or amount of cash advanced under the relevant lending transaction;
  - (ii) purchased securities and collateral transferred to the Bank in respect of such repurchase transactions or lending transactions in respect of which equivalent securities or required collateral have not been transferred shall be Transferred Collateral; and
  - (iii) interest on the SMF Advances shall be deemed to have accrued in an amount equal to, in the case of repurchase transactions, the Price Differential and, in the case of lending transactions, the interest amount applicable to that lending transaction as at the Effective Pooling Date;
- (b) all deposits made shall be Deposits;
- (c) all transactions under the Discount Window Facility shall be DWF Transactions and collateral provided in respect of such transactions shall be Transferred Collateral; and
- (d) the Participant confirms that any existing legal opinion provided to the Bank in connection with the Documentation shall continue to apply.



**PART A**

**GENERAL TERMS AND CONDITIONS**

**1. REPRESENTATIONS, WARRANTIES AND UNDERTAKINGS; CONDITION PRECEDENT**

1.1 The Participant represents and warrants to the Bank that:

- (a) it is duly incorporated and validly existing under the laws of its incorporation and has full power and authority to enter into the Documentation and to enter into and perform the Transactions and its other obligations contemplated hereby;
- (b) it complies with the Eligibility Criteria;
- (c) the person entering into these Terms and Conditions and entering into any Transaction on its behalf is or, in the case of any Transaction, will, at the time such Transaction is entered into, be duly authorised so to act;
- (d) it has obtained all authorisations of any governmental authority or regulatory body and taken all other steps required by it in connection with the Documentation and the Transactions to be effected under it and such authorisations remain in full force and effect;
- (e) all the obligations of the Participant under the Documentation are valid, binding and enforceable and the execution, delivery and performance of the Documentation and the Transactions to be effected under it will not violate any law, regulation, by-law or rule applicable to the Participant;
- (f) it is entering into, and will duly perform its obligations under, the Documentation and all Transactions as principal; and
- (g) no transfer taxes, value added tax, registration charges or other similar taxes or charges have arisen or will arise in respect of any transfer in connection with any Transaction of (i) any securities or loans by the Participant to the Bank or (ii) any transfer of securities equivalent to any such securities referred to in (i) or of Equivalent Loan Collateral by the Bank to the Participant other than, in the case of Equivalent Loan Collateral, registration charges in respect of the legal transfer of any Mortgage.

1.2 In respect of the provision of any collateral and any SMF Advance, Liquidity Withdrawal Repurchase Transaction and DWF Transaction:

- (a) the Participant represents and warrants to the Bank that:
  - (i) at the time of sale or transfer to the Bank of any securities or payment or transfer to the Bank of any cash it will have the full and unqualified right to make such sale, payment or transfer and that upon such sale,

payment or transfer the Bank will receive the same free and clear of any lien (other than a lien granted to the operator of the clearance system through which the securities are transferred), claim, charge or encumbrance; and

- (ii) at the time of any purchase by or transfer to the Participant of any securities it will have the full and unqualified right to make such purchase or to acquire such securities; and
- (b) the Bank represents and warrants to the Participant that at the time of sale or transfer to the Participant of any securities, or payment or transfer to the Participant of any cash, it will have the full and unqualified right to make such sale, payment or transfer and that upon such sale, payment or transfer the Participant will receive the same free and clear of any lien (other than a lien granted to the operator of the clearance system through which the securities are transferred), claim, charge or encumbrance.

1.3 All representations and warranties made and given under these Terms and Conditions shall be deemed to be made upon the signature and return to the Bank by the Participant of its copy of the Admission Letter and repeated on each occasion on which a Transaction is entered into.

1.4 The Participant undertakes to the Bank that:

- (a) it will, to the extent permitted by applicable law, inform the Bank in advance of any proposed major organisational and business change relating to it, including but not limited to major changes of control or ownership, and it will inform the Bank without delay of any material changes to the matters in the information provided by the Participant prior to entering into these Terms and Conditions;
- (b) it will comply with the provisions of the Documentation;
- (c) it will promptly take all such steps and execute all such documents (and in such form as the Bank may require) required to give effect to any provision of the Documentation or a Transaction;
- (d) where the Participant has provided a legal opinion pursuant to the Eligibility Criteria, the Participant shall notify the Bank without delay of any developments which could cast material doubts on any of the details in the opinion and shall arrange for the opinion to be updated upon request by the Bank, stating whether the points in the original opinion are still valid and noting any material changes;
- (e) it will comply in all respects with all laws and regulations to which it may be subject, if failure so to comply would (i) impair its ability to perform its obligations under these Terms and Conditions or (ii) render it unlawful for it to enter into a Transaction in accordance with these Terms and Conditions;

- (f) (without prejudice to (e) above) it will comply at all times with and perform any measures, directions or other requirements (including any variations or waivers) imposed on it by or agreed by it with the Bank, the Prudential Regulation Authority or the Financial Conduct Authority under FSMA or otherwise, and any similar measures, directions or other requirements imposed on it by any regulatory or supervisory authority whether in the United Kingdom or elsewhere where any failure to comply could reasonably be expected to have a material adverse effect on the business of the Participant or on its ability to comply with its obligations under these Terms and Conditions; and
- (g) on request from the Bank, it will promptly provide any and all information that may help the Bank to assess the ability of the Participant to fulfil its obligations under the Documentation.

1.5 The Bank's obligation to make any payment, transfer any securities or transfer any Equivalent Loan Collateral in connection with any Transaction or otherwise under the Documentation shall be subject to the conditions precedent that no Event of Default or Potential Event of Default shall have occurred and be continuing, no collateral shortfall exists or will arise as a result of the performance of the Bank's obligation and no obligation owed by the Participant to the Bank under the Documentation is outstanding. For the purposes of this clause, there is a "collateral shortfall" if the Adjusted Value of Transferred Collateral in respect of a Relevant Exposure does not exceed the amount of that Relevant Exposure.

1.6 Without prejudice to clause 1.5 of Part A, if any condition precedent in clause 1.5 of Part A is not satisfied with respect to the Participant when an obligation of the Bank would (but for those conditions precedent not being satisfied) become due and payable or deliverable to the Participant then the Bank's obligation will not be extinguished and will become due or payable if:

- (a) the conditions precedent in clause 1.5 of Part A are subsequently satisfied with respect to the Participant;
- (b) if required by the Bank, the Participant shall have delivered notice in writing of that fact to the Bank setting out in reasonable detail such evidence of the satisfaction of those conditions precedent as the Bank may require;
- (c) no Default Notice has been served; and
- (d) no breach of any other applicable condition precedent has occurred and is continuing.

In such event, the Bank's obligation shall become due and payable or deliverable on the date falling five Business Days after the date on which the confirmation from the Participant in clause 1.6(b) of Part A is effective in accordance with clause 5 of Part A.

## **2. NO WAIVERS**

No waiver, indulgence or concession by the Bank of any right under these Terms and Conditions in any instance (including, without limitation, the entering into or performance of any Transaction or any other business at any time when an Event of Default or Potential Event of Default has occurred and is continuing) shall operate as a waiver or variation in any other instance or of any other rights. No omission or delay on the part of the Bank in exercising any right, power or privilege under the Documentation or under any Transaction (including a right of termination or to serve a Default Notice whether or not the Bank has, after such right arises, continued to perform its obligations or accept performance by the Participant of its obligations hereunder) shall act as a waiver thereof, nor shall any single or partial exercise of any such right, power or privilege preclude any further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies of the Bank provided in these Terms and Conditions, the remainder of the Documentation and any Transaction are cumulative with and not exclusive of any rights of lien, sale, set-off or retention or other rights or remedies which the Bank may have at common law, by statute or otherwise howsoever.

## **3. SINGLE AGREEMENT; ENTIRE AGREEMENT; ASSIGNMENT**

3.1 The Parties acknowledge that, and have entered into these Terms and Conditions and will enter into each Transaction in consideration of and in reliance on the fact that, all Transactions constitute a single business and contractual relationship and are made in consideration of each other. Accordingly, each of the Parties agrees that payments, deliveries and other transfers made by either of them in respect of any Transaction shall be deemed to have been made in consideration of payments, deliveries and other transfers in respect of any other Transactions.

3.2 The Documentation and, where applicable, the RTGS Documentation, sets out the entire terms and conditions and understanding between the Parties in respect of the subject matter thereof save in relation to (i) Deposits which are subject to any documentation relating to the relevant accounts maintained by the Participant with the Bank and (ii) Bills which are also subject to their terms of issuance. It is agreed that:

- (a) the Participant has not entered into the Documentation or any Transaction in reliance upon any representation, warranty or undertaking of the Bank which is not expressly set out or referred to in the Documentation;
- (b) the Participant shall not have any remedy in respect of misrepresentation or untrue statement made by the Bank which is not contained in the Documentation nor for any breach of warranty which is not contained in the Documentation; and
- (c) this clause shall not exclude any liability for, or remedy in respect of, fraudulent misrepresentation.

3.3 The provisions of these Terms and Conditions and of each Transaction shall be binding upon and inure to the benefit of the Parties hereto and their respective successors in title and permitted assigns.

3.4 The rights and obligations of the Parties under these Terms and Conditions and under each Transaction shall not be capable of assignment by either Party without the prior written consent of the other.

#### **4. COMMUNICATIONS; THE ELECTRONIC TENDERING SYSTEM; THE COLLATERAL MANAGEMENT PORTAL**

4.1 Communications shall be made by any method that the Bank may specify, through the Operating Procedures or otherwise.

4.2 The Bank shall be entitled without further enquiry to accept and act on any request, instruction or other communication or purported request, instruction or other communication received by the Bank notwithstanding that it may afterwards be discovered that that request, instruction or other communication was made in error, was not genuine or was not authorised by the Participant or (if sent electronically) was not initiated through the terminal and associated equipment from which it was purported to have been sent. Any such request, instruction or other communication on which the Bank so acts shall for all purposes of the Documentation be treated as effective and binding on the Participant in accordance with its terms.

4.3 The Participant understands that email (whether encrypted or unencrypted) is not a secure method of communication and that messages so delivered may be intercepted, lost, destroyed, corrupted or delayed in transmission.

4.4 The Participant hereby agrees that:

- (a) neither the Bank, nor any of its officers, employees, representatives or agents shall incur any liability or be responsible for any Loss, that may arise in connection with the Bank sending or receiving any email (encrypted or unencrypted), except to the extent that such Loss is shown to be attributable to wilful default or reckless disregard of the Bank's obligations on the part of the Bank or its officers, employees, representatives and agents; and
- (b) it shall on demand indemnify the Bank and keep the Bank indemnified against any Loss suffered or incurred by the Bank as a result of any email (encrypted or unencrypted) which is intercepted, lost, destroyed, corrupted or delayed or otherwise distorted or altered during the course of transmission except to the extent that such Loss is shown to be attributable to wilful default or reckless disregard of the Bank's obligations on the part of the Bank or its officers, employees, representatives and agents.

4.5 The Participant undertakes at all times:

- (a) to procure that all requests, instructions and other communications are made or given by persons who are duly authorised to make or give them on its behalf and are within the scope of the authority of the person making or giving them;
- (b) to provide the Bank upon request with a list of all persons who are for the time being authorised to send requests, instructions and other communications by the Electronic Tendering System, the Collateral Management Portal or email

transmissions relating to Transactions or otherwise relating to the matters to which the Documentation relates and with such particulars with respect to such persons as may from time to time be specified in the Operating Procedures;

- (c) promptly to provide the Bank with particulars of any change in the persons and particulars referred to in clause 4.5(b) of Part A;
- (d) to comply with any procedures set out in the Operating Procedures or otherwise agreed between the Participant and the Bank with respect to the identification, confirmation or authentication of requests, instructions or other communications by the Participant or with the maintenance of security with respect to or in connection with such requests, instructions or other communications;
- (e) to ensure that all passwords and other activation data relating to the Electronic Tendering System or the Collateral Management Portal are not easily guessed or predictable and are kept confidential and secure in order to prevent their unauthorised use;
- (f) not to use the Electronic Tendering System or the Collateral Management Portal upon and after becoming aware of the occurrence of any significant breach by the Participant of its obligations, or of any warranty or representation, under these Terms and Conditions unless and until the Bank has expressly consented to the Participant so doing;
- (g) to be responsible for the maintenance of security over the SWIFT Equipment acquired or used by the Participant for the purposes of sending and receiving SWIFT messages to and from the Electronic Tendering System and the Collateral Management Portal and, in the case of any such equipment used or available for use by the Participant and any other participant, to be jointly and severally responsible with such other participant for the maintenance of security over all such equipment;
- (h) to keep its SWIFT Keys secure and protect them against loss, damage, modification and unauthorised use; and
- (i) to comply in all respects with the Electronic Tendering System User Guide and the Collateral Management Portal User Guide in so far as its provisions are applicable to the Participant.

4.6 The Bank reserves the right to suspend the operation of the Electronic Tendering System or the Collateral Management Portal, wholly or partially, or to vary the operational timetable, by reason of any circumstances whatever beyond the Bank's reasonable control, including without limitation partial or total failure, malfunction or overload of the Electronic Tendering System or the Collateral Management Portal, or any other emergency.

4.7 The Participant acknowledges and agrees that the timer facility in the Electronic Tendering System is provided for the Participant's convenience and the

Bank shall not be liable for the Participant's failure to submit any bid or make any other communication through the Electronic Tendering System within any deadline prescribed by the Bank. The time stamp applied to any bid in accordance with the Operating Procedures shall be final and binding.

4.8 The Participant acknowledges and agrees that:

- (a) data displayed on the Collateral Management Portal are updated regularly, are subject to change at short notice and should not be relied on as accurate and up to date figures;
- (b) any valuations of Collateral provided through the Collateral Management Portal are indicative only, are provided for information purposes and are subject to change at any time, without notice and at the sole determination of the Bank. The Default Market Value of Transferred Collateral following the occurrence of an Event of Default will be determined in accordance with clause 12 of Part A; and
- (c) the Bank reserves the right to reject any collateral for any reason at any time, notwithstanding that it might be specified as Eligible Collateral on the Collateral Management Portal.

4.9 The Bank and its officers, employees, representatives and agents shall not be liable, save in the case of wilful default or reckless disregard of the Bank's obligations, for any Loss arising from the operation by the Bank of the Electronic Tendering System or the Collateral Management Portal or any part thereof or any inadequacy thereof for any purposes or any deficiency or defect therein or any delay in providing or failure to provide the Electronic Tendering System or the Collateral Management Portal or any interruption or loss of the Electronic Tendering System or the Collateral Management Portal or loss of business, loss of profit or other consequential damage or any damage whatsoever and howsoever caused (including but without prejudice to the foregoing by reason of machine or computer malfunction or error and also any suspension or variation pursuant to clause 4.6 of Part A).

4.10 Where the Participant has opted to use the Collateral Management Portal, it agrees to pay the Bank's fees and charges in respect of the Collateral Management Portal in accordance with the Operating Procedures.

## **5. NOTICES**

5.1 Subject to clause 5.4 of Part A, any notice required to be given under the Documentation shall be deemed to be given if:

- (a) in the case of a notice to the Bank, sent in accordance with the Operating Procedures, or left at Bank of England, Threadneedle Street, London EC2R 8AH, or sent by email to SMF.notice@bankofengland.co.uk, or to such other address as the Bank may notify to the Participant in writing from time to time, in each case marked for the attention of the Head of Sterling Markets Division; and

- (b) in the case of notice to the Participant left at the address or sent to the email address notified by the Participant to the Bank in writing from time to time.

5.2 Any such notice shall be deemed to be duly served:

- (a) if left at the address of the Party to be served, at the time when it is so left (or, if it is left on a day that is not a Business Day, at 8.15 a.m. on the following Business Day);
- (b) if sent by post, on the second Business Day following the day of posting; and
- (c) if sent by email, when the message is received.

5.3 In proving the giving of a notice under clause 5.2 of Part A it shall be sufficient to prove that the notice was delivered at the address for service or that the envelope containing such notice was properly addressed and posted (as the case may be).

5.4 The Operating Procedures may provide for any notice to be given orally, including by telephone; any such notice shall be deemed to be served when it is actually given.

5.5 Where in these Terms and Conditions any matter may be specified or prescribed by the Bank, then the Bank may (but shall not be obliged to) do so by way of a Market Notice.

## **6. FEES, COSTS AND EXPENSES**

6.1 The Participant agrees to pay and bear its own costs and expenses incurred in connection with the preparation and execution of the Documentation and the entering into of each Transaction.

6.2 The Participant agrees to pay or reimburse to the Bank all of its costs and expenses (including legal expenses) together with any value added tax thereon, incurred in connection with the enforcement of any of its rights under the Documentation or any Transaction.

6.3 The Participant agrees on demand to pay the Bank's charges and to reimburse the Bank on demand for all fees, costs, charges, penalties and other expenses (including, without limitation, amounts incurred in connection with any third party custody arrangement or settlement or clearing system or depository arrangement with respect to any collateral, amounts incurred in connection with checking that collateral is Eligible Collateral and valuing collateral, internal costs and expenses (including staff salary costs), legal expenses, transfer taxes, value added tax, registration charges and other similar taxes and charges) incurred by the Bank in connection with Operations under the Sterling Monetary Framework and any Transaction hereunder, and as may be more particularly set out in the Operating Procedures.

6.4 A Participant agrees to pay any fees that the Bank may impose in accordance with the Operating Procedures.



## **7. OPERATING PROCEDURES AND MARKET NOTICES**

7.1 These Terms and Conditions are supplemented by Operating Procedures which set out further terms governing each type of Transaction and explain the operational procedures involved and may also be supplemented by one or more Market Notices.

7.2 In the event of any conflict between the terms of these Terms and Conditions and the terms of the Operating Procedures, these Terms and Conditions shall prevail.

7.3 In the event of any conflict between the terms of the Operating Procedures or these Terms and Conditions and any Market Notice, the Market Notice shall prevail.

## **8. AMENDMENTS**

The Bank may amend these Terms and Conditions and any other part of the Documentation either generally or in particular circumstances, from time to time. Any such amendment shall apply with effect from such time as may be specified by the Bank and shall, unless otherwise specified, apply to any Transaction which is outstanding at the time at which such amendment is made. The Bank may also vary the operational timetable or vary or omit any of the procedures described on any particular day. The Bank will endeavour to give reasonable notice of any amendment, but reserves the right to introduce any amendment with immediate effect, if the Bank considers it necessary to do so.

## **9. COMMENCEMENT, SUSPENSION AND TERMINATION**

9.1 These Terms and Conditions commence on the date notified to the Participant by the Bank in accordance with the Commencement Letter; provided that any institution that was a participant in the Bank's sterling monetary framework on the Effective Pooling Date shall be a Participant without the need for an Admission Letter or Commencement Letter.

9.2 Subject to clause 12 of Part A, a Participant may terminate its access to all or any of the Facilities at any time by giving to the Bank not less than ten Business Days' prior notice in writing (such termination becoming effective upon expiry of such notice).

9.3 Without prejudice to the Bank's rights under clause 12 of Part A, the Bank may suspend for such period as the Bank thinks fit or terminate the Participant's access to any of the Facilities at any time.

9.4 Any termination or suspension under clause 9.2 or clause 9.3 of Part A shall not affect any Transaction which is then outstanding, and the provisions of the Documentation shall continue to apply to each such Transaction until all the obligations of each Party to the other under the Documentation and each such Transaction have been fully performed.

9.5 Any suspension or termination in relation to any of the Facilities will have effect without prejudice to the Participant's access to any of the other Facilities.

## **10. PAYMENTS AND DELIVERIES**

10.1 Save as otherwise provided in the Documentation, all payments under or in connection with these Terms and Conditions shall be made in the manner specified by the Bank in immediately available freely convertible funds for value on the due date for payment thereof free from set-off or counterclaim and without deduction or withholding for or on account of any taxes of whatsoever nature imposed, levied, collected, withheld or assessed, unless such a deduction or withholding is required by law.

10.2 In the event of such a deduction or withholding, the amount of any payment due from the Participant shall be increased to an amount which after making any such deduction or withholding leaves the Bank with a net amount equal to the amount which would have been due if no such deduction or withholding had been required to be made.

10.3 The Participant shall within three Business Days of demand by the Bank indemnify the Bank and keep the Bank indemnified against any Loss which the Bank determines has been or will be suffered by the Bank for or on account of tax in relation to a payment received or receivable (or any payment deemed to be received or receivable) under or in connection with these Terms and Conditions, except to the extent that the Loss has been compensated for by an increased payment under clause 10.2 of Part A.

10.4 Save as otherwise provided in these Terms and Conditions, if any amount payable or any securities, loans, Assigned Rights, Trust Asset Designations, Trust Asset Re-Acquisition Notices or any deed of release transferable or deliverable under these Terms and Conditions would, but for this clause, be payable, transferable or deliverable on a day which is not a Business Day, then such payment, transfer, or delivery shall be made on the next following Business Day.

10.5 All rights, title and interest in any securities transferred under these Terms and Conditions shall pass from one Party to the other on transfer in accordance with the terms of these Terms and Conditions free from all liens (other than a lien granted to the operator of the clearance system through which the securities are transferred), claims, charges and encumbrances. The Parties shall execute and deliver all documents, give all instructions and do all things necessary to ensure that title passes in accordance with this clause.

10.6 Notwithstanding the use of expressions such as “swap”, “Repurchase Date”, “Repurchase Price”, “Margin”, “substitution” and “drawing” which are used to reflect terminology used in the market in connection with transactions of the kind provided for in these Terms and Conditions, all right, title and interest in and to securities and money transferred or paid under these Terms and Conditions shall pass to the transferee upon transfer or payment, the obligation of the Party receiving such securities being an obligation to transfer equivalent securities. Notwithstanding the use of the term “repo” in the context of the Indexed Long-Term Repo, the Contingent Term Repo Facility or the Short-Term Repo, transactions under these operations shall be SMF Advances and on the same terms as an SMF Advance.

10.7 Subject to clause 12 of Part A, the Bank may and, with the prior approval of the Bank, the Participant may combine in a single calculation of a net sum payable by one Party to the other all amounts in the same currency payable by each Party to the other under any Transaction or otherwise under these Terms and Conditions or under any Covered Agreement on the same date and the obligation to pay that net sum shall be the only obligation of either Party in respect of those amounts.

10.8 Subject to clause 12 of Part A, the Bank may and, with the prior approval of the Bank, the Participant may combine in a single calculation of a net quantity of securities transferable by one Party to the other all securities of the same issue, denomination, currency and series transferable by each Party to the other under any Transaction or otherwise under these Terms and Conditions or under any Covered Agreement on the same date and the obligation to transfer the net quantity of securities shall be the only obligation of either Party in respect of the securities so transferable and receivable.

10.9 The Bank shall create and maintain in its books and records or other systems, such accounts, sub-accounts or other entries (a ***Collateral Account***) in which the Bank shall record Collateral transferred by the Participant to the Bank. The Collateral Account and any credits thereto shall be governed by, and construed in accordance with, English law. The Participant has no legal or beneficial interest in Collateral Securities or otherwise represented by corresponding credits to the Collateral Account. The Participant's right in respect of Collateral Securities transferred to the Bank is a contractual right to receive Equivalent Collateral Securities upon the terms and subject to the conditions set out in the Documentation.

10.10 Where any voting rights become exercisable in relation to any Transferred Collateral, the Bank shall have no obligation to arrange for the exercise of any voting rights of that kind in accordance with the instructions of the Participant in relation to any such Transferred Collateral.

10.11 The Bank and its officers, employees, representatives and agents shall not be liable, save in the case of fraud, for any Loss that may arise in connection the exercise or non-exercise of voting rights by the Bank.

10.12 If at any time after a payment has been made by the Bank to the Participant under these Terms and Conditions which relates to a payment to the Bank by an issuer of securities (including a payment by the issuer of Income or of capital), the issuer or any clearance system or depository reclaims or reverses any such payment to the Bank, the Participant undertakes immediately to repay the payment received from the Bank and any associated costs incurred by the Bank.

## **11. EVENTS OF DEFAULT**

11.1 For the purposes of these Terms and Conditions, each of the following shall constitute an ***Event of Default*** if the Bank serves a Default Notice:

- (a) the Participant fails to maintain sufficient Collateral in accordance with clause 2.2 of Part D or to comply with clause 2.3 of Part D (by the time specified in the notice or in the Operating Procedures where a time is so specified);

- (b) in respect of any Transaction the Participant fails to make any transfer of securities or loans when required to do so or to make any payment when due;
- (c) any representation or warranty made or deemed to be made or repeated by the Participant under the Documentation or any Transaction was or is incorrect in any material respect when made or deemed to be made;
- (d) the Participant defaults in the due and punctual performance of any other of its obligations under the Documentation or under any Transaction or, where applicable, the Guarantor defaults in the due and punctual performance of any other of its obligations under the Guarantee and, in either case, (if capable of remedy) fails to remedy such default within three Business Days after receipt of notice from the Bank requiring such default to be remedied;
- (e) the Participant or, where applicable, the Guarantor admits to the Bank its inability to, or its intention not to, perform any of its obligations under the Documentation or under any Transaction or under the Guarantee or if the Guarantor revokes or otherwise terminates the Guarantee;
- (f) the Participant:
  - (i) has any permission under Part 4A of FSMA varied or cancelled; or
  - (ii) has its authorisation as a credit institution (as defined in Regulation (EU) No 575/2013) or as an investment firm (as defined in Directive 2004/39/EC) or any licence or authorisation which is required to perform any of its obligations under the Documentation or any Transaction suspended or revoked; or
  - (iii) has its authorisation or recognition withdrawn pursuant to EMIR in the United Kingdom (either fully or in respect of a particular service, activity, or class of financial instruments); or
  - (iv) has its recognition withdrawn, or any application for recognition rejected, pursuant to CSDR in the United Kingdom (either fully or in respect of a particular service, activity, or class of financial instruments); or
  - (v) is declared in default or suspended or expelled from membership of or participation in any payment system, securities exchange or association or other self-regulating organisation; or
  - (vi) is suspended or prohibited from dealing in securities by any government or regulatory agency or authority, or any of its assets or the assets of investors held by it or to its order shall be transferred or ordered to be transferred to a trustee or any other person, or its powers of management are suspended, removed or otherwise divested, or any of its obligations under the Documentation are altered, suspended or extinguished in any way (other than pursuant to the Documentation) by any government or regulatory agency or authority;

- (g) the Participant ceases or threatens to cease to carry on its business or any material part thereof (including if all or a part of its business is transferred to another entity) or compounds, or makes a general assignment for the benefit of, or enters into any reorganisation or other special arrangement with, its creditors or any class thereof or becomes insolvent or becomes unable to pay its debts within the meaning of section 123(1) of the Insolvency Act 1986 or fails or admits in writing its inability generally to pay its debts as they become due;
- (h) a secured party takes possession of, or carries out other enforcement measures in relation to, all or substantially all assets of the Participant, provided the relevant process is not dismissed, discharged, stayed or restrained within 15 days;
- (i) the court makes a winding-up order in respect of the Participant under Chapter VI of Part IV or Part V of the Insolvency Act 1986;
- (j) a liquidator, receiver, trustee, conservator, custodian or administrator (whether out of court or otherwise) is appointed in respect of the Participant or over all or any material part of the Participant's property;
- (k) a petition or application is filed or presented or made or any other proceeding is commenced in respect of the Participant (other than by the Bank in respect of any obligation under the Documentation) in any court or before any agency or out of court or otherwise alleging or for the bankruptcy, winding-up or other insolvency of the Participant or seeking any reorganisation, arrangement, moratorium, composition, readjustment, administration, liquidation, dissolution or similar relief under any present or future statute, law or regulation, such petition, application or proceeding not having been stayed or dismissed within 15 days of its filing or commencement (other than a petition, application or proceeding for the winding up of the Participant or the appointment of an administrator, whether out of court or otherwise in relation to the Participant or any analogous proceeding in which case no such 15 day period shall apply);
- (l) notice is given of a proposal to appoint, or any step is taken with a view to appointing, or there is appointed a receiver, trustee, conservator, custodian or administrator (whether out of court or otherwise) or analogous officer in respect of the Participant or over all or any material part of the Participant's property;
- (m) there is convened any meeting of creditors of the Participant for the purpose of considering a voluntary arrangement as referred to in section 3 of the Insolvency Act 1986;
- (n) the court makes a winding-up order in respect of any Subsidiary or any Parent of the Participant under Chapter VI of Part IV or Part V of the Insolvency Act 1986;

- (o) a liquidator, receiver, trustee, conservator, custodian or administrator (whether out of court or otherwise) is appointed in respect of, where applicable, the Guarantor or any Parent of the Participant, or over all or any material part of the property of, where applicable, the Guarantor or any Parent of the Participant;
- (p) (otherwise than in the case of a members' voluntary winding up) a liquidator, receiver, trustee, conservator, custodian or administrator (whether out of court or otherwise) is appointed in respect of any Subsidiary of the Participant, or over all or any material part of the property, of any Subsidiary of the Participant;
- (q) any event analogous to any of the foregoing occurs in any jurisdiction in relation, where applicable, to the Guarantor or to the Participant or any Subsidiary or any Parent of the Participant;
- (r) the Participant's membership of CREST or any other Securities Settlement System through which securities may be transferred (as specified from time to time in the Operating Procedures) is suspended or terminated;
- (s) an event of default or termination event howsoever described occurs under a Covered Agreement;
- (t) the Participant ceases to meet the applicable Eligibility Criteria; or
- (u) a Designated Event occurs with respect to the Participant or, where applicable, its Guarantor (in each case X), and the Bank determines in its sole and absolute discretion that the creditworthiness of X, or, if applicable, the successor, surviving or transferee entity, is materially weaker immediately after the occurrence of such Designated Event.

For the purpose of this clause (u), a ***Designated Event*** with respect to X means that:

- (i) X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or any substantial part of the assets comprising the business conducted by X as at the date of the Admission Letter) to, or reorganises, reincorporates or reconstitutes into or as, another entity;
- (ii) any person, related group of persons or entity acquires directly or indirectly the beneficial ownership of (A) equity securities having the power to elect a majority of the board of directors (or its equivalent) of X or (B) any other ownership interest enabling it to exercise control of X; or
- (iii) X effects any substantial change in its capital structure by means of the issuance, incurrence or guarantee of debt or the issuance of (A) preferred stock or other securities convertible into or exchangeable for

debt or preferred stock or (B) in the case of entities other than corporations, any other form of ownership interest.

11.2 Without prejudice to clause 11.1(u) of Part A, if the Participant is a building society within the meaning of the Building Societies Act 1986, none of:

- (a) an amalgamation of the Participant with another building society under Section 93 of that Act;
- (b) a transfer of the engagements of the Participant to another building society under section 94 of that Act;
- (c) a transfer of the whole of the business of the Participant to a successor under section 97 of that Act;
- (d) the dissolution of the Participant under section 93(5), 94(10) or 97(9) or (10) of that Act; or
- (e) anything done by the Participant for the purposes of any such amalgamation, transfer or dissolution,

shall entitle the Bank to serve a Default Notice on the Participant.

11.3 The Participant shall notify the Bank immediately if an Event of Default or a Potential Event of Default occurs.

## **12. CLOSE-OUT AND LIQUIDATION OF OBLIGATIONS ON THE OCCURRENCE OF AN EVENT OF DEFAULT**

12.1 If an Event of Default occurs in relation to the Participant, the provisions of this clause 12 of Part A shall apply in respect of Terminated Transactions and Terminated Collateral. Transactions which are not Terminated Transactions and Collateral which is not Terminated Collateral shall remain in place subject to the Terms and Conditions and the other Documentation. Any failure to terminate a Transaction or to terminate Collateral shall, in accordance with clause 2 of Part A, be without prejudice to the Bank's right to terminate such Transactions or Collateral at any time in the future.

12.2 At any time following an Event of Default, the Bank may by notice in writing to the Participant, specify:

- (a) the SMF Advances, Liquidity Withdrawal Repurchase Transactions and DWF Transactions to be terminated (the *Terminated Transactions*); and
- (b) one or more Early Termination Dates for any Terminated Transactions. The Bank may specify the same or different Early Termination Dates for each Terminated Transaction and may amend any Early Termination Date so specified at any time prior to that Early Termination Date occurring.

12.3 Upon the Early Termination Date in respect of a Terminated Transaction:

- (a) the Repayment Date (in respect of SMF Advances), the Termination Date (in respect of DWF Transactions) and the Repurchase Date (in respect of Liquidity Withdrawal Repurchase Transactions) shall be deemed to occur;
- (b) the Bank may, by written notice to the Participant, identify Collateral in respect of which the Bank wishes to accelerate its obligation to transfer Equivalent Collateral and such Equivalent Collateral (*Terminated Collateral*) shall be transferable; and
- (c) if the Terminated Transactions comprise or include Liquidity Withdrawal Repurchase Transactions, Equivalent Repo Securities and Equivalent Margin Securities shall be transferable, the Repurchase Price and other outstanding sums (including interest accrued or less the amount of interest payable, as the case may be) shall be payable and all Cash Margin (including interest accrued or less interest payable, if the applicable interest rate is negative) shall be repayable.

12.4 Upon an Early Termination Date, in relation to Terminated Transactions or Terminated Collateral, performance of the respective obligations of the Parties with respect to:

- (a) the delivery of securities;
- (b) the payment of any Repayment Amounts;
- (c) the payment of the Repurchase Prices for any Equivalent Repo Securities and the payment of any deferred sums;
- (d) the repayment of any Cash Equivalent Amounts; and
- (e) the repayment of any Cash Margin, shall be effected in accordance with the provisions of this clause 12.6 of Part A.

12.5 The Bank shall establish either prior to or on the Early Termination Date:

- (a) the Default Market Values of the relevant Equivalent Collateral Securities, Equivalent Loan Collateral, Equivalent Repo Securities, Equivalent Margin Securities and DWF Equivalent Securities to be transferred; and
- (b) the amount of SMF Advances and any Cash Margin (including the amount of interest accrued or less the amount of interest payable, as the case may be) to be repaid and the Repayment Amounts and the Cash Equivalent Amounts (if any) to be paid.

12.6 On the basis of the sums established in accordance with clause 12.5 of Part A, an account shall be taken (as at the relevant Early Termination Date) of what is due from each Party to the other in respect of:

- (a) the relevant Terminated Transactions and Terminated Collateral, including any amounts payable in respect of DWF Swap Fees and Income or otherwise under clauses 12.13 and 14 of Part A (and on the basis that each Party's claim against the other in respect of the transfer to it of Equivalent Collateral equals the Default Market Value thereof); and



- (b) the Net Default Amount (if any) payable under the RTGS Documentation,

and the sums due from one Party shall be set off against the sums due from the other and only the balance of the account shall be payable (by the Party having the claim valued at the lower amount pursuant to the foregoing).

12.7 The balance determined by carrying out the calculations under clause 12.6 of Part A shall be due and payable on such date as the Bank shall determine and notify the Participant in writing. The Bank may specify an account into which sums are required to be paid.

12.8 For the purposes of the calculation carried out under clause 12.6, all sums not denominated in sterling shall be converted into sterling on the relevant date at the Spot Rate prevailing at such dates and times determined by the Bank.

12.9 Where the Bank has designated some but not all Transactions as Terminated Transactions under clause 12.2(a) of Part A:

- (a) if the balance under clause 12.6 of Part A is payable by the Bank, the Bank shall have no obligation to pay that balance if and for so long as the Adjusted Value of Transferred Collateral in respect of any Relevant Exposure for Transactions which are not Terminated Transactions is less than that Relevant Exposure; or
- (b) if the balance under clause 12.6 of Part A is payable by the Participant, for so long as that balance remains unpaid it shall constitute a Relevant Exposure for the purposes of the Terms and Conditions and shall be taken into account in determining what is due from the Participant to the Bank for the purposes of any subsequent close-out under this clause 12.6 of Part A.

12.10 If the balance under clause 12.6 of Part A is payable by the Bank, the Bank may, in lieu of paying such balance or part thereof, transfer to the Participant Equivalent Collateral having a Value at least equal to the amount  $V$  where  $V = B - C$  and where:

$B$  = the amount of such balance or the relevant part thereof

$C$  = the settlement or other transfer costs incurred by the Bank

and such transfer shall discharge the Bank's obligation to make the payment (or the relevant part thereof) under clause 12.6 of Part A.

12.11 When establishing the Default Market Value under clause 12.5 of Part A, the Bank shall have regard to such of the factors set out in this clause, and such other factors, as it thinks appropriate (and the order in which the factors are listed is not significant; they are to be taken into account as appropriate in each case) and may have regard to different factors for different securities or loans:

- (a) if the Bank has sold Receivable Securities or Loans, the net proceeds of such sale after deducting all reasonable costs, commissions, fees and expenses incurred in connection with such sale;

- (b) if the Bank has purchased Deliverable Securities, the aggregate cost of such purchase, including all reasonable costs, commissions, fees and expenses incurred in connection with such purchase;
- (c) observable market prices or such pricing sources (including trading prices) as the Bank considers appropriate;
- (d) offer or bid quotations from market makers or dealers in the market which is the most appropriate market for Receivable Securities of that description, or offer or bid quotations received as part of an auction or sale process for Receivable Securities or Loans as determined by the Bank;
- (e) other methods (which may include, without limitation, the Bank's internal modelling methodologies, such as those used by the Bank to determine the Adjusted Value) as the Bank considers appropriate;
- (f) to the extent not included in the determination of the Default Market Value, Income which has accrued but not yet been paid; and/or
- (g) Transaction Costs.

12.12 For the purposes of clause 12.11 of Part A:

- (a) ***Deliverable Securities*** means Equivalent Repo Securities or DWF Equivalent Securities to be transferred by the Participant;
- (b) ***Receivable Securities*** means Equivalent Collateral Securities and Equivalent Margin Securities to be transferred to the Participant; and
- (c) ***Transaction Costs*** in relation to any transaction contemplated in clause 12.11 of Part A means the costs, commissions, fees and expenses (including any mark-up or mark-down or premium paid for guaranteed delivery) that would be incurred or reasonably anticipated in connection with the purchase of Deliverable Securities or sale of Receivable Securities, calculated on the assumption that the aggregate thereof is the least that could reasonably be expected to be paid in order to carry out the transaction.

12.13 The Participant shall be liable to the Bank for the amount of all legal and other professional expenses incurred by the Bank in connection with or as a consequence of an Event of Default (including, without limitation, arranger's fees, broker's fees and any costs incurred in valuing or servicing any securities or loans) together with interest thereon at the Overdraft Rate or such other rate as the Bank may in its discretion decide.

### **13. CROSS DEFAULT AND SET-OFF ON DEFAULT TERMINATION**

13.1 If a Default Termination occurs in relation to these Terms and Conditions, the Bank may at any time by notice to the Participant declare that a Default Termination shall occur under such Covered Agreements and on such date as may be specified in the notice (each a *Designated Agreement*). To the extent that any Designated Agreement does not include provisions to the same effect as a Default Termination or this clause 13 of Part A, the terms of each Designated Agreement are hereby modified so as to incorporate the provisions set out in this clause.

13.2 The Bank shall determine in accordance with the provisions of the relevant Designated Agreement the Net Default Amount payable by one Party to the other under each Designated Agreement.

13.3 This clause 13.3 of Part A applies if following a Default Termination reciprocal sums are owing between the Parties in respect of:

- (a) the Net Default Amount payable under clause 12 of Part A of these Terms and Conditions (but without prejudice to the Bank's right under clause 12.3 of Part A to transfer Equivalent Collateral);
- (b) the Net Default Amount payable under any Designated Agreement;
- (c) any amount payable by the Bank in respect of any Deposit;
- (d) any amount payable by the Bank under a Bill; and
- (e) any other amount payable by one Party to the other under or in respect of these Terms and Conditions or any Designated Agreement,

provided, however, that save where to do so would be inconsistent with applicable law, the Bank may, in respect of clauses 13.3(c) and 13.3(d) of Part A, exclude any Deposit or Bill from this clause 13.3 of Part A.

Where this clause applies, an account shall be taken of the amounts payable by one Party to the other in respect of such sums and those sums shall be set off against each other; such calculations to be carried out by the Bank. Only the balance of the account shall be payable by the Party owing the greater of those sums and such balance shall be due and payable within two Business Days after the date on which the Bank notifies the Participant of the amount due.

### **14. DEFAULT INTEREST AND CHARGES**

14.1 If the Participant fails to pay any amount under these Terms and Conditions when due, it shall pay interest on the amount of such balance from the time of default up to the time of actual payment (as well after as before judgment) at the Overdraft Rate or at such other rate as the Bank may in its discretion decide, subject to a minimum charge of £500.

14.2 If the Participant fails to make any transfer of securities to the Bank under these Terms and Conditions when due, then without prejudice to clause 11.1 of Part A, the Participant shall:

- (a) pay a late transfer charge from the time of default up to the time of actual transfer (as well after as before judgment) determined by applying the Overdraft Rate to the Value of such securities; and
- (b) on demand indemnify the Bank and keep the Bank indemnified against any Loss suffered or incurred by the Bank as a result of any such failure in respect of a delivery versus payment settlement.

14.3 Interest and charges under this clause 14 of Part A shall accrue daily on the basis of a year of 365 days from and including the first day to the last day of each period of one month beginning from the day on which the relevant amount or transfer was due and shall be due and payable at the end of each such period. So long as the default continues, interest and charges shall be calculated on a similar basis at the end of each such period and any amount payable under this clause 14.3 of Part A which is unpaid at the end of each such period shall thereafter itself bear interest at the Overdraft Rate or such other rate as the Bank may in its discretion decide.

## **15. SET-OFF AND LIEN**

15.1 Without prejudice to any other rights, powers or remedies (whether provided by contract, law or otherwise), the Bank may without prior notice to the Participant and at any time or times set off any monies owing from the Participant and any other obligation against any obligation owed by the Bank to the Participant (whether at such time or in the future or upon the occurrence of a contingency, whether liquidated or unliquidated and whether or not arising under these Terms and Conditions), regardless of the place of payment, booking office or currency of either obligation.

15.2 For the purposes of clause 15.1 of Part A, where a liability or an obligation is unascertained, or is an obligation other than an obligation to pay money, the Bank may in good faith estimate the value of that liability or obligation and set off in respect of the estimate.

15.3 In addition to any general lien or other rights to which the Bank may be entitled under any applicable law, and to the greatest extent permitted by applicable law and regulation, the Bank shall have a general lien on and right to retain, and (without notice to the Participant) a right to realise and apply (irrespective of maturity or currency of denomination, place of payment or booking office) or otherwise to sell or dispose of, any assets of the Participant held with the Bank in satisfaction of all liabilities and obligations (whether at such time or in the future or upon the occurrence of a contingency and in whatever currency) of the Participant to the Bank under or in connection with these Terms and Conditions or any other transaction or dealing or arrangement from time to time entered into or concluded between the Bank and the Participant.

15.4 For the purposes of this clause 15 of Part A, if any obligation is denominated in a currency other than sterling, the Bank may convert that obligation into sterling at the Spot Rate.

## **16. CONFIDENTIALITY**

16.1 Each Party (the *Recipient*) undertakes to keep confidential all information given to it by the other Party (the *Disclosing Party*) or otherwise in the possession of the Recipient relating to or otherwise concerning the Disclosing Party or the Sterling Monetary Framework (which shall include, without limitation, access to and participation in the Sterling Monetary Framework, details of any Transaction and any decision by either Party to enter into or not to enter into any Transaction or to terminate any Transaction or any part of any Transaction).

16.2 The undertakings in clause 16.1 of Part A will not apply to information which:

- (a) is disclosed with the prior written consent of the Disclosing Party;
- (b) at the time of supply is in the public domain;
- (c) subsequently comes into the public domain, except through breach of the undertakings set out in clause 16.1 of Part A;
- (d) is already in the lawful possession of the Recipient;
- (e) subsequently comes lawfully into the possession of the Recipient from a third party who does not owe the Disclosing Party an obligation of confidence in relation to it;
- (f) is disclosed in confidence to the Recipient's professional advisers or auditors where such disclosure is considered necessary by the Recipient, acting reasonably, and provided that, where reasonably practicable, where the Participant proposes to make such disclosure it shall have notified the Bank in advance of the proposed form, timing, nature and purpose of the disclosure;
- (g) is disclosed in confidence to a member of the same Group as the Recipient and provided that, where reasonably practicable, the Recipient making such disclosure has notified the Disclosing Party in advance of the proposed form, timing, nature and purpose of the disclosure; or
- (h) is required to be disclosed by law, regulation or any governmental or competent regulatory or resolution authority, whether in the United Kingdom or elsewhere, provided that, save in the case of a disclosure made by the Bank or any of its officers, employees, representatives or agents which falls within clause 16.3 of Part A, the Recipient making such disclosure has promptly notified the Disclosing Party in advance of the proposed form, timing, nature and purpose of the disclosure.

16.3 Nothing in clause 16.1 of Part A shall preclude the disclosure of information in any case in which disclosure is made by the Bank or any of its officers, employees, representatives or agents:

- (a) in the course of general disclosure relating to the Sterling Monetary Framework or any other Facility; provided that such general disclosure does not identify or name the Participant;
- (b) to HM Treasury, the Prudential Regulation Authority, the Financial Conduct Authority, HM Revenue & Customs or any other government department, public body, monetary authority, competent regulatory or resolution authority or the operator of any deposit guarantee or investor protection scheme, whether in the United Kingdom or elsewhere;
- (c) for the purposes of any criminal investigation whatever which is being or may be carried out or of any criminal proceedings whatever which have been or may be initiated, in either case whether in the United Kingdom or elsewhere; or
- (d) for the purpose of enabling or assisting the Bank to discharge its functions as a monetary authority.

16.4 The Parties agree that damages may not be an adequate remedy for any breach of this clause 16 of Part A by either Party or any of its directors, officers, employees, agents, sub-contractors, affiliates, professional advisers or auditors and the Parties shall be entitled to seek any legal or equitable relief, including injunction, in the event of any breach of the provisions of this clause 16 of Part A.

## **17. TIME OF THE ESSENCE**

Time shall be of the essence of these Terms and Conditions.

## **18. LEGAL RELATIONSHIP**

No provision of these Terms and Conditions shall be deemed to create or evidence a partnership between any of the Parties or make any Party the agent of another Party for any purpose.

## **19. LIMITATION OF LIABILITY; POSITION OF THE BANK**

19.1 Without prejudice to any other provision the Documentation, the Bank and its officers, employees, representatives and agents shall not be liable, save in the case of wilful default or reckless disregard of its obligations, for any Loss suffered by the Participant or any other person in the course of the Bank's carrying out its functions under the Documentation and in no event shall the Bank be liable for any loss of profits or consequential or special loss or damages, howsoever arising, whether or not the Bank knew or ought to have known that such loss of profits or consequential or special loss or damages would be likely to be suffered or incurred.

19.2 The Bank and its officers, employees, representatives and agents shall not be liable for any Loss resulting from any event of force majeure or other event beyond the Bank's reasonable control, including but not limited to nationalisation, expropriation, currency restrictions, acts of state, acts of war, terrorist attacks, labour disturbances among staff of the Bank or of its nominees or agents (or of any third parties instructed by or through it or any such nominees or agents), power failures or breakdowns in communications linked to equipment of the Bank or of its nominees or agents (or of any third parties as aforesaid), or the failure or disruption of any relevant stock exchange, clearing house, settlement system or market.

19.3 The Participant shall indemnify the Bank and its officers, employees, representatives and agents against all Loss arising from any action or omission of the Participant or the Participant's officers, employees, representatives and agents (whether or not authorised by the Participant) and any failure of the Participant to comply with the Documentation. The Participant agrees that this indemnity shall survive any termination of the Participant's participation in Operations under the Sterling Monetary Framework.

19.4 Subject to the express terms thereof, any liberty or power which may be exercised or any determination which may be made under the Documentation by the Bank (including without limitation, any act, matter or thing as agreed, specified, determined, decided or notified by the Bank to the Participant) may be exercised or made generally or in relation to one or more Participants and in the absolute and unfettered discretion of the Bank from time to time, which shall not be under any obligation to give reasons therefor.

## **20. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999**

A person who is not a Party to the Documentation shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any of its terms.

## **21. GOVERNING LAW**

The Documentation and each Transaction and any non-contractual obligations arising out of or in relation to the Documentation and any Transaction shall, unless stated otherwise, be governed by and interpreted in accordance with English law.

## **22. JURISDICTION**

22.1 The English courts shall have exclusive jurisdiction in relation to all disputes (including claims for set-off and counterclaims) arising out of or in connection with (i) the creation, validity, effect, interpretation, performance or non-performance of, or the legal relationships established by the Documentation or any Transaction; and (ii) any non-contractual obligations arising out of or in connection with the Documentation or any Transaction. For such purposes the Bank and the Participant irrevocably submit to the jurisdiction of the English courts and waive any objection to the exercise of such jurisdiction.

22.2 The Participant irrevocably agrees that a judgment or order of the English courts in connection with the Documentation or any Transaction is conclusive and binding on it and may be enforced against it in the courts of any other jurisdiction.

**23. AGENT FOR SERVICE OF PROCESS**

If the Participant has no registered office or place of business in England, it shall appoint and maintain to act as its agent for service of process a person with an address for service in England and shall notify the Bank of the name and address of such person. If the agent at any time ceases to act as such, the Participant shall appoint a replacement agent having an address for service in England and shall notify the Bank of the name and address of the replacement agent. In the absence of such appointment and notification, the Bank shall be entitled to appoint a replacement agent on the Participant's behalf and at the Participant's expense and shall, thereafter, notify the Participant of such appointment.



## **PART B**

### **TERMS AND CONDITIONS FOR SMF ADVANCES**

#### **1. APPLICATION**

This Part B applies to all SMF Advances made by the Bank under any Facility.

#### **2. DRAWDOWN**

2.1 An SMF Advance shall be made in accordance with the Operating Procedures.

2.2 The Bank shall make an SMF Advance to the Participant on the Drawdown Date; provided that the Bank reserves the right to cancel an SMF Advance at any time before making the SMF Advance.

2.3 Without prejudice to clause 1.5 of Part A and clause 2.2 of Part B, if the making of the SMF Advance would, either alone or when taken with other SMF Advances and advances made under any other Facility, cause the Adjusted Value of Collateral received by the Bank in respect of the applicable Relevant Exposure to fall below that Relevant Exposure, the Bank may:

- (a) decline to make the SMF Advance;
- (b) make the SMF Advance in full and provided that the Participant shall have provided additional Eligible Collateral to the Bank with an Adjusted Value at least equal to that shortfall; or
- (c) make the SMF Advance in such amount as does not result in a shortfall.

#### **3. REPAYMENT**

3.1 The Participant shall repay the amount of each SMF Advance (together with, or, if the applicable interest rate is negative, less any interest due on that date in respect of that SMF Advance in accordance with clause 4.1 of Part B) on the Repayment Date for that SMF Advance.

3.2 Any repayment under clause 3.1 of Part B shall be made by transferring the relevant amount to the Bank Settlement Account or in such other manner as may be specified in the Operating Procedures.

#### **4. INTEREST**

4.1 The Participant shall pay (or, if the Interest Rate is negative, shall receive) interest on each SMF Advance at the Interest Rate for that SMF Advance. Such interest shall accrue daily (on the basis of a year of 365 days and the actual number of days elapsed) and become due and payable on the Repayment Date.

4.2 Interest owing from the Participant to the Bank shall be payable on the due date by transferring the relevant amount to the Bank Settlement Account or in such

other manner as may be specified in the Operating Procedures. Interest owing from the Bank to the Participant shall be payable on the due date in the manner specified in the Operating Procedures.

## PART C

### TERMS AND CONDITIONS FOR DWF TRANSACTIONS

#### 1. APPLICATION

1.1 This Part C applies where the Bank has admitted the Participant as a Participant in the Discount Window Facility.

1.2 Where this Part C applies, it applies to all DWF Transactions entered into between the Parties.

#### 2. DWF TRANSACTIONS

2.1 A DWF Transaction is a transaction between the Bank and the Participant in which, on the terms and subject to the conditions of these Terms and Conditions and the other Documentation on the DWF Transaction Date the Bank will transfer to the Participant DWF Swap Securities and on the Termination Date the Participant will transfer to the Bank securities equivalent to such DWF Swap Securities.

2.2 Without prejudice to clause 1.5 of Part A and Part C, if the transfer would, either alone or when taken with DWF Transactions outstanding, cause the Adjusted Value of Eligible Collateral received by the Bank in respect of the applicable Relevant Exposure to fall below that Relevant Exposure, the Bank may:

- (a) decline to enter into the DWF Transaction;
- (b) enter into the DWF Transaction and provided that the Participant shall have delivered additional Eligible Collateral to the Bank with an Adjusted Value at least equal to that shortfall; or
- (c) transfer such amount of DWF Swap Securities as does not result in a shortfall.

2.3 The Bank may instead of delivering DWF Swap Securities on the DWF Transaction Date, pay an amount of cash in sterling specified in the relevant DWF Transaction Notice (the **Cash Equivalent Amount**). The Participant's obligation under clause 2.1 of Part C in respect of any such DWF Transaction shall be to pay to the Bank an amount equal to the Cash Equivalent Amount on the Termination Date.

2.4 Subject to clause 5 of Part C in the case of a DWF DBV Transaction, each DWF Transaction shall have the following terms:

- (a) the DWF Transaction Date is the date specified in accordance with clause 4.2(a) of Part C;
- (b) the Termination Date is the earlier of:
  - (i) the date which is 30 calendar days or, if the Participant is a CCP, 5 calendar days or, for any Participant, such other period as the Bank may agree, after the DWF Transaction Date; and

- (ii) the Termination Date specified in a notice provided pursuant to clause 4.7 or 4.8 of Part C; and
- (c) the securities to be transferred by the Bank are DWF Swap Securities determined by the Bank.

2.5 The Bank may agree to extend the duration of any DWF Transaction.

### **3. DWF SWAP FEE**

3.1 In respect of each DWF Transaction, the Participant shall pay to the Bank sums calculated or agreed in accordance with the Operating Procedures or as otherwise specified by the Bank (the *DWF Swap Fee*).

3.2 In respect of each DWF Transaction entered into by a Participant, the DWF Swap Fee shall accrue daily in respect of the period commencing on, and inclusive of, the DWF Transaction Date and terminating on, but exclusive of, the Termination Date (or, in the case of a DWF ROD Transaction, the Maturity Date) or, if later, the Business Day on which DWF Equivalent Securities are transferred to the Bank.

3.3 If DWF Equivalent Securities are not transferred to the Bank on the Termination Date or, in the case of a DWF ROD Transaction, the Maturity Date, without prejudice to the right of the Bank to serve a Default Notice and in addition to the DWF Swap Fee, the Participant shall pay to the Bank a late transfer charge in accordance with clause 14 of Part A. The Participant shall also be liable to the Bank for any associated costs, which shall without limitation include any costs to the Bank of replacing such DWF Equivalent Securities or any amount which the Bank is required to pay to a third party in accordance with the provisions of a lending agreement between the Bank and that third party.

3.4 DWF Swap Fees, and any additional amounts in the form of associated costs due pursuant to clause 3.3 of Part C, shall be payable by the Participant to the Bank in arrears on the first Business Day of each calendar month (each such date being a *DWF Swap Fee Payment Date*) in respect of all DWF Swap Fees and additional amounts accrued during the course of the previous calendar month including any such fees and additional amounts accrued in respect of any DWF Transaction which terminated during that month provided however that if on any such termination there are no other DWF Transactions outstanding between the Bank and the Participant on the Termination Date or, as the case may be, the Maturity Date, the DWF Swap Fee Payment Date shall be that Termination Date or, as the case may be, the Maturity Date in respect of all DWF Swap Fees and additional amounts accrued but unpaid up to that date.

### **4. INITIATION AND TERMINATION OF DWF TRANSACTIONS**

4.1 The Participant may, by sending a DWF Transaction Notice to the Bank, request the Bank to enter into one or more DWF Transactions.

4.2 A DWF Transaction Notice shall be in writing and shall specify:

- (a) the Business Day on which the DWF Transaction is to commence, such date being the *DWF Transaction Date*;
- (b) the Value of DWF Swap Securities to be transferred by the Bank;
- (c) the Collateral to be transferred to the Bank and its nominal value; and
- (d) the method of transfer of the DWF Swap Securities.

4.3 Following receipt of a DWF Transaction Notice, the Bank will inform the Participant whether it will enter into the DWF Transaction on the terms specified in the DWF Transaction Notice and will notify the Participant of the Value of the DWF Swap Securities (or the Cash Equivalent Amount) to be transferred by the Bank and the method of transfer.

4.4 Notwithstanding clause 4.3 of Part C, the Bank reserves the right to cancel a DWF Transaction at any time before the latest time specified in the Operating Procedures by which DWF Swap Securities are (or the Cash Equivalent Amount is) to be transferred to the Participant on the DWF Transaction Date.

4.5 Subject to clause 4.4 of Part C, on the DWF Transaction Date for each DWF Transaction the Bank shall transfer to the Participant DWF Swap Securities (or the Cash Equivalent Amount) with a Value equal to the Value notified to the Participant by the Bank.

4.6 On the Termination Date for each DWF Transaction, the Participant shall transfer DWF Equivalent Securities to the Bank and pay any DWF Swap Fees due and payable.

4.7 The Bank may by written notice to the Participant terminate any DWF Transaction in whole on the Termination Date or, in the case of a DWF ROD Transaction, the Maturity Date specified in the notice, which shall not be less than five Business Days after the date of the notice or such shorter period as the Bank may determine.

4.8 The Participant may by written notice to the Bank terminate any DWF Transaction in whole or in part on the Termination Date or, in the case of a DWF ROD Transaction, the Maturity Date, specified in the notice, which, provided that the notice is received by the Bank by 10 a.m. on any Business Day, may be the same day as the day on which the Bank receives such notice.

4.9 If a notice given under clause 4.8 of Part C specifies that a DWF Transaction is to be terminated in part, this shall take effect as a termination of the original DWF Transaction and its replacement with a new DWF Transaction for the same Termination Date or, as the case may be, Maturity Date as the original DWF Transaction and with such DWF Swap Securities and Eligible Collateral as may be agreed.

## 5. DWF DBV TRANSACTIONS

5.1 The Participant may request the Bank, subject to and in accordance with the following provisions of this clause and the Operating Procedures, to enter into a series of overnight DWF Transactions to be effected through the “delivery-by-value” facility of CREST. In these Terms and Conditions each DWF Transaction in a series is referred to as a ***DWF DBV Transaction*** and the series as a DWF Rolling Overnight DBV Transaction (or ***DWF ROD Transaction***). The Participant shall request a DWF ROD Transaction by a single DWF Transaction Notice in accordance with clause 4.2 of Part C which shall specify the DWF Transaction as a DWF ROD Transaction.

5.2 Each DWF DBV Transaction in the series shall terminate on the business day following the date on which the DWF DBV Transaction commences (such days being the ***Termination Date*** and the ***DWF Transaction Date*** respectively). Other than the first, each DWF DBV Transaction in a DWF ROD Transaction shall be deemed to be entered into on the Termination Date of the previous DWF DBV Transaction. The last DWF DBV Transaction in a DWF ROD Transaction shall terminate on the date which is 30 calendar days, or such other period as the Bank may agree, after the DWF Transaction Date of the first DWF DBV Transaction (such date being the ***Maturity Date***), provided that if such date is not a business day, the Maturity Date shall be the immediately preceding business day. For these purposes, a ***business day*** is a day on which CREST is open for the settlement of Gilts.

5.3 The DWF Swap Securities under a DWF DBV Transaction shall be such DWF Swap Securities as shall be selected and transferred by CREST on the apportionment of securities to the relevant transfer in accordance with the rules and procedures of CREST.

5.4 Notwithstanding clause 5.2 of Part C, a Transaction which would otherwise be deemed to be entered into on any day and would form part of a DWF ROD Transaction shall be deemed not to be entered into if, before the Parties have taken the steps necessary to effect transfer of the DWF Swap Securities under that Transaction on that day in accordance with the rules and procedures of CREST, an Event of Default has occurred.

5.5 Where clause 5.4 of Part C applies, no further DWF DBV Transaction forming part of the relevant DWF ROD Transaction shall arise.

## 6. SUBSTITUTION

6.1 The Bank may, at any time between the DWF Transaction Date and the Termination Date, require that a DWF Transaction be varied by the transfer by the Participant to the Bank of securities equivalent to the DWF Swap Securities or such of the DWF Swap Securities as the Bank shall specify or, where the Bank has paid a Cash Equivalent Amount under clause 2.3 of Part C, the payment by the Participant of some or all of a Cash Equivalent Amount, in exchange for the transfer by the Bank to the Participant of other DWF Swap Securities of such amount and description as the Bank shall determine (being DWF Swap Securities with the same Value as the DWF Equivalent Securities transferred or cash paid by the Participant).

6.2 Subject to clause 6.3 of Part C, any exchange effected under this clause C.6 shall be effected in such manner as may be provided by the Operating Procedures.

6.3 In the case of an exchange effected under this clause 6 of Part C, the Bank shall be under no obligation to perform its own transfer obligation until it is satisfied that it has received the securities due to be transferred and the cash due to be paid to it by the Participant.

6.4 Subject to and in accordance with clauses 6.5 and 6.6 of Part C:

- (a) at any time between the DWF Transaction Date and the Termination Date of a DWF Transaction, other than a DWF ROD Transaction, the Parties may agree to replace that DWF Transaction, wholly or as regards such of the DWF Swap Securities as shall be agreed, by a DWF ROD Transaction; and
- (b) at any time between the commencement and the Maturity Date of a DWF ROD Transaction, the Parties may agree to replace that DWF ROD Transaction, wholly or as regards such proportion of that DWF ROD Transaction as shall be agreed, by a DWF Transaction other than a DWF ROD Transaction.

6.5 Where the Parties agree a replacement such as is referred to in clause 6.4(a) of Part C:

- (a) the Termination Date of the DWF Transaction which is to be replaced (the **Original Transaction**) shall occur (or, where the Parties have agreed that the Original Transaction is to be replaced with respect to some only of the DWF Swap Securities, shall occur in respect of those DWF Swap Securities) on such date as the Parties agree as the effective date of the replacement (the **Effective Date**) and the Participant shall transfer DWF Equivalent Securities;
- (b) the DWF Transaction Date of the first Transaction in the DWF ROD Transaction by which the Original Transaction is wholly or partially replaced (the **Replacement DWF ROD Transaction**) shall be the Effective Date;
- (c) the Maturity Date of the Replacement DWF ROD Transaction shall be the Termination Date of the Original Transaction; and
- (d) where the Parties have agreed that the Original Transaction is to be replaced with respect to some only of the DWF Swap Securities, the Original Transaction shall continue in effect as respects the remaining DWF Swap Securities and such Collateral as the Parties may agree on the same terms in all respects.

6.6 Where the Parties agree a replacement such as is referred to in clause 6.4(b) of Part C:

- (a) the DWF ROD Transaction which is to be replaced (the **Original DWF ROD Transaction**) shall be terminated on such date as the Parties agree as the effective date of the replacement (the **Effective Date**) or, where the Parties

have agreed that the Original DWF ROD Transaction is to be replaced only as to a specified proportion, shall be modified with effect from the Effective Date so that the DWF Swap Securities for each DWF DBV Transaction forming part of the Original DWF ROD Transaction the DWF Transaction Date of which falls on or after the Effective Date are reduced by that proportion;

- (b) the DWF Transaction Date of the DWF Transaction by which the Original DWF ROD Transaction is to be wholly or partially replaced (the ***Replacement Transaction***) shall be the Effective Date;
- (c) the Termination Date of the Replacement Transaction shall be the original Maturity Date of the Original DWF ROD Transaction; and
- (d) where the Parties have agreed that the Original DWF ROD Transaction is to be replaced only as to a specified proportion, the Original DWF ROD Transaction shall from the Effective Date continue in effect as regards the remaining proportion on the same terms in all respects.

## **7. INCOME PAYMENTS**

Where the term of any DWF Transaction extends over an Income Payment Date in respect of any DWF Swap Securities subject to that DWF Transaction, the Participant shall on the date such Income is paid by the issuer pay to the Bank an amount equal to the amount paid by the issuer. References in this clause 7 of Part C to the amount of Income paid by the issuer shall be to an amount paid without any withholding or deduction for or on account of taxes or duties notwithstanding that a payment of such Income made in certain circumstances may be subject to such a withholding or deduction.



## **PART D**

### **TERMS AND CONDITIONS FOR COLLATERAL**

#### **1. APPLICATION**

1.1 This Part D applies to any operations or facility for which the Bank requires a Participant to provide collateral unless otherwise specified by the Bank.

1.2 Where the Participant is also a participant in RTGS or the NCS, this Part D also applies in respect of Relevant Exposures arising in connection with such participation.

1.3 This Part D applies as more particularly set out in the Operating Procedures.

#### **2. RELEVANT EXPOSURE; MAINTENANCE OF COLLATERAL**

2.1 The Bank may determine its exposure in respect of each Facility, either alone or on a pooled basis with one or more other Facilities, in accordance with the Operating Procedures and on such other basis as the Bank considers appropriate from time to time, each such exposure being a *Relevant Exposure*.

2.2 The Participant undertakes to ensure that the Adjusted Value of Transferred Collateral in respect of a Relevant Exposure will at all times exceed the amount of that Relevant Exposure. For the purpose of determining the Adjusted Value of Transferred Collateral:

- (a) any amounts not denominated in sterling shall be converted into sterling at the Spot Rate as determined by the Bank as applying at the relevant time;
- (b) if any Collateral Securities cease to be Eligible Collateral Securities, the Value of those Collateral Securities shall be zero; and
- (c) if any Loans cease to be Eligible Loans, the Value of those Loans shall be zero.

2.3 If at any time the Adjusted Value of Transferred Collateral in respect of a Relevant Exposure is less than that Relevant Exposure, the Bank may by notice to the Participant require the Participant to transfer to it Eligible Collateral with an Adjusted Value at least equal to the greater of the Minimum Transfer Amount and the shortfall.

2.4 If at any time the Adjusted Value of Transferred Collateral in respect of a Relevant Exposure exceeds that Relevant Exposure by more than the Minimum Transfer Amount, the Participant may by notice to the Bank request the Bank to transfer Equivalent Collateral to it of an aggregate amount or Value at least equal to that excess.

2.5 Notwithstanding the foregoing, the Participant shall not transfer Eligible Collateral or request the transfer of Equivalent Collateral in respect of the Discount Window Facility unless the Bank has previously agreed to such transfer.

2.6 The Bank may agree that Eligible Collateral for any operation or facility shall comprise or include Eligible Loans that are to be provided to the Bank by way of assignment or declaration of trust or, in the case of Eligible Loans that are Scottish Loans, by assignation and transfer by way of declaration of trust. Such assignment, assignation or transfer must be effected in accordance with an Annex specified by the Bank, and entered into by the Participant, prior to the transfer of such Eligible Collateral.

2.7 The Bank may allocate Transferred Collateral to one or more Relevant Exposures at such times and on such basis as the Bank considers appropriate. The Bank may do so even if such allocation would create or increase a Relevant Exposure.

2.8 If the Participant has transferred the same Loan Collateral in respect of more than one Relevant Exposure, the Bank may allocate Loan Collateral between those Relevant Exposures on a pro rata basis or such other basis as it considers appropriate.

2.9 If at any time before Equivalent Collateral Securities have been transferred, any Collateral Securities are to be redeemed in full but not in part or a repayment or prepayment of all the principal outstanding is to be made in respect of any Collateral Securities:

- (a) for the purposes of determining the Adjusted Value of those securities, from the end of the tenth Business Day (or such other Business Day as may be specified in the Operating Procedures) immediately prior to the scheduled payment date (or, if later, the day on which the Bank became aware of the payment date) the Adjusted Value shall be zero;
- (b) if, as a result of such revaluation, the Adjusted Value of the Transferred Collateral is lower than the amount of the Relevant Exposure, the Participant shall, prior to the scheduled payment date, transfer to the Bank Eligible Collateral with an Adjusted Value at least equal to the amount due to be paid by the issuer in respect of such redemption, repayment or prepayment;
- (c) provided the Adjusted Value of the Transferred Collateral exceeds the Relevant Exposure, the Bank shall, if requested by the Participant, transfer to the Participant Equivalent Collateral Securities in respect of the Collateral Securities scheduled for redemption, repayment or prepayment; and
- (d) where no prior notice of the date of any such redemption, repayment or prepayment is given by or on behalf of the issuer, provided that, if required to do so by the Bank, the Participant has transferred Eligible Collateral Securities in substitution for any amount received by the Bank in respect of such redemption, repayment or prepayment, the Bank shall pay to the Participant an amount equal to and denominated in the same currency as the amount received by the Bank in respect of such redemption, repayment or prepayment.

2.10 Notice of any requirement to transfer Eligible Collateral or Equivalent Collateral under this clause shall be given, and any such Collateral Securities or Equivalent Collateral shall be transferred, at the time and in the manner provided by, and generally in accordance with, the Operating Procedures.

2.11 Where the Bank agrees to transfer Equivalent Collateral under clause 2.4 of Part D, the Bank shall, on the date and in the manner specified in the Operating Procedures, transfer Equivalent Collateral in respect of such amounts and kind or kinds of Collateral previously transferred to it by the Participant under clause 2.3 of Part D (to the extent that Equivalent Collateral has not previously been transferred to the Participant in respect of such Collateral) as the Bank may determine.

2.12 This clause applies where:

- (a) the Bank has served notice under clause 2.3 of Part D requiring the Participant to transfer Eligible Collateral and the Participant has not transferred Eligible Collateral by the time required by the Operating Procedures; and
- (b) securities are standing to the credit of a securities account, or a sum is standing to the credit of any cash account, or in either case to the credit of any other account or record maintained by the Bank in the name of or otherwise sufficient to identify the Participant for the purposes of recording the Participant's right, title and interest in and to such securities, or, as the case may be, to such sum (an *Eligible Account*).

Where this clause applies, and without prejudice to clause 11.1(a) of Part A, the Participant irrevocably authorises and instructs the Bank to transfer or pay from an Eligible Account or Eligible Accounts to the Bank in satisfaction of the obligation of the Participant referred to in (a) above:

- (i) such securities as the Bank may select with an Adjusted Value up to an amount equal to the amount of the shortfall; or
- (ii) cash up to an amount equal to the shortfall; or
- (iii) a combination of securities and cash.

If the Participant subsequently seeks to transfer Eligible Collateral in satisfaction of its original obligation referred to in (a) above, the Bank may accept such transfer and if it does, the Bank shall in respect of any securities transferred or cash paid to the Bank under any of (i), (ii) or (iii) above, respectively transfer to the Participant equivalent securities and repay an equivalent amount.

### **3. DBV TRANSACTIONS**

3.1 Subject to and in accordance with the following provisions of this clause and the Operating Procedures, the Participant may, if the Bank agrees, transfer Eligible Collateral Securities through the "delivery-by-value" facility of CREST (a *DBV Transaction*).

3.2 The Eligible Collateral Securities under a DBV Transaction shall be such securities as shall be selected and transferred by CREST on the apportionment of securities to the relevant transfer in accordance with the rules and procedures of CREST.

3.3 The Bank and the Participant may agree to enter into:

- (a) an overnight DBV Transaction;
- (b) a series of overnight DBV Transactions. In these Terms and Conditions such a series is referred to as a Rolling Overnight DBV Transaction (or ***ROD Transaction***). Each DBV Transaction in the series shall terminate on the business day following the date on which the DBV Transaction commences (such days being the ***Termination Date*** and the ***Transaction Date*** respectively). Other than the first, each DBV Transaction in a ROD Transaction shall be deemed to be entered into on the Termination Date of the previous DBV Transaction. The last DBV Transaction in a ROD Transaction shall terminate on the date agreed between the parties (such date being the ***Maturity Date***); provided that if such date is not a business day, the Maturity Date shall be the immediately preceding business day. For these purposes, ***business day*** shall mean a day on which CREST is open for the settlement of Gilts; or
- (c) a single term DBV Transaction where the Parties agree the date on which the DBV Transaction is due for termination (such date being the ***Maturity Date***). Such a DBV Transaction is in these Terms and Conditions referred to as a ***Term DBV Transaction***. A Participant may enter a Term DBV Transaction into CREST either “free of payment” or “versus payment” in accordance with the rules of procedures of CREST, and subject to and in accordance with the Operating Procedures.

3.4 Notwithstanding clause 3.3 of Part D, a DBV Transaction which would otherwise be deemed to be entered into on any day and would form part of a ROD Transaction shall be deemed not to be entered into if, before the Parties have taken the steps necessary to effect transfer of the Collateral Securities under that DBV Transaction on that day in accordance with the rules and procedures of CREST, an Event of Default has occurred. Where this clause applies, no further DBV Transaction forming part of the relevant ROD Transaction shall arise.

3.5 Subject always to clause 2.2 of Part D, the Participant may vary the amount and Maturity Date of a Term DBV Transaction, subject to and in accordance with the Operating Procedures.

#### **4. SUBSTITUTION**

4.1 The parties acknowledge that, automatic substitutions of Collateral Securities may be effected in respect of DBV Transactions intra-day or overnight through the operation of CREST.

- 4.2 Subject to and in accordance with clauses 4.3 and 4.4 of Part D:
- (a) if at any time the Participant has provided Collateral Securities other than by way of a ROD Transaction or Term DBV Transaction, the Parties may agree to replace those Collateral Securities, wholly or as regards such of the Collateral Securities as shall be agreed, by a ROD Transaction or Term DBV Transaction;
  - (b) at any time between the commencement and the Maturity Date of a ROD Transaction or, as the case may be, a Term DBV Transaction, the Parties may agree to replace that ROD Transaction or Term DBV Transaction, wholly or as regards such proportion of that ROD Transaction or Term DBV Transaction as shall be agreed, by a transaction other than (in respect of a ROD Transaction) a ROD Transaction, or (in respect of a Term DBV Transaction) a Term DBV Transaction and so, for the avoidance of doubt, (i) a DBV Transaction may be replaced by a transaction which is not a DBV Transaction and (ii) a ROD Transaction may be replaced by a Term DBV Transaction and vice versa.
- 4.3 Where the Parties agree a replacement such as is referred to in clause 4.2(a) of Part D:
- (a) the Termination Date of the Transaction which is to be replaced (the **Original Transaction**) shall occur (or, where the Parties have agreed that the Original Transaction is to be replaced with respect to some only of the Collateral Securities, shall occur in respect of those Collateral Securities) on such date as the Parties agree as the effective date of the replacement (the **Effective Date**);
  - (b) the Transaction Date of the first DBV Transaction in the ROD Transaction or of the Term DBV Transaction by which the Original Transaction is wholly or partially replaced (the **Replacement ROD Transaction** or, as the case may be, the **Replacement Term DBV Transaction**) shall be the Effective Date;
  - (c) the Maturity Date of the Replacement ROD Transaction or the Replacement Term DBV Transaction shall be the date notified to the Participant by the Bank; and
  - (d) where the Parties have agreed that the Original Transaction is to be replaced only as to a specified proportion, the Original Transaction shall from the Effective Date continue in effect as regards the remaining proportion on the same terms in all respects.
- 4.4 Where the Parties agree a replacement such as is referred to in clause 4.2(b) of Part D:
- (a) the ROD Transaction or, as the case may be, the Term DBV Transaction which is to be replaced (the **Original ROD Transaction** or **Original Term DBV Transaction** respectively) shall be terminated on such date as the Parties agree as the effective date of the replacement (the **Effective Date**);

- (b) where the Original ROD Transaction is to be wholly or partially replaced by a Term DBV Transaction or vice versa (in either case, the ***Replacement Transaction***):
  - (i) the Transaction Date of the Replacement Transaction shall be the Effective Date; and
  - (ii) the Maturity Date of the Replacement Transaction shall be the date notified to the Participant by the Bank;
- (c) where the Original ROD Transaction or the Original Term DBV Transaction is to be replaced by Transferred Collateral transferred other than by way of a DBV Transaction, the date of transfer of that Transferred Collateral shall be the Effective Date; and/or
- (d) where the Parties have agreed that the Original ROD Transaction or the Original Term DBV Transaction is to be replaced only as to a specified proportion, the Original ROD Transaction or the Original Term DBV Transaction shall from the Effective Date continue in effect as regards the remaining proportion on the same terms in all respects.

## **5. INCOME PAYMENTS**

Subject to clause 10.7 of Part A, where Income is paid in respect of any Transferred Collateral, the Bank shall pay to the Participant at the time and in the manner provided in the Operating Procedures but normally on the date it receives such Income from the issuer or Borrower (or would have received such Income if the Bank continued to hold the securities or Loans in question), an amount equal to and in the same currency as the net amount received by the Bank (or which would have been received), after any withholding or deduction for or on account of taxes or duties.

## **PART E**

### **TERMS AND CONDITIONS FOR LIQUIDITY WITHDRAWAL**

#### **REPURCHASE TRANSACTIONS**

##### **1. APPLICATION**

1.1 This Part E applies where the Bank has admitted the Participant to its Open Market Operations (as described in the Operating Procedures) and where a Liquidity Withdrawal Repurchase Transaction is entered into between the Parties.

##### **2. INITIATION AND TERMINATION**

2.1 A Liquidity Withdrawal Repurchase Transaction shall be entered into in accordance with the Operating Procedures.

2.2 The Participant shall purchase the Purchased Securities from the Bank on the Purchase Date for the Purchase Price, provided that the Bank reserves the right to cancel a Liquidity Withdrawal Repurchase Transaction at any time before the latest time specified in the Operating Procedures by which Purchased Securities are to be transferred to the Participant on the Purchase Date.

2.3 The Bank shall purchase Equivalent Repo Securities from the Participant on the Repurchase Date for the Repurchase Price (less any amount then payable and unpaid by the Participant to the Bank pursuant to clause 6 of Part E).

##### **3. MARGIN MAINTENANCE**

3.1 If, at any time, the Bank has a Net Exposure in respect of the Participant, the Bank may by notice to the Participant require the Participant to transfer to it cash in a currency acceptable to the Bank or Eligible Margin Securities of an aggregate amount or Adjusted Value at least equal to the greater of the Minimum Transfer Amount and that Net Exposure.

3.2 If, at any time after the Participant has transferred to the Bank Margin in respect of which Equivalent Margin has not been transferred, the Participant has a Net Exposure in respect of the Bank, the Participant may by notice to the Bank require the Bank to transfer Equivalent Margin to it of an aggregate amount or Value at least equal to the greater of the Minimum Transfer Amount and that Net Exposure.

3.3 For the purposes of this Part E:

- (a) the Bank has a Net Exposure in respect of the Participant if the aggregate of all the Bank's Repo Transaction Exposures plus (i) any Expected Income and (ii) any amount which has accrued to the Bank under clause 14 of Part A, less the amount or Adjusted Value of any Margin provided to the Bank in respect of which Equivalent Margin has not been transferred by the Bank exceeds the aggregate of all the Participant's Repo Transaction Exposures; and

- (b) the Participant has a Net Exposure in respect of the Bank if the aggregate of all the Participant's Repo Transaction Exposures plus the amount or Adjusted Value of any Margin provided to the Bank in respect of which Equivalent Margin has not been transferred by the Bank exceeds the aggregate of all the Bank's Repo Transaction Exposures plus (i) any Expected Income and (ii) any amount which has accrued to the Bank under clause 14 of Part D,

and the amount of the Net Exposure is the amount of the excess. For this purpose (i) any amounts not denominated in sterling shall be converted into sterling at the Spot Rate as determined by the Bank as applying at the relevant time and (ii) if any Margin Securities transferred to the Bank in respect of which equivalent securities have not been transferred to the Participant cease to be Eligible Margin Securities, the Value of those securities shall be zero.

3.4 If at any time before Equivalent Margin Securities have been transferred, any Margin Securities are to be redeemed in full but not in part or a repayment or prepayment of all the principal outstanding is to be made in respect of any such securities:

- (a) for the purposes of determining the Adjusted Value of those securities, from the end of the tenth Business Day (or such other Business Day as may be specified in the Operating Procedures) immediately prior to the scheduled payment date (or, if later, the day on which the Bank became aware of the payment date) the Adjusted Value shall be zero;
- (b) if required by the Bank, the Participant shall, prior to the scheduled payment date, transfer to the Bank Eligible Margin Securities with an Adjusted Value at least equal to the amount due to be paid by the issuer in respect of such redemption, repayment or prepayment; and
- (c) following receipt of such Eligible Margin Securities, the Bank shall, if requested by the Participant, transfer to the Participant Equivalent Margin Securities in respect of the securities scheduled for redemption, repayment or prepayment.

3.5 For the purposes of this clause any outstanding sums the payment of which has been deferred under clause 4.9, 5.7(g) or 5.8(g) of Part E shall be treated as if they formed part of the Repurchase Price under an outstanding Liquidity Withdrawal Repurchase Transaction.

3.6 If on the termination of a Liquidity Withdrawal Repurchase Transaction there are no other Liquidity Withdrawal Repurchase Transactions for the time being outstanding between the Participant and the Bank, provided that the Bank is satisfied that it has received the Equivalent Repo Securities due to be transferred by the Participant on the Repurchase Date, the Bank shall transfer Equivalent Margin to the Participant in respect of all Margin previously transferred to it by the Participant (to the extent that Equivalent Margin has not previously been transferred to the Participant in respect of such Margin).



3.7 Notice of any requirement to transfer cash or Eligible Margin Securities under this clause shall be given, and any such cash or Eligible Margin Securities shall be transferred, at the time and in the manner provided by, and generally in accordance with, the Operating Procedures.

#### **4. DBV TRANSACTIONS**

4.1 Subject to and in accordance with the following provisions of this clause and the Operating Procedures, the Bank and the Participant may agree to enter into a Liquidity Withdrawal Repurchase Transaction to be effected through the “delivery-by-value” facility of CREST (a ***DBV Repo Transaction***).

4.2 The instruction relating to a DBV Repo Transaction:

- (a) shall specify the Transaction as a DBV Repo Transaction;
- (b) shall not specify the Purchased Securities but shall specify as the DBV class securities which are eligible for a DBV Repo Transaction;
- (c) shall specify as the Purchase Price the consideration to be input in respect of the transfer of the Purchased Securities through CREST;
- (d) shall specify the Pricing Rate for that DBV Repo Transaction; and
- (e) shall specify, in the case of a ROD Repo (as defined in clause 4.5(b)) or a Term DBV Repo (as defined in clause 4.5(c) of Part E), the Maturity Date for that DBV Repo Transaction.

4.3 The Purchased Securities under a DBV Repo Transaction shall be such securities as shall be selected and transferred by CREST on the apportionment of securities to the relevant transfer in accordance with the rules and procedures of CREST.

4.4 The Bank shall pay to the Participant the amount by which the Repurchase Price under a DBV Repo Transaction exceeds the Purchase Price on the Repurchase Date in the manner specified in the Operating Procedures.

4.5 The Bank and the Participant may agree to enter into:

- (a) an overnight DBV Repo Transaction;
- (b) a series of overnight DBV Repo Transactions to be confirmed by a single confirmation which specifies the date on which the last such DBV Repo Transaction is due for Termination (such date being the ***Maturity Date***), each such DBV Repo Transaction being for the same Purchase Price and each such DBV Repo Transaction other than the first commencing on the Repurchase Date of the previous DBV Repo Transaction. Such a series of DBV Repo Transactions is in these Terms and Conditions referred to as a Rolling Overnight DBV Repo (or ***ROD Repo***); or

- (c) a single term DBV Repo Transaction to be confirmed by a confirmation which specifies the date on which the DBV Repo Transaction is due for Termination (such date being the ***Maturity Date***). Such a DBV Repo Transaction is in these Terms and Conditions referred to as a ***Term DBV Repo***.

4.6 Clauses 4.1 to 4.4 of Part E shall apply in respect of each DBV Repo Transaction forming part of a ROD Repo, subject to clauses 4.7 to 4.9 of Part E.

4.7 It shall not be necessary for any DBV Repo Transaction forming part of a ROD Repo to be evidenced by a separate confirmation and, subject to clause 4.8 of Part E, each such DBV Repo Transaction shall be deemed to be entered into on the Repurchase Date of the preceding such DBV Repo Transaction.

4.8 Notwithstanding clause 4.7 of Part E, a DBV Repo Transaction which would otherwise be deemed to be entered into on any day and would form part of a ROD Repo shall be deemed not to be entered into if, before the Parties have taken the steps necessary to effect transfer of the Purchased Securities under that DBV Repo Transaction on that day in accordance with the rules and procedures of CREST, an Event of Default has occurred. Where this clause applies, no further DBV Repo Transaction forming part of the relevant ROD Repo shall arise.

4.9 Subject to clause 12 of Part A, and save in so far as the confirmation relating to a ROD 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 DBV Repo Transaction in the series. Such payment shall be made outside CREST in the manner specified in the Operating Procedures.

## **5. SUBSTITUTION**

5.1 A Liquidity Withdrawal Repurchase Transaction shall at any time between the Purchase Date and the Repurchase Date, if the Bank so requires, be varied by the transfer by the Participant to the Bank of securities equivalent to the Purchased Securities, or to such of the Equivalent Purchased Securities as the Bank shall specify, in exchange for the transfer by the Bank to the Participant of other Eligible Repo Securities of such amount and description as shall be agreed (being Eligible Repo Securities having an Adjusted Value at the date of the variation at least equal to the Adjusted Value of the Equivalent Repo Securities transferred to the Bank). In the absence of agreement as to the Eligible Repo Securities to be so transferred to the Participant in exchange, the Bank may require the immediate Termination of the Liquidity Withdrawal Repurchase Transaction and the Participant shall on demand pay any costs incurred by the Bank in connection with such Termination.

5.2 Clause 5.1 of Part E shall apply in respect of a Term DBV Repo but the Parties acknowledge that in addition, for such Liquidity Withdrawal Repurchase Transactions, automatic substitutions of Purchased Securities may be effected through the operation of CREST intra-day or overnight.

5.3 Any Eligible Repo Securities transferred by the Bank under clause 5.1 or 5.2 of Part E are in these Terms and Conditions referred to as ***New Purchased Securities***.

5.4 Any variation or Termination of a Liquidity Withdrawal Repurchase Transaction under clause 5.1 or 5.2 of Part E shall be effected in accordance with the Operating Procedures.

5.5 A Liquidity Withdrawal Repurchase Transaction which is varied under clause 5.1 or 5.2 of Part E shall thereafter continue in effect as though the Purchased Securities under that Liquidity Withdrawal Repurchase Transaction consisted of or included the New Purchased Securities instead of the securities in respect of which Equivalent Repo Securities have been transferred to the Bank.

5.6 Subject to and in accordance with clauses 5.7 and 5.8 of Part E:

- (a) at any time between the Purchase Date and the Repurchase Date of a Liquidity Withdrawal Repurchase Transaction other than a ROD Repo or Term DBV Repo, the Parties may agree to replace that Liquidity Withdrawal Repurchase Transaction, wholly or as regards such of the Purchased Securities as shall be agreed, by a ROD Repo or a Term DBV Repo; and
- (b) at any time between the commencement and the Maturity Date of a ROD Repo or, as the case may be, a Term DBV Repo, the Parties may agree to replace that ROD Repo or Term DBV Repo, wholly or as regards such proportion of that ROD Repo or Term DBV Repo as shall be agreed, by a Liquidity Withdrawal Repurchase Transaction other than (in respect of a ROD Repo) a ROD Repo, or (in respect of a Term DBV Repo) a Term DBV Repo and so, for the avoidance of doubt, (i) a DBV Repo Transaction may be replaced by a Liquidity Withdrawal Repurchase Transaction which is not a DBV Repo Transaction and (ii) a ROD Repo may be replaced by a Term DBV Repo, and vice versa.

5.7 Where the Parties agree a replacement such as is referred to in clause 5.6(a) of Part E:

- (a) the Repurchase Date of the Liquidity Withdrawal Repurchase Transaction which is to be replaced (the ***Original Transaction***) shall occur (or, where the Parties have agreed that the Original Transaction is to be replaced with respect to some only of the Purchased Securities, shall occur in respect of those Purchased Securities) on such date as the Parties agree as the effective date of the replacement (the ***Effective Date***);
- (b) the Purchase Date of the first Liquidity Withdrawal Repurchase Transaction in the ROD Repo or of the Term DBV Repo by which the Original Transaction is wholly or partially replaced (the ***Replacement ROD Repo*** or, as the case may be, the ***Replacement Term DBV Repo***) shall be the Effective Date;
- (c) the Maturity Date of the Replacement ROD Repo or the Replacement Term DBV Repo shall be the original Repurchase Date of the Original Transaction;

- (d) the Purchase Price of (i) each DBV Repo Transaction forming part of the Replacement ROD Repo or (ii) the Replacement Term DBV Repo, shall be an amount equal to the Purchase Price of the Original Transaction (or, where the Parties have agreed that the Original Transaction is to be replaced with respect to some only of the Purchased Securities, an amount equal to the Purchase Price of those Purchased Securities);
- (e) the Pricing Rate applicable to (i) each DBV Repo Transaction forming part of the Replacement ROD Repo or (ii) the Replacement Term DBV Repo, shall be the same as that of the Original Transaction;
- (f) subject to clause 5.7(g) of Part E, the Bank shall pay to the Participant the Repurchase Price under the Original Transaction (or, where the Parties have agreed that the Original Transaction is to be replaced with respect to some only of the Purchased Securities, the Repurchase Price in respect of securities equivalent to those Purchased Securities) on the Effective Date before the payment of the Purchase Price under (i) the first DBV Repo Transaction which forms part of the Replacement ROD Repo or (ii) the Replacement Term DBV Repo;
- (g) that part of the Repurchase Price under the Original Transaction which exceeds the Purchase Price (or, where the Parties have agreed that the Original Transaction is to be replaced with respect to some only of the Purchased Securities, that part of the Repurchase Price in respect of securities equivalent to those Purchased Securities which exceeds the Purchase Price of those Purchased Securities) shall not be payable on the Effective Date but shall instead continue to be payable (subject to clause 12 of Part A) on the original Repurchase Date of the Original Transaction and shall be paid on that date in the manner provided by the Operating Procedures; and
- (h) where the Parties have agreed that the Original Transaction is to be replaced as respects some only of the Purchased Securities, the Original Transaction shall continue in effect as respects the remaining Purchased Securities on the same terms in all respects, save that the Purchase Price shall be that part of the original Purchase Price as was attributable to those remaining Purchased Securities and the Repurchase Price shall be modified accordingly.

5.8 Where the Parties agree a replacement such as is referred to in clause 5.6(b) of Part E:

- (a) the ROD Repo or, as the case may be, the Term DBV Repo which is to be replaced (the ***Original ROD Repo*** or ***Original Term DBV Repo*** respectively) shall be terminated on such date as the Parties agree as the effective date of the replacement (the ***Effective Date***) or, where the Parties have agreed that the Original ROD Repo or the Original Term DBV Repo is to be replaced only as to a specified proportion, shall be modified with effect from the Effective Date so that the Purchase Price of (i) each DBV Repo Transaction forming part of the Original ROD Repo the Purchase Date of which falls on or after the Effective Date or (ii) the Original Term DBV Repo, is reduced by that proportion;

- (b) the Purchase Date of the DBV Repo Transaction by which the Original ROD Repo or the Original Term DBV Repo is to be wholly or partially replaced (the ***Replacement Transaction***) shall be the Effective Date;
- (c) the Repurchase Date or, as the case may be, the Maturity Date of the Replacement Transaction shall be the original Maturity Date of the Original ROD Repo or the Original Term DBV Repo;
- (d) the Purchase Price of the Replacement Transaction shall be an amount equal to the Purchase Price of (i) each Transaction forming part of the Original ROD Repo or (ii) the Original Term DBV Repo or, where the Parties have agreed that the Original ROD Repo or Original Term DBV Repo is to be replaced as respects part only of that Purchase Price, an amount equal to the replaced part;
- (e) the Pricing Rate of the Replacement Transaction shall be the same as that of the Original ROD Repo or the Original Term DBV Repo;
- (f) subject to clause 5.8(g) of Part E below, the Bank shall pay to the Participant on the Effective Date, before the payment of the Purchase Price under the Replacement Transaction, the Repurchase Price under the DBV Repo Transaction forming part of the Original ROD Repo or under the Original Term DBV Repo which terminates on the Effective Date (or, where the Parties have agreed that the Original ROD Repo or Original Term DBV Repo is to be replaced only as to a specified proportion, that proportion of the Repurchase Price);
- (g) subject to clause 12 of Part A: (i) in the case of the replacement of all or part of an Original ROD Repo, that part of the Repurchase Price under the DBV Repo Transaction referred to in clause 5.8(f) of Part E forming part of the Original ROD Repo above which exceeds the Purchase Price under that DBV Repo Transaction and that part of the Repurchase Price of each previous DBV Repo Transaction forming part of the Original ROD Repo the payment of which has been deferred by clause 4.9 of Part E shall continue to be payable on the original Maturity Date of the Original ROD Repo, notwithstanding the termination or partial termination of the Original ROD Repo, and shall be paid on that date in the manner provided by the Operating Procedures; (ii) in the case of the replacement of all or part of an Original Term DBV Repo, that part of the Repurchase Price under the Original Term DBV Repo which exceeds the Purchase Price under that DBV Repo Transaction shall not be payable on the Effective Date but shall instead continue to be payable on the original Maturity Date of the Original Term DBV Repo and shall be paid on that date in the manner provided by the Operating Procedures; and
- (h) where the Parties have agreed that the Original ROD Repo or the Original Term DBV Repo is to be replaced only as to a specified proportion, the Original ROD Repo or the Original Term DBV Repo shall from the Effective Date continue in effect as regards the remaining proportion on the same terms in all respects.

5.9 Where the Participant has transferred Margin Securities to the Bank it may, at any time before Equivalent Margin Securities are transferred to it, request the Bank to transfer to it Equivalent Margin Securities in exchange for the transfer to the Bank of new Eligible Margin Securities having an Adjusted Market Value at the time at which the exchange is agreed at least equal to that of such Equivalent Margin Securities. Any such exchange shall be effected in accordance with the Operating Procedures.

## **6. INCOME PAYMENTS**

6.1 Subject to clause 10.7 of Part A:

- (a) where the term of any Liquidity Withdrawal Transaction extends over an Income Payment Date in respect of any Purchased Securities subject to that Liquidity Withdrawal Transaction, the Participant shall on the date specified below pay to the Bank the amount specified below at the time and in the manner provided by the Operating Procedures; and
- (b) where an Income Payment Date in respect of Margin Securities occurs before Equivalent Margin Securities are transferred by the Bank to the Participant, the Bank shall on the date specified below pay to the Participant the amount specified below at the time and in the manner provided by the Operating Procedures.

6.2 In respect of payments to be made by the Participant under clause 6.1 of Part E, the Participant shall pay to the Bank an amount equal to and in the same currency as the amount of Income paid by the issuer of the relevant securities on the date such Income is paid by the issuer. References to the amount of Income paid by the issuer shall be to an amount paid without any withholding or deduction for or on account of taxes or duties notwithstanding that a payment of such Income made in certain circumstances may be subject to such a withholding or deduction.

6.3 In respect of payments to be made by the Bank under clause 6.1 of Part E, the Bank shall pay to the Participant, normally on the date it receives such Income from the issuer (or would have received such Income if the Bank continued to hold the securities in question), an amount equal to and in the same currency as the net amount received by the Bank (or which would have been received), after any withholding or deduction for or on account of taxes or duties.

**PART F**

**TERMS AND CONDITIONS FOR DEPOSITS**

**1. APPLICATION**

1.1 Subject to clause 1.2, this Part F applies to all Deposits made by the Participant.

1.2 If the Participant is a CHAPS or CREST sterling settlement bank or otherwise than in its capacity as a Reserves Account Participant has an RTGS account with the Bank, any deposit made under the Reserves Account Facility shall be credited to the Participant's RTGS account and governed by the RTGS mandate agreement or other agreement in relation to the operation of such account between the Bank and the Participant. Such deposit shall not be a Deposit for the purposes of these Terms and Conditions but shall be subject to the provisions of the Operating Procedures.

**2. DEPOSITS**

2.1 The Participant may make a Deposit at such times, in such manner and on such terms as may be prescribed in the Operating Procedures from time to time.

2.2 Where an Event of Default or Potential Event of Default has occurred and is continuing the Bank may refuse to accept any Deposit.

**3. REPAYMENT OF DEPOSITS**

3.1 Subject to clause 3.2 of Part F and clause 13 of Part A a Deposit shall be repayable at such times and in such manner as may be prescribed in the Operating Procedures from time to time.

3.2 Upon the occurrence of an Event of Default in relation to the Participant the Bank may by notice to the Participant declare the Deposit to be repayable; provided that where clause A.13.3 applies, the Deposit shall be repayable only in accordance with that clause.

**4. INTEREST**

4.1 Unless the Participant is a CCP or an ICSD, if at close of business on any Business Day, the balance of the Participant's Deposit or on its reserves account is greater than zero, it shall bear interest payable at such rate or rates (if any), in such manner and at such times as may be specified in the Operating Procedures from time to time. For the avoidance of doubt, if any such rate is negative, the interest shall be payable by the Participant to the Bank.

4.2 If the Participant is a CCP or ICSD:

- (a) the Participant will be required to meet a target balance agreed between the CCP or ICSD and the Bank from time to time, as specified in the Operating Procedures; and
- (b) if at close of business on any Business Day the balance of the Participant's Deposit or on its reserves account is greater than zero, it shall bear interest payable at such rate or rates (if any), in such manner and at such times as may be specified in the Operating Procedures from time to time. For the avoidance of doubt, if any such rate is negative, the interest shall be payable by the Participant to the Bank.

## **5. REPRESENTATIONS AND WARRANTIES**

In addition to the representations and warranties made and given in clause A.1, the Participant represents and warrants to the Bank that all sums deposited by the Participant with the Bank shall be free and clear at all times of any lien, claim, charge or encumbrance.



**PART G**  
**TERMS AND CONDITIONS FOR OUTRIGHT PURCHASE**  
**TRANSACTIONS**

**1. APPLICATION**

1.1 This Part G applies where the Bank has admitted the Participant to its gilt purchase Open Market Operations.

1.2 Where this Part G applies, it applies to all Outright Purchase Transactions entered into between the Parties.

**2. INITIATION AND SETTLEMENT**

An Outright Purchase Transaction shall be entered into, and settlement shall be effected, in accordance with the Operating Procedures.

**3. REPRESENTATIONS AND WARRANTIES**

In addition to the representations and warranties made and given in clause 1 of Part A, the Participant represents and warrants to the Bank that at the time of sale and transfer to the Bank of any securities in connection with an Outright Purchase Transaction it will have the full and unqualified right to make such sale and that upon such sale the Bank will receive the same free and clear of any lien (other than a lien granted to the operator of the clearance system through which the securities are transferred), claim, charge or encumbrance.

## PART H

### GLOSSARY

1. In these Terms and Conditions, the following words and expressions shall have the following meanings:

**Adjusted Value** means,

- (a) in respect of any securities (other than in relation to securities transferred by the Bank in connection with a Liquidity Withdrawal Repurchase Transaction, in respect of which the Adjusted Value is determined by applying Margin Ratios in accordance with the Operating Procedures), the value of those securities determined in accordance with the following formula:

$$AV = V (100 - H)/100$$

Where:

AV = Adjusted Value

V = the Value of the relevant securities

H = the Haircut;

- (b) with respect to any Loan Collateral, the Value of the relevant Loans adjusted by such Haircut as the Bank may determine from time to time;

**Administrator** means, with respect to any Loan Collateral, the Participant or any other person appointed by the Bank to act as administrator of those Loans;

**Admission Letter** means the letter from the Bank signed by the Participant by which the Participant is admitted as a Participant in the Bank's Operations under the Sterling Monetary Framework;

**Annex** means an Annex to these Terms and Conditions including, without limitation, the documents entitled "Loan Transactions: Assignment" and "Loan Transactions: Trust";

**Assigned Rights** means with respect to any Loan Collateral, all estates, rights, title, interest and benefit of the Bank in and to the relevant Loan and any Related Security, which have been assigned to the Bank under or pursuant to these Terms and Conditions;

**Bank** means The Governor and Company of the Bank of England;

**Bank Rate** means the official Bank Rate as determined by the Bank's Monetary Policy Committee and published by the Bank from time to time;

**Bank Settlement Account** means the Bank's RTGS Sterling settlement account, the details of which will be notified to the Participant;

**Bill** means a sterling bill issued by the Bank;

**Borrower** means, with respect to any Loan Collateral, the persons named and defined as borrower under the relevant Loan or such other person or persons (other than a guarantor) who shall become legally obliged to comply with such Borrower's obligations under the related Loan;

**Broker Dealer** has the meaning given to it in paragraph 1.1(a)(i) of the Eligibility Criteria;

**Business Day** means a day (other than a Saturday or a Sunday) on which banks are open for business in London and, in respect of an obligation of the Bank to settle a Transaction or transfer securities, a day on which the relevant settlement system is also open for business or, in the case of settlement or transfer otherwise than through a settlement system, a day on which banks are also open for business in the place where the relevant securities are to be transferred and, if different, the place in which the relevant payment is to be made;

**Cash Equivalent Amount** has the meaning given in clause 2.3 of Part C;

**Cash Margin** means, in relation to Liquidity Withdrawal Repurchase Transactions, a payment of cash in a currency acceptable to the Bank from the Participant to the Bank by way of margin under clause 3 of Part E;

**CCA** means the Consumer Credit Act 1974;

**CCP** has the meaning given in paragraph 1.1(a)(ii) of the Eligibility Criteria;

**Collateral Management Portal User Guide** means the external users' guide for the Collateral Management Portal published by the Bank and available at <https://www.bankofengland.co.uk/-/media/boe/files/markets/collateral-and-settlement/collateral-management-portal-user-guide.pdf?la=en&hash=73653963BC8A29895E756AD0486DADA85C0B3E80>;

**Collateral** means Collateral Securities or Loan Collateral;

**Collateral Management Portal** means the Bank's web-based collateral management portal for Participants;

**Collateral Securities** means securities that have been transferred to the Bank by way of collateral in respect of which Equivalent Collateral Securities have not been transferred by the Bank;

**Commencement Letter** means the letter from the Bank to the Participant informing the Participant that it may commence its participation in the Facilities set out in the Admission Letter on the date specified by the Bank;

**Contingent Term Repo Facility** means the Bank's contingent term repo facility as described in the Operating Procedures;

**Covered Agreement** means any agreement, deposit made by the Participant with the Bank, or any payment arrangement or obligation (other than these Terms and Conditions or a Transaction) between the Bank and the Participant;

**CREST** means the computer based system and associated clerical procedures operated by Euroclear UK & Ireland Limited to facilitate the transfer of gilt edged securities and other uncertificated securities or any other system which may replace that system;

**Criminal Damage Claim** means a claim made under the Criminal Damage Order in relation to damage caused to Northern Irish Property;

**Criminal Damage Order** means the Criminal Damage (Compensation) (Northern Ireland) Order 1977 (or any statutory successor for the compensation of criminal damage to property for the time being in force);

**CTRF Participant** means a Participant which is admitted as a participant in the Contingent Term Repo Facility;

**CSDR** means Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2013;

**DBV Repo Transaction** has the meaning given in clause 4.1 of Part E;

**DBV Transaction** has the meaning given in clause 3.1 of Part D;

**Declaration of Trust** means the Declaration of Trust in respect of Loans (other than Scottish Loans) made by the Participant in favour of the Bank;

**Default Market Value** has the meaning given in clause 12.5 of Part A;

**Default Notice** means a written notice served by the Bank on the Participant under clause 11.1 of Part A stating that an event shall be treated as an Event of Default for the purposes of these Terms and Conditions;

**Default Termination** means, in respect of these Terms and Conditions or a Covered Agreement, the termination of all outstanding transactions or acceleration of all outstanding deposits (other than any transaction or deposit which the Bank has excluded from such termination or acceleration in accordance with these Terms and Conditions or any Designated Agreement) following the occurrence of an Event of Default or an event of default howsoever described under that Covered Agreement;

**Deliverable Securities** has the meaning given in clause 12.12(a) of Part A;

**Deposit** means a deposit made with the Bank in the course of the Operational Standing Facility or Reserves Account Facility, each as more particularly described in

the Operating Procedures including, where relevant, any interest accrued thereon but less any interest payable thereon;

***Designated Agreement*** has the meaning given in clause 13.1 of Part A;

***Disclosing Party*** has the meaning given in clause 16.1 of Part A;

***Discount Window Facility*** means the Bank's discount window facility as described in Part C of these Terms and Conditions and the Operating Procedures;

***Discount Window Facility Participant*** means a Participant which is admitted as a participant in the Discount Window Facility;

***Documentation*** means these Terms and Conditions, the Operating Procedures, the Eligibility Criteria, any Market Notice, the Admission Letter the Commencement Letter, the Annexes, the Declaration of Trust, the Scottish Transfer and the Scottish Declaration of Trust;

***Drawdown Date*** in relation to an SMF Advance means the date specified by the Bank on which the Bank makes the SMF Advance to the Participant;

***DWF DBV Transaction*** has the meaning given in clause 5.1 of Part C;

***DWF Equivalent Securities*** means securities equivalent to the DWF Swap Securities under a DWF Transaction;

***DWF ROD Transaction*** has the meaning given in clause 5.1 of Part C;

***DWF Swap Fee*** has the meaning given in clause 3.1 of Part C;

***DWF Swap Fee Payment Date*** has the meaning given in clause 3.4 of Part C;

***DWF Swap Securities*** means securities of a type that are for the time being specified in the Operating Procedures or otherwise specified by the Bank as eligible for transfer by the Bank to the Participant under a DWF Transaction;

***DWF Transaction*** has the meaning given in clause 2.1 of Part C and, unless the context otherwise requires, includes a DWF ROD Transaction;

***DWF Transaction Date*** means the date on which a DWF Transaction is to commence in accordance with clause 4.2(a) or, as the case may be, clause 5.2 of Part C;

***DWF Transaction Notice*** means a notice sent by the Participant to the Bank requesting the Bank to enter into a DWF Transaction in accordance with clause 4.2 of Part C;

***Early Termination Date*** means the date designated as such in a Default Notice;

***Effective Pooling Date*** means the date of commencement of collateral pooling as notified by the Bank to the Participant;

**Electronic Tendering System** means the Bank's electronic trading platform which is made available to Participants and through which the Bank conducts Open Market Operations;

**Electronic Tendering System User Guide** means the external users' guide for the Electronic Tendering System published by the Bank and available at <https://www.bankofengland.co.uk/-/media/boe/files/markets/sterling-monetary-framework/btender-user-guide.pdf?la=en&hash=151E98D91BF5A5F4B12677D522C19A3810C9BC2F>

**Eligible Account** has the meaning given in clause 2.12(b) of Part D;

**Eligibility Criteria** means the criteria specified by the Bank from time to time for participation in the Bank's Operations under the Sterling Monetary Framework;

**Eligible Collateral** means collateral of a type that is for the time being specified in the Operating Procedures or otherwise specified by the Bank as being eligible as collateral and which is otherwise acceptable to the Bank;

**Eligible Collateral Securities** means Eligible Collateral in the form of securities;

**Eligible Loans** means Eligible Collateral in the form of loans;

**Eligible Margin Securities** means securities that are eligible to be transferred as margin in respect of Liquidity Withdrawal Repo Transactions;

**Eligible Mortgage Loans** means Loans that are residential or commercial mortgage loans;

**EMIR** means Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories;

**Equivalent Collateral** means Equivalent Collateral Securities or Equivalent Loan Collateral and references to the transfer of Equivalent Collateral with respect to any Loans shall be construed as the re-assignment of Assigned Rights, the transfer to the Participant of the beneficial interest in Trust Assets that are the subject of a Trust Asset Re-acquisition Notice delivered by the Bank or the release of any security or trust in respect of those Loans, as the context may require;

**Equivalent Collateral Securities** means securities equivalent to Collateral Securities;

**Equivalent Loan Collateral** means loans equivalent to Loan Collateral;

**Equivalent Margin** means, in relation to any Margin provided by the Participant to the Bank in connection with Liquidity Withdrawal Repurchase Transactions, an amount in cash equal to any Cash Margin or Equivalent Margin Securities in respect of any Margin Securities, or a combination of the two;

***Equivalent Margin Securities*** means securities equivalent to securities previously transferred as Margin Securities in connection with Liquidity Withdrawal Repurchase Transactions;

***Equivalent Repo Securities*** means securities equivalent to the Purchased Securities under a Liquidity Withdrawal Repurchase Transaction;

***Event of Default*** has the meaning given in clause 11 of Part A;

***Expected Income*** means, with respect to any Purchased Securities purchased by the Participant under a Liquidity Withdrawal Repurchase Transaction, the amount of the next Income payment due to be made by the issuer of the securities, and which shall, for the purposes of clause 3.3 of Part E, be taken into account only in the period commencing on the relevant Income Payment Date and ending when the Participant makes a corresponding payment to the Bank under clause 6 of Part E;

***Facility*** means any facility provided by the Bank to the Participant in connection with the Bank's Operations under the Sterling Monetary Framework, including where applicable the intra-day liquidity facility provided by the Bank in RTGS, the NCS and any other facility specified by the Bank from time to time;

***Fee Paying Institution*** means (i) an 'eligible institution' (as defined in paragraph 2 of Schedule 2ZA to the Bank of England Act 1998) that is not required to make a levy payment to the Bank, which is admitted to one or more Facilities, (ii) a Broker Dealer, (iii) a CCP, or (iv) an ICSD;

***FSMA*** means the Financial Services and Markets Act 2000;

***Group*** means a group as defined in section 421 of FSMA (***s421***) provided that the Bank may determine from time to time (i) whether or not a Participant and another person ("P") are members of the same Group under s421 (ii) that the Participant and P are not in the same Group notwithstanding that they may be persons who would otherwise be in the same group under s421;

***Guarantee*** means a guarantee provided by the primary entity of the Participant's Group in accordance with the Eligibility Criteria;

***Guarantor*** means, with respect to a Participant, the primary entity of the Participant's Group which is required to provide a guarantee in accordance with the Eligibility Criteria;

***Haircut*** means the "haircut" for the time being prescribed in the Operating Procedures or otherwise prescribed by the Bank (and so that different haircuts may be so specified in respect of securities and loans of different descriptions);

***ICSD*** has the meaning given in paragraph 1.1(a)(iii) of the Eligibility Criteria;

***ILTR Participant*** means a Participant which is admitted as a participant in the Indexed Long-Term Repo;

***Income*** means, with respect to any Collateral, Purchased Securities, Margin Securities or DWF Swap Securities at any time, any interest, dividend or other distribution on such securities (but excluding distributions which are a payment or repayment of capital or principal in respect of such securities) and with respect to any Loan Collateral any interest and principal paid or deducted, repaid or prepaid and any other sums received by the Participant including without limitation any sums received from any Borrower or any insurer or guarantor under any Insurance Contract or Loan Guarantee;

***Income Payment Date*** means, with respect to any Collateral, Purchased Securities, Margin Securities or DWF Swap Securities, the balance date or record date (in the case of registered securities) or the payment date (in the case of bearer securities) in respect of such securities;

***Indexed Long-Term Repo*** means the Bank's indexed long-term repo facility, as described in the Operating Procedures;

***Insurance Contracts*** means, with respect to any Loan, all insurance contracts or policies arranged by the Participant from time to time relating to that Loan;

***Interest Rate*** means, in respect of any SMF Advance, the rate as stipulated by the Bank (which, for the avoidance of doubt, may be zero or negative);

***Lending Criteria*** means, with respect to Loan Collateral, the lending criteria of the Originator from time to time;

***Liquidity Withdrawal Repurchase Transaction*** means a repurchase transaction entered into in the course of the Open Market Operations, as more particularly described in the Operating Procedures;

***Loan Agreement*** means, in relation to any Loan, the agreement, any Loan Conditions, facility letter or accepted formal loan offer pursuant to which the moneys were advanced to the Borrower (as varied from time to time in accordance with its applicable terms and conditions);

***Loan Collateral*** means Loans assigned (or, if applicable, Loans over which a trust has been declared) by the Participant to the Bank as Collateral under Part D of these Terms and Conditions in respect of which Equivalent Loan Collateral has not been transferred by the Bank;

***Loan Conditions*** means in relation to any Loan the conditions applicable to that loan (including without limitation any set out in the relevant formal loan offer letter to Borrower);

***Loan Guarantee*** means each guarantee in support of the obligations of a Borrower under a Loan;

***Loan Portfolio*** means the portfolio of Loans and Related Security selected from the Provisional Portfolio and beneficially assigned (or, if applicable, over which a trust has been declared) to the Bank;



**Loan Transaction** means a Transaction, other than a Mortgage Loan Transaction, in respect of which the Bank has agreed that collateral may comprise or include Loans;

**Loan Warranties** means the Participant's representations and warranties relating to Loans as set out in the relevant Annex;

**Loans** means, with respect to any Loan Transaction or Mortgage Loan Transaction, the loans that form part of the Loan Portfolio and are or are to be beneficially assigned to the Bank, or in respect of which a trust has or will be declared over such Loans or transferred to the Bank in such other manner as the Bank may agree, which have been selected from a Provisional Portfolio, a list of which will be provided by the Participant and, where the context permits, includes the Related Security (each a **Loan**);

**Loss** means any liability, loss, damage, claim, cost, charge or expense of any nature whatsoever, whether direct or indirect;

**Margin** means Cash Margin or Margin Securities or a combination of the two;

**Margin Ratio** means, in relation to any securities transferred by the Bank in connection with Liquidity Withdrawal Repurchase Transactions, the ratio for the time being prescribed in the Operating Procedures or otherwise prescribed by the Bank (and so that different Margin Ratios may be so prescribed in respect of securities of different descriptions);

**Margin Securities** means Eligible Margin Securities transferred by the Participant to the Bank by way of Margin;

**Market Notice** means a notice published by the Bank;

**Maturity Date** (i) with respect to a DWF Transaction, has the meaning given in clause 5.2 of Part C, (ii) with respect to a Term DBV Transaction, has the meaning given in clause 3.3 of Part D and, (iii) with respect to a Term DBV Repo, has the meaning given in clause 4.5 of Part E;

**Minimum Balance** has the meaning given in Clause 1 of the RTGS Account Mandate Terms and Conditions (<https://www.bankofengland.co.uk/-/media/boe/files/payments/rtgstandc.pdf>);

**Minimum Transfer Amount** means the amount specified as such in the Operating Procedures; provided that the Bank may specify different amounts for different purposes;

**Mortgage** means for any Loan that is a mortgage loan, as the context requires, the first priority legal charge over freehold or leasehold Mortgaged Properties located in England and Wales, a Standard Security over Scottish Property, or a first priority mortgage by way of demise or sub-demise or a first priority legal charge over Northern Irish Property;

***Mortgage Account*** means as the context requires (i) all Loans secured on the same Mortgaged Property and thereby forming a single mortgage account or (ii) an account maintained by the Participant in respect of a particular Loan to record all amounts due in respect of that Loan (whether by way of principal, interest or otherwise) and all amounts received in respect thereof;

***Mortgage Loan Files*** means, in relation to each Loan that is a mortgage loan, the file or files (including files kept in microfiche format or similar electronic data retrieval system) containing correspondence between the Borrower and the Participant and including the standard mortgage documentation applicable to that Loan, each letter of offer in respect of that Loan and other relevant documents;

***Mortgage Loan Transaction*** means a Transaction in respect of which the Bank has agreed that the collateral may comprise or include Loans that are mortgage loans;

***Mortgaged Properties*** means the residential or commercial properties which are security for Loans as they are described in the list of Loans provided by the Participant and Mortgaged Property means any of the Mortgaged Properties;

***Mortgage Rate*** means the rate at which interest accrues on a Loan that is a mortgage loan from time to time;

***NCS*** means the Bank's Note Circulation Scheme;

***Net Default Amount*** means the net amount payable by one Party to the other upon a Default Termination;

***Net Exposure*** with respect to a Liquidity Withdrawal Repurchase Transaction has the meaning given in clause 3.3 of Part E;

***New Purchased Securities*** has the meaning given in clause 5.3 of Part E;

***Northern Irish Conveyance - Unregistered Land*** means in relation to Northern Irish Mortgage Loans a deed assigning and conveying any Northern Irish Mortgage Loan which does not comprise registered land in Northern Ireland in the form included in the relevant Annex;

***Northern Irish Mortgage*** means a Mortgage secured over a Northern Irish Property;

***Northern Irish Mortgage Loan*** means a Loan secured by a Northern Irish Mortgage;

***Northern Irish Property*** means, in relation to a Northern Irish Mortgage Loan and its related Northern Irish Mortgage, the freehold, fee farm grant or leasehold property in Northern Ireland mortgaged or charged as security for repayment of such Northern Irish Mortgage Loan;

***Northern Irish Transfer - Registered Land*** means in relation to Northern Irish Mortgage Loans a transfer executed in the form included in the relevant Annex;

***Open Market Operations*** means the Bank's open market operations as described in the Operating Procedures;

***Operating Procedures*** means the procedures published by the Bank relating to the Bank's Operations under the Sterling Monetary Framework;

***Operational Standing Facilities*** means the Bank's operational standing facilities as described in the Operating Procedures;

***Operational Standing Facilities Participant*** means a Participant who is admitted as a participant in the Operational Standing Facilities;

***Operations under the Sterling Monetary Framework*** means the Open Market Operations, the Operational Standing Facilities, the Indexed Long-Term Repo, the Short-Term Repo, the Reserves Account Facility, the Contingent Term Repo Facility and the Discount Window Facility;

***Originator*** means, with respect to any Loan, the Participant or, where appropriate, the third party lender of that Loan;

***Outright Purchase Transaction*** means a transaction in which the Bank purchases Eligible Collateral Securities from a Participant in the course of the Open Market Operations, as more particularly described in the Operating Procedures;

***Overdraft Rate*** means the rate applicable to overdrafts in RTGS, as determined by the Bank from time to time;

***Parent*** means a parent undertaking within the meaning of section 1162 of the Companies Act 2006;

***Participant*** means the institution identified as such in the Admission Letter;

***Party*** means the Bank or the Participant;

***Potential Event of Default*** means any event or circumstance specified in clause 11 of Part A which would (with the expiry of a grace period, the giving of notice, the making of any determination or any combination of the foregoing) be an Event of Default;

***Power of Attorney*** means a power of attorney granted by the Participant in favour of the Bank in connection with Loan Collateral;

***PRA Regulated Activities Order*** means the Financial Services and Markets Act 2000 (PRA-regulated Activities) Order 2013;

***Price Differential*** means, with respect to any Liquidity Withdrawal Repurchase Transaction as at any date, the aggregate amount obtained by the daily application of the Pricing Rate for such Transaction to the Purchase Price for such Transaction for the actual number of days elapsed during the period from (and including) the Purchase Date to (but excluding) the date as at which the calculation is made on the basis of a 365 day year;

***Pricing Rate*** means, with respect to any Liquidity Withdrawal Repurchase Transaction, the per annum percentage rate for calculation of the Price Differential

applicable to that Liquidity Withdrawal Repurchase Transaction as published by the Bank before entry into that Liquidity Withdrawal Repurchase Transaction;

**Property Deeds** means title deeds in respect of a Mortgaged Property (other than those the subject of any dematerialisation of deeds programme where the deeds have been electronically stored);

**Provisional Portfolio** means a portfolio of Loans and Related Security from which a Loan Portfolio will be selected;

**Purchase Date** means, with respect to a Liquidity Withdrawal Repurchase Transaction, a Business Day on which the Bank agrees to sell and the Participant agrees to purchase any Purchased Securities;

**Purchase Price** means, with respect to a Liquidity Withdrawal Repurchase Transaction, the amount agreed to be paid by the Participant as consideration for the purchase of the Purchased Securities;

**Purchased Securities** means the securities purchased or to be purchased by the Participant pursuant to a Liquidity Withdrawal Repurchase Transaction;

**Receivable Securities** has the meaning given in clause 12.12(b) of Part A;

**Recipient** has the meaning given in clause 16.1 of Part A;

**Regulated Agreement** means a Loan which is a regulated credit agreement as defined pursuant to FSMA;

**Related Security** means the security for repayment of Loan Collateral including any relevant Mortgage and all other matters applicable to the Loan Collateral, acquired as part of the Loan Portfolio assigned to the Bank or in respect of which a Trust Asset Designation or a Scottish Declaration of Trust has been delivered to the Bank;

**Relevant Exposure** has the meaning given in clause 2.1 of Part D; unless otherwise provided in the Operating Procedures;

**Repayment Amount** means, with respect to any SMF Advance as at any date, the amount owing from the Participant to the Bank as at that date;

**Repayment Date**, in respect of any SMF Advance, means, the date on which the SMF Advance is to be repaid and if such day is not a Business Day, the next Business Day thereafter;

**Repo Transaction Exposure** means, with respect to any Liquidity Withdrawal Repurchase Transaction at any time during the period from the Purchase Date to the Repurchase Date or, as the case may be, the Maturity Date (or, if later, the date on which Equivalent Repo Securities are transferred to the Bank), the result of the formula  $E = R - V$ , where:

R = the Repurchase Price at the Repurchase Date or, as the case may be, the Maturity Date including at that date any sums deferred under clause 4.9, clause 5.7(g) or clause 5.8(g) of Part E; and

V = the Adjusted Value of Equivalent Repo Securities at such time.

If  $E > 0$  the Participant has a Repo Transaction Exposure for that Transaction equal to E

If  $E < 0$  the Bank has a Repo Transaction Exposure for that Transaction equal to E

For the purposes of determining “V” above for a Liquidity Withdrawal Repurchase Transaction which relates to securities of more than one description to which different Haircuts or, as the case may be, Margin Ratios apply, V shall be the sum of the Adjusted Values of Equivalent Repo Securities of each such description;

**Repurchase Date** means, with respect to a Liquidity Withdrawal Repurchase Transaction, a Business Day on which the Participant agrees to sell and the Bank agrees to purchase Equivalent Repo Securities (being a Business Day specified in the relevant confirmation);

**Repurchase Price** means, with respect to any Liquidity Withdrawal Repurchase Transaction as at any date, the sum of the Purchase Price and the Price Differential as at that date;

**Reserves Account Facility** means the Bank’s reserves account facility as described in the Operating Procedures;

**Reserves Account Participant** means a Participant who is admitted as a participant in the Reserves Account Facility;

**ROD Repo** has the meaning given in clause 4.5(b) of Part E;

**ROD Transaction** has the meaning given in clause 3.3(b) of Part D;

**RTGS** means the Bank’s Real Time Gross Settlement system;

**RTGS Business Day** means a day on which RTGS is operational;

**RTGS Documentation** means the Terms and Conditions, the Operating Procedures, the Eligibility Criteria, any Market Notice, the Admission Letter and the Commencement Letter relating to the Bank’s Real Time Gross Settlement System;

**Scottish Declaration of Trust** means a declaration of trust governed by Scots law, by the Participant in favour of the Bank in relation to the Scottish Loans in a Loan Portfolio, the Scottish Mortgages (where applicable) and their Related Security;

**Scottish Loan** means a Loan governed by or otherwise subject to Scots law;

**Scottish Mortgage** means a Standard Security over a Scottish Property;

**Scottish Property** means in relation to a Scottish Loan and its related Scottish Mortgage, the heritable or long lease residential or commercial property located in Scotland secured as security for repayments of such Scottish Loan;

**Scottish Transfer** means an assignation of Scottish Mortgages registered (or subject to an application for registration) in the Land Register of Scotland, or an assignation of Scottish Mortgages recorded (or subject to an application for recording) in the General Register of Sasines;

**Securities Settlement System** means each of CREST, operated by Euroclear UK and Ireland Ltd., the settlement system of Clearstream Banking S.A., Luxembourg, the Euroclear settlement system operated by Euroclear Bank S.A./N.V. and any other securities settlement system as may be specified in the Operating Procedures from time to time;

**Short-Term Repo** means the Bank's short-term repo facility, as described in the Operating Procedures;

**SMF Advance** means any transaction comprising an advance made under the Bank's Open Market Operations, the Operational Standing Facilities, the Contingent Term Repo Facility, the Indexed Long-Term Repo, or the Short-Term Repo;

**Spot Rate** means, where an amount in a currency other than sterling is to be converted into sterling at any time, the rate of exchange determined by the Bank;

**Standard Loan Documentation** means, with respect to a Loan Portfolio, the sample standard loan documentation for each type of Loan in the Loan Portfolio, which is listed by the Participant in the first schedule to the legal due diligence report delivered to the Bank by or on behalf of the Participant for the purposes of "pre-positioning" that Loan Portfolio;

**Standard Security** means a heritable security created by a Standard Security over any interest in land in Scotland in terms of the Conveyancing and Feudal Reform (Scotland) Act 1970;

**sterling** means the lawful currency for the time being of the United Kingdom;

**Subsidiary** means a subsidiary within the meaning of section 1159 of the Companies Act 2006 and, in relation to financial statements of a Group, a subsidiary undertaking within the meaning of section 1162 of the Companies Act 2006 and, in relation to a building society, any undertaking which is an associated undertaking as defined in section 119(1) of the Building Societies Act 1986;

**SWIFT Equipment** means equipment and software used by the Participant for the purposes of sending and receiving SWIFT messages;

**SWIFT Keys** means the secret cryptographic information which controls the operation of the SWIFT cryptographic algorithms, used by SWIFT Equipment for sending and receiving SWIFT messages;

**Term DBV Repo** has the meaning given in clause 4.5(c) of Part E;

**Term DBV Transaction** has the meaning given in clause 3.3(c) of Part D;

**Termination** means, with respect to any Liquidity Withdrawal Repurchase Transaction, the sale by the Participant to the Bank of Equivalent Repo Securities for the Repurchase Price;

**Termination Date** means:

- (a) with respect to a DBV Transaction and a DWF DBV Transaction, the business day following the Transaction Date; and
- (b) with respect to a DWF Transaction other than a DWF DBV Transaction, the date on which a Transaction is to terminate in accordance with clause 2.4 of Part C or, where the Bank or the Participant serves a notice of termination under clause 4.7 or 4.8 of Part C, the date specified in that notice; provided that if such date is not a business day, termination shall occur on the immediately preceding business day.

For these purposes, **business day** shall mean a day on which CREST is open for the settlement of Gilts;

**Terms and Conditions** means these terms and conditions for participation in the Bank of England's Operations under the Sterling Monetary Framework;

**Title Deeds** means, in relation to each Loan that is a mortgage loan and its Related Security and the Mortgaged Property relating thereto, all conveyancing deeds and documents which make up the title to the Mortgaged Property and the security for the Loan and all searches and enquiries undertaken in connection with the grant by the Borrower of the related Mortgage, in each case, if subject to a dematerialisation programme, to the extent (if any) retained by the Participant;

**Transaction** means any or all of an SMF Advance, a Deposit, a Liquidity Withdrawal Repurchase Transaction, a ROD Repo, a Term DBV Repo, an Outright Purchase Transaction, a DWF Transaction or, where applicable, the provision of any collateral;

**Transaction Costs** has the meaning given in clause 12.12(c) of Part A;

**Transaction Date** with respect to a DBV Transaction, has the meaning given in clause 3.3 of Part D;

**Transferred Collateral** means Collateral transferred to the Bank in respect of which Equivalent Collateral has not been transferred;

**Trust Asset Designation, Trust Asset Re-acquisition Notice, Trust Assets and Trustee** have the meaning given in the Declaration of Trust; and

**Value** means:

- (a) in relation to an amount of cash its nominal amount;

- (b) in relation to any securities, the fair value of the securities as determined by the Bank, using observed market prices or reference prices published by the UK Debt Management Office or having regard to such pricing sources and methods (which may include, without limitation, available prices for securities with similar maturities, terms and credit characteristics as the securities) as the Bank considers appropriate, plus the aggregate amount of Income which, as at the relevant date, has accrued but not yet been paid in respect of the securities (other than in the case of securities which are ex dividend) to the extent not included in such determination; and
- (c) in relation to any Eligible Loan at any time, the value of that Eligible Loan as determined by the Bank having regard to such pricing sources and methods as the Bank considers appropriate.

The Operating Procedures may also make further provisions in relation to valuation. The Value of any cash, securities or loan shall be stated in sterling and any amounts which would otherwise be expressed in another currency shall for this purpose be converted into sterling at the Spot Rate as determined by the Bank as applying at the relevant time.

2. In these Terms and Conditions any reference to:

- (a) securities being *equivalent to* other securities is to securities of the same issuer, part of the same issue and of an identical type, nominal value, description and amount as those other securities; provided that securities will be equivalent to other securities notwithstanding that those securities have been redenominated in to a different currency or that the nominal value of those securities has changed in connection with such redenomination. If and to the extent that such securities consist of securities that are partly paid or have been converted, subdivided, consolidated, made the subject of a takeover, rights of pre-emption, rights to receive securities or a certificate which may at a future date be exchanged for securities, the expression shall include such securities or other assets to which the holder is entitled following the occurrence of the relevant event, and provided that the Participant or the Bank, as the case may be, has paid to the other Party all and any sums due in respect thereof. In the event that any securities have been redeemed, are partly paid, are the subject of a capitalisation issue or are subject to an event similar to any of the foregoing events described in this clause, the expression shall have the following meanings:
  - (i) in the case of redemption, a sum of money equivalent to the proceeds of the redemption;
  - (ii) in the case of a call on partly paid securities, securities equivalent to the relevant partly paid securities, provided that the Participant shall have paid the Bank an amount of money equal to the sum due in respect of the call;
  - (iii) in the case of a capitalisation issue, securities equivalent to the relevant securities together with the securities allotted by way of bonus thereon;



- (iv) in the case of any event similar to any of the foregoing events described in this clause, securities equivalent to the original securities together with or replaced by a sum of money or securities or other property equivalent to that received in respect of such securities resulting from such event;
- (b) ***transfer*** of:
  - (i) Collateral with respect to any Loans shall be construed as the assignment of Assigned Rights, the delivery of a Trust Asset Designation or the grant of security in respect of those Loans, as the context may require; and
  - (ii) Equivalent Collateral with respect to any Loans shall be construed as the re-assignment of Assigned Rights, the delivery of a Trust Asset Re-acquisition Notice or the release of security in respect of those Loans as the context may require;
- (c) a liquidator or administrator includes a bank liquidator and a bank administrator appointed under the Banking Act 2009 and an investment bank special administrator appointed under the Investment Bank Special Administration Regulations 2011, as the context may require;
- (d) an enactment or statutory provision or a Council Directive or Regulation or international convention or any other legislative provision is a reference to it as it may have been, or may from time to time be, amended, modified, replaced, extended, consolidated or re-enacted (in whole or in part), and any subordinate legislation made or other thing done under the statutory provision, whether before or after the date of the Admission Letter in respect of any Participant. Any reference to any provision of direct EU legislation is a reference to it as it forms part of retained EU law in the United Kingdom;
- (e) an English legal term for any action, remedy, method of judicial proceeding, legal document, legal status, court, official or any legal concept or thing shall, in respect of any jurisdiction other than England, be deemed to include a reference to what most nearly approximates in that jurisdiction to the English legal term;
- (f) these Terms and Conditions or any other document or agreement shall be construed as a reference to these Terms and Conditions or such other document or agreement as amended, varied, novated or supplemented from time to time;
- (g) a numbered clause preceded by a letter is to a clause in the relevant Part of these Terms and Conditions;
- (h) the Documentation or any Covered Agreement is a reference to it as it may from time to time be amended, supplemented or replaced; and
- (i) time is to London time.

3. In any Annex any reference to:
- (a) “assign” or “assigned” or an “assignment” or transfer of the “beneficial interest” or such similar wording including, without limitation, “assigned and transferred”, “equitable or beneficial transfer” and Loans or Eligible Loans being “beneficially assigned” shall, in the context of any Scottish Property, Scottish Loans or their Related Security, be construed to mean the entry into and delivery to the Bank of the documents detailed in the relevant Annex and the transfer of the relevant Participant’s interest in such Scottish Property, Scottish Loans, Scottish Mortgages or their Related Security (as the case may be) to the Bank thereunder;
  - (b) “re-assignable” shall mean in relation to any Scottish Loans that are the subject of a Scottish Declaration of Trust or Scottish Transfer, which remain in force in relation to such Scottish Loans, subject to the transfer or re-vesting in the relevant Participant of the Scottish Loans and subject to re-delivery of the Scottish Transfers to the relevant Participant;
  - (c) “vesting of the beneficial interest” in Loans, Eligible Loans or Mortgages (or similar wording) shall in the context of the Scottish Mortgages and Scottish Loans mean the Bank has the benefit of a trust declared over such Scottish Mortgages or Scottish Loans (as the case may be);
  - (d) “legal title” in the context of any Scottish Property, Scottish Loans, Scottish Mortgages and their Related Security shall mean the “absolute title”; and
  - (e) “full title guarantee” in the context of any Scottish Property, Scottish Loans, Scottish Mortgages and their Related Security shall mean “absolute warrandice” and in the context of any Loans and Related Security which are governed by the laws of Northern Ireland, any Northern Irish Property, Northern Irish Mortgage Loans, Northern Irish Mortgages and Related Security shall mean “as beneficial owner”.