

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

**IMPORTANT NOTE:** *This draft template instrument is intended to increase awareness and understanding of the actions that may take place in a bail-in resolution in the United Kingdom. In light of the fact that bail-in is a crisis management tool, the Bank of England (the Bank) must be able to retain the full discretion accorded to it under the Banking Act 2009 as to how to respond to the circumstances of a particular case. Any use of the Bank's bail-in powers will depend on the facts and circumstances of the particular case, and may be different from the actions and approach set out in this draft template instrument. Accordingly, this draft template instrument is not, and should not be regarded as, indicative of the Bank's settled view in relation to any aspect of bail-in or resolution generally, as indicative that any actual bail-in resolution instrument which may be required in connection with the resolution of a particular firm would be in this form or would contain provisions the same as or similar to any of the provisions herein or as specifying an exhaustive list of the powers that may be exercised or the provisions that may be included in any actual bail-in resolution instrument.*

### The [Name of Building Society] Resolution Instrument 20[ ]<sup>1</sup>

Made - - - - [date]

Coming into force - [date]

The PRA is satisfied that Condition 1 in Section 7 of the Banking Act (as applied by Section 84 of that Act) is met and the Bank of England is satisfied that Conditions 2, 3 and 4 in section 7 of the Banking Act (as applied by Section 84 of that Act) are met.

Accordingly, the Bank of England, having had regard to the special resolution objectives and the code of practice published by HM Treasury under section 5 of the Banking Act, in the exercise of the powers conferred by Sections 12A, 12AA, [15,] [17,] [18,] [19,] [20,] [21,] [23,] [34,] [35,] [36,] [37,] [38,] [39] [40,] [48B to 48W,] 48WA, 48Z, [62A to E] [and 81BA-BC, 81C and 81CA]] 84, and 84A to D

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<sup>1</sup> This Template Bail-in Resolution Instrument (Building Society) (referred to in these notes as the "Template Resolution Instrument") has been drafted on a hypothetical basis in relation to a building society (referred to in these notes as the Society) where the bail-in will be effected in accordance with S.84A(5)(b) of the Banking Act by: (a) the transfer of the assets and liabilities of the Society to a company [New Bank plc] wholly owned by the Bank of England (referred to on this Template Instrument as the "BoE"), (b) the reduction and or cancellation of certain liabilities; and (c) the substitution of a new company which is the holding company of [New Bank plc] established for the purpose of the resolution by the BoE (referred to as [New HoldCo plc ]) as obligor in respect of certain liabilities of [New Bank plc]. An alternative option for the bail-in is the conversion of the Society into a public limited company under S. 84(5)(a) Banking Act which would become the successor company. As with a transfer under S.84A(5)(b), on a conversion under S. 84A(5)(a), the [New HoldCo] is required to be wholly-owned by the BoE, a resolution administrator appointed by the BoE or a person nominated by the BoE. The BoE would decide on which option to adopt at the relevant time. The bail-in structure in this Template Resolution Instrument has been designed to comply with the U.S. Securities Act of 1933.

It is assumed that the bail-in will affect the entitlement of investing members to the reserves of the Society and the rights of holders of CCDS, AT1 and Tier 2 regulatory capital instruments and secondary non-preferential (SNP) debt securities issued by the Society. This Template Resolution Instrument assumes the possibility of a bail-in of SNP debt securities in part. It is necessary to comply with the provisions of S.12AA of the Banking Act (sequence of write down and exchange of capital instruments and liabilities) as applied by section 84A of the Banking Act. Accordingly, for a write-down in whole or in part of SNP debt instruments issued by the Society to be possible it would be necessary for the Resolution Instrument to provide for the transfer, cancellation or dilution of all CET1 instruments (this Template Resolution Instrument provides for all investing members' shares in the Society and their membership rights to be cancelled with their shares/share accounts converted to deposits and all CCDS issued by the Society and the related membership rights to be cancelled) and the reduction to zero upon the grant of potential rights to onward property and proceeds (PROPPs) of all AT1 and Tier 2 instruments including those which are constituted as shares in the Society in relation to which the related membership rights in the Society would be cancelled. The entitlement of the classes of beneficiaries of PROPPs (PROPP Beneficiaries) could be zero.

Explanations of individual provisions of this Template Resolution Instrument and of potential options for the way in which the bail-in could be structured are contained in the footnotes.

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of that Act, makes this instrument.<sup>2</sup>

Under Section 52A of the Banking Act, where the Bank of England has made a resolution instrument under Section 12A(2) of that Act, HM Treasury is required to make a bail-in compensation order under Section 49(2A) of the Banking Act to establish a scheme for determining whether any persons should be paid compensation.

### PART 1 GENERAL

#### Citation and commencement

1. This Instrument may be cited as The [*Name of Building Society*] Resolution Instrument [Year].
2. This Instrument comes into force at the Resolution Time.

#### Interpretation: general

3. In this Instrument:

“Allocation Expiration Date” means the day falling [ ] days after the Allocation Ratio Announcement Date.

[“Allocation FX Rate” means [the middle exchange rate on the London Foreign Exchange Market at the close of business [on the day on which foreign exchange markets were open in London immediately prior to the [Allocation Ratio Announcement Date]], as published for such date on [ ] [or, in absence of any such published rate, such rate as the [Bank of England] determines];<sup>3</sup>

“Allocation Period” means the period from and including the first day following the Allocation Ratio Announcement Date to but excluding the Allocation Expiration Date;

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<sup>2</sup> The powers on which the BoE will rely for the relevant Resolution Instrument will be determined for the particular resolution. It should also be considered whether HM Treasury (referred to in these notes as “HMT”) may wish to consider making an order under S.74 of the Banking Act (regarding the tax consequences of the exercise of the BoE’s powers, e.g. to disapply tax on income which may be treated as arising as a consequence of the write down of liabilities in bail-in) or S. 75 Banking Act (power to change the law for the purpose of enabling the BoE’s powers to be used effectively having regard to the special resolution objectives). The transfer of assets, rights and liabilities by the Resolution Instrument will not attract stamp duty or stamp duty reserve tax (SDRT) as a consequence of S. 49 Finance Act 2019 which inserted an exemption for transfers of marketable securities by a resolution instrument (S. 85A) in the Finance Act 1986. Under S.48WA Banking Act the BoE is entitled to recover its expenses reasonably incurred in connection with the exercise of a stabilisation option by directing the Society or any successor company to pay a fee. This fee could cover the costs of establishing [New Bank] and [New HoldCo] as public limited companies. A S.75 order could deal with any concerns about financial assistance if the fee was used to cover the cost of the initial capitalisation of [New Bank] and [New HoldCo]. The fee could be dealt with outside the Resolution Instrument.

<sup>3</sup> This definition is one possible approach to dealing with non-sterling liabilities and an exchange rate which could be used in that context and has been included for the purpose of illustration only. Other approaches are possible. It is modelled on the definition of the official exchange rate in Rule 14.21 of the Insolvency (England and Wales) Rules 2016/1024 (debts in foreign currency) for use in a Bank Insolvency Procedure. Rule 14.21 provides that all debts incurred or payable in a currency other than sterling must be converted into sterling at a single rate for each currency determined by the office holder by reference to the exchange rates prevailing at the relevant date. This rate would be used to convert into sterling any securities the subject of bail-in which are denominated in a currency other than sterling. The Allocation FX Rate to be used in respect of SNP Instruments denominated in a currency other than sterling or for converting any non-sterling amounts which have been received and added to Deposited Property during the resolution period will be considered at the relevant time.

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“Allocation Ratio Announcement Date” means [the date on which the Bank of England makes the Supplemental [Society] Resolution Instrument announcing the Allocation Ratios];<sup>4</sup>

“Allocation Ratios” means the Class [A] Allocation Ratio, the Class [B] Allocation Ratio, [EITHER] [and the Class [C] Allocation Ratio] [OR] [, the Class [C1] Allocation Ratio and the Class [C2] Allocation Ratio];

“Appointment Agreements” means the Deposit Agreement [and the Custody Agreement];<sup>5</sup>

“AT1 Instruments” means the [perpetual contingent convertible debt securities] [additional tier 1 capital instruments] issued by the Society with ISIN numbers [ ] and [ ];<sup>6</sup>

“Banking Act” means the Banking Act 2009 (as amended);

“Building Societies Act” means the Building Societies Act 1986 (as amended);

“Business Day” means any day on which commercial banks are open for general business in London but excluding Saturday and Sunday and any day which is a bank holiday within the meaning of the Banking and Financial Dealings Act 1971;

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<sup>4</sup> The Allocation Ratio Announcement Date would be decided and the Supplemental [Society] Resolution Instrument would be made following completion of the final equity valuation process (Valuation 3). The Template Instruments provide that the Supplemental [Society] Resolution Instrument would be made on the Allocation Ratio Announcement Date, but this could be altered as required. Following the final equity valuation the BoE should be able to determine the full extent of the bail-in required and set the Allocation Ratios for each class of PROPP. Once this has been determined by the BoE, the Allocation Period and the Allocation Expiration Date would be determined automatically as a consequence of the definitions in this Template Resolution Instrument.

<sup>5</sup> Whether a separate agreement dealing with any custody functions in relation to the [[New HoldCo] Shares,] [ SNP Instruments,] [and the New Debt Instruments] in [New HoldCo] will be required or whether all relevant provisions can be included in a single Deposit Agreement will depend on the requirements of the institution which is selected as Depositary. It is possible that separate group companies may be used by the relevant service provider.

Although not dealt with in this Template Resolution Instrument, the BoE may decide to arrange for an adviser familiar with capital markets (the “Allocation Adviser”) to be appointed to manage the delivery of [New HoldCo] Shares and other Deposited Property to PROPP Beneficiaries on behalf of the BoE and [New HoldCo]. If such an Allocation Adviser was to be appointed, an agreement between [New HoldCo], BoE and the Allocation Adviser would also be required.

<sup>6</sup> The capital structure of a building society is unlike that of a bank because of its mutual nature. Under the Building Societies Act 1986 in its original form, a society was free to issue shares of any class to bodies corporate as well as to individuals. Since the new section 8 Building Societies Act came into force, societies have been prohibited from raising funds by issuing shares (other than deferred shares) to a body corporate, or to a bare trustee for a body corporate or for persons who include a body corporate. The new section 8 does not affect shares which were held by a body corporate at the time when the section came into force, but no further shares may be issued to the body after that time unless the shares are deferred shares or their issue does not involve the raising of funds (as where the shares are issued in respect of interest due).

A society will have shareholding members, sometimes called investing members, who are likely to be a combination of individuals and bodies corporate of various kinds. These will include micro, small and/or medium sized enterprises (“SMEs”). Individuals and SMEs who hold shares not being deferred shares will become depositors in [New Bank]. CSDS (being CET1 instruments) will be cancelled. Deferred shares (not being CSDS) which are AT1 or Tier 2 liabilities and related membership rights will be cancelled and PROPPs granted to the former holders immediately prior to the Resolution Time. AT1 Instruments and Tier 2 instruments which are not shares will be cancelled and PROPPs granted to the former holders immediately prior to the Resolution Time.

If there are multiple classes of instruments which are to be treated the same way in the bail-in, e.g. because they would rank *pari passu* in an insolvency of the society, it should be possible to create a single class of PROPPs corresponding to all such classes of instruments. If different classes of a particular type of instrument are to be treated differently in the bail-in there will need to be separate classes of PROPPs corresponding to the relevant classes of such instruments. This Template Resolution Instrument has been drafted on the assumption of a single class of Class [A] PROPPs corresponding to all classes of AT1 Instruments, including AT1 instruments which are shares, a single class of Class [B] PROPPs corresponding to all classes of Tier 2 Instruments, including Tier 2 instruments which are shares (including PIBS and PROPS), and a single class of Class [C] PROPPs corresponding to all classes of SNP Instruments.

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“Cash Account” means a [non-interest earning] pounds sterling account maintained by the Depository for the benefit of PROPP Beneficiaries into which cash amounts are paid in accordance with Paragraph [58, 59 or 61] of this Instrument;<sup>7</sup>

“CCDS” means the core capital deferred shares issued by the Society with ISIN numbers [ ] and [ ];

“Class [A] Allocation Ratio” means the fractional number determined by the Bank of England following the Valuation Date and to be used by the Bank of England for the purpose of calculating the Class [A] Entitlement in accordance with Paragraph [37] of this Instrument;

“Class [A] Entitlement”, in relation to a Class [A] PROPP Beneficiary, means the fractional amount of Deposited Property to which that Class [A] PROPP Beneficiary is entitled as determined in accordance with Paragraph [37] of this Instrument and specified in the relevant Deposited Property Transfer Request;

“Class [A] Portion”, in relation to a Class [A] PROPP Beneficiary, means the percentage of the AT1 Instruments in issue immediately prior to the Resolution Time that were then held by that PROPP Beneficiary calculated by reference to the principal amount outstanding of such AT1 Instruments<sup>8</sup> then held by that PROPP Beneficiary immediately prior to the Resolution Time and the aggregate principal amount outstanding of all AT1 Instruments in issue immediately prior to the Resolution Time;

“Class [A] PROPP” means a PROPP in respect of such proportion of Deposited Property as is determined in accordance with and subject to this Instrument;<sup>9</sup>

“Class [A] PROPP Beneficiary” means a person who has been granted a Class [A] PROPP in accordance with [paragraph 25] of this Instrument (or any person who acquires a Class [A] PROPP from that person by operation of law);

Class [B] Allocation Ratio” means the fractional number determined by the Bank of England following the Valuation Date and to be used by the Bank of England for the purpose of calculating the Class [B] Entitlement in accordance with Paragraph [39] of this Instrument;

“Class [B] Entitlement”, in relation to a Class [B] PROPP Beneficiary, means the fractional amount of Deposited Property to which that Class [B] PROPP Beneficiary is entitled as determined in accordance with Paragraph [39] of this Instrument and specified in the relevant Deposited Property Transfer Request;

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<sup>7</sup> A Cash Account has been included to cover the possibility (albeit unlikely) of a cash distribution or interest or principal payment being made in respect of the Shares or any debt instruments transferred to and held by the Depository during the bail-in.

<sup>8</sup> In the case of AT1 Instruments which are Deferred Shares the terminology used in this Template Resolution Instrument in relation to principal amount outstanding, principal, interest and interest accrual etc should be checked against the Society’s rules and the terms of such instruments and this definition amended as necessary. The rules/terms of issue may for example simply refer to the nominal value of Deferred Shares.

<sup>9</sup> The number of classes of PROPP and the bailed-in securities to which they correspond will depend on the capital structure of the Society and how the bail-in is structured. In this Template Resolution Instrument three classes of PROPP (A, B and C) corresponding respectively to all AT1 Instruments, all Tier 2 Instruments and all SNP Instruments of the hypothetical Society have been included for the purpose of illustration. In an actual bail-in resolution, the number of different classes of PROPP will be case specific. If separate classes of PROPPs were necessary for different classes of AT1 Instruments, Tier 2 Instruments or SNP Instruments for any reason, additional classes, definitions and corresponding modifications to this Template Resolution Instrument would be necessary. If there is a deferred bail-in and there is more than one class of SNP Instruments, additional classes of PROPPs corresponding to the different classes of SNP Instrument would be necessary – e.g. C1, C2 etc. – in order to ensure the “return” of the same class of SNP Instruments (following write down) which the original holder held immediately prior to the Resolution Time. In this Template Resolution Instrument, definitions referring to Class [C1] PROPPs and Class [C2] PROPPs and related terms have been included for the purpose of illustrating how a deferred bail-in might work if there were more than one class of SNP Instruments.

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“Class [B] Portion”, in relation to a Class [B] PROPP Beneficiary, means the percentage of the Tier 2 Instruments in issue immediately prior to the Resolution Time that were then held by that PROPP Beneficiary calculated by reference to the principal amount outstanding of such Tier 2 Instruments<sup>10</sup> then held by that PROPP Beneficiary immediately prior to the Resolution Time and the aggregate principal amount outstanding of all Tier 2 Instruments in issue immediately prior to the Resolution Time;

“Class [B] PROPP” means a PROPP in respect of such proportion of Deposited Property as is determined in accordance with and subject to this Instrument;

“Class [B] PROPP Beneficiary” means a person who has been granted a Class [B] PROPP in accordance with [paragraph 26] of this Instrument (or any person who acquires a Class [B] PROPP from that person by operation of law);

[“Class [C] Entitlement”, in relation to a Class [C] PROPP Beneficiary, means the fractional amount of Deposited Property to which that Class [C] PROPP Beneficiary is entitled as determined in accordance with Paragraph [41] of this Instrument and specified in the relevant Deposited Property Transfer Request;]

[“Class [C] Allocation Ratio” means the fractional number determined by the Bank of England following the Valuation Date and to be used by the Bank of England for the purpose of calculating the Class [C] Entitlement in accordance with Paragraph [41] of this Instrument;]

[“Class [C] Portion”, in relation to a Class [C] PROPP Beneficiary, means the percentage of the SNP Instruments in issue immediately prior to the Resolution Time that were then held by that PROPP Beneficiary calculated by reference to the nominal value of such SNP Instruments then held by that PROPP Beneficiary immediately prior to the Resolution Time and the aggregate nominal value of all SNP Instruments in issue immediately prior to the Resolution Time;]

[“Class [C] PROPP” means a PROPP in respect of such proportion of Deposited Property as is determined in accordance with and subject to this Instrument;<sup>11</sup>]

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<sup>10</sup> In the case of Tier 2 Instruments which are Deferred Shares the terminology used in this Template Resolution Instrument in relation to principal amount outstanding, principal, interest and interest accrual etc should be checked against the Society’s rules and the terms of such instruments and this definition amended as necessary. The rules/terms of issue may for example simply refer to the nominal value of Deferred Shares

<sup>11</sup> If it is not possible to assess with an adequate level of confidence the full scale of any write down of SNP Instruments until the final equity valuation (Valuation 3) is obtained, two possible approaches to structuring the bail-in are as follows:

(1) **“subsequent additional bail-in” option:** the Resolution Instrument could provide for an immediate write down in part of the SNP Instruments with the option of a further write down of the SNP Instruments following the equity valuation. Such a further write-down is referred to in the notes to this Template Resolution Instrument as a subsequent additional bail-in. In such a case, when the subsequent additional bail-in occurs, the entitlement of the PROPP Beneficiaries who held the relevant SNP Instruments (in this Template Resolution Instrument the Class [C] PROPP Beneficiaries) would need to be adjusted. Trading in SNP Instruments would need to be suspended at the Resolution Time and such suspension would need to remain in place until allocation of Shares to PROPP Beneficiaries is completed.

(2) **“deferred bail-in” option:** the Resolution Instrument could provide for a proposed bail-in of the SNP Instruments with the amount of the bail-in to be determined following completion of the equity valuation process (see S 12A(2A) and (5) Banking Act). This is referred to in the notes to this Template Resolution Instrument as a deferred bail-in. In such a case the SNP Instruments to be bailed-in could remain with the PROPP Beneficiary but be suspended from trading or be transferred to the Depositary. In the latter case, the Depositary would hold the SNP Instruments until completion of the equity valuation process following which they would be written down in whole or in part. If written down in part only, following write down the entitlement of the PROPP Beneficiaries who held the relevant SNP Instruments prior to the Resolution Time would be to receive such written down SNP Instrument together with any Shares to which they are entitled following such partial write down. The transfer of such SNP Instruments back to the PROPP Beneficiaries could be effected by the [New HoldCo] Share Transfer Instrument. In a deferred bail-in, if more than one class of SNP Instruments exists, the PROPPs to be issued to the former holders of the SNP Instruments would need to be created as separate classes with each class (in this Template Resolution Instrument Class [C1] PROPPs and Class [C2] PROPPs) corresponding to a different class of SNP Instruments so that, in the event of a partial write down of SNP Instruments, the PROPP Beneficiaries would receive the correct class of partially written-down SNP Instrument on allocation of PROPPs following completion of the final equity valuation.

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["Class [C] PROPP Beneficiary" means a person who has been granted a Class [C] PROPP in accordance with [paragraph 28] of this Instrument (or any person who acquires a Class [C] PROPP from that person by operation of law);]

["Class [C1] Allocation Ratio" means the fractional number determined by the Bank of England following the Valuation Date and to be used by the Bank of England for the purpose of calculating the Class [C1] Entitlement in accordance with Paragraph [41] of this Instrument;]

["Class [C1] Deposited Instrument Property" means the [xxxx] SNP Instruments and all and any other securities, property and cash received by or on behalf of the Depository or its agents and attributable to the [xxxx] SNP Instruments;]<sup>12</sup>

["Class [C1] Deposited Property" means the Shares, any other Deposited Property and [the Class [C1] Deposited Instrument Property];]<sup>13</sup>

["Class [C1] Entitlement", in relation to a Class [C1] PROPP Beneficiary, means the fractional amount of Class [C1] Deposited Property [and the fractional principal amount of New Debt Instruments] to which that Class [C1] PROPP Beneficiary is entitled as determined in accordance with Paragraph [41] of this Instrument and specified in the relevant Deposited Property Transfer Request;]

["Class [C1] Portion", in relation to a Class [C1] PROPP Beneficiary, means the percentage of [xxxx] SNP Instruments in issue immediately prior to the Resolution Time that were then held by that PROPP Beneficiary calculated by reference to the principal amount outstanding of such [xxxx] SNP Instruments then held by that PROPP Beneficiary immediately prior to the Resolution Time and the aggregate principal amount outstanding of all [xxxx] SNP Instruments in issue immediately prior to the Resolution Time;]

["Class [C1] PROPP" means a PROPP in respect of such proportion of Class [C1] Deposited Property as is determined in accordance with and subject to this Instrument and "Class [C1] PROPPs" shall be construed accordingly;]<sup>14</sup>

["Class [C1] PROPP Beneficiary" means a person who has been granted a Class [C1] PROPP in accordance with [paragraph 28] of this Instrument (or any person who acquires a Class [C1] PROPP from that person by operation of law).]

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If it were considered appropriate (e.g. to communicate the quantum of the minimum write-down of SNP Instruments that would occur, assuming that this could be determined with sufficient confidence) it would be possible to combine elements of the different bail-in structures. At the Resolution Time there could be an immediate write-down of the SNP Instruments in such minimum amount, a transfer of the written down SNP Instruments to the Depository and the granting of PROPPs to the former holders of the SNP Instruments. Once the equity valuation was complete a subsequent additional write down of such SNP Instruments could occur pursuant to the Supplemental [Building Society] Resolution Instrument which would be made at that time and which would also determine the quantum of Shares (and if relevant any New Debt Instruments) which the relevant PROPP Beneficiaries would receive.

In any bail-in the SNP Instruments will need to be modified to become obligations of [New HoldCo] and any consequential amendments will need to be made. Paragraph [25] of this Template Resolution Instrument deals with this.

<sup>12</sup> For illustrative purposes it has been assumed in this Template Resolution Instrument that there are two classes of SNP Instruments (the [xxxx] SNP Instruments and the [yyyy] SNP Instruments) and therefore that on a deferred bail-in two classes of PROPPs related to the SNP Instruments would be created, the Class [C1] PROPPs and the Class [C2] PROPPs, respectively. The reference to Deposited Instrument Property is only relevant if the SNP Instruments are to be the subject of deferred bail-in. In such case it is proposed that the SNP Instruments would be transferred to the Depository to be held by the Depository during the bail-in period and, assuming they are not written down in full, transferred to the Class [C1] PROPP Beneficiaries or Class [C2] PROPP Beneficiaries, as applicable, following the partial write down of such SNP Instruments and the allocation of [New HoldCo] Shares in respect thereof.

<sup>13</sup> The reference to Deposited Instrument Property is only relevant if the SNP Instruments are to be the subject of deferred bail-in.

<sup>14</sup> This definition, the other Class [C1] related definitions and the equivalent Class [C2] related definitions are only relevant if there is a deferred bail-in of SNP Instruments and there is more than one class of SNP Instruments which are to be transferred to the Depository during the bail-in period.

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["Class [C2] Allocation Ratio" means the fractional number determined by the Bank of England following the Valuation Date and to be used by the Bank of England for the purpose of calculating the Class [C2] Entitlement in accordance with Paragraph [41] of this Instrument;]

["Class [C2] Deposited Instrument Property" means the [yyyy] SNP Instruments and all and any other securities, property and cash received by or on behalf of the Depository or its agents and attributable to the [yyyy] SNP Instruments;]

["Class [C2] Deposited Property" means the Shares, any other Deposited Property and [the Class [D2] Deposited Instrument Property];]

["Class [C2] Entitlement", in relation to a Class [C2] PROPP Beneficiary, means the fractional amount of Class [C2] Deposited Property [and the fractional principal amount of New Debt Instruments] to which that Class [C2] PROPP Beneficiary is entitled as determined in accordance with Paragraph [41] of this Instrument and specified in the relevant Deposited Property Transfer Request;]

["Class [C2] Portion", in relation to a Class [C2] PROPP Beneficiary, means the percentage of [yyyy] SNP Instruments in issue immediately prior to the Resolution Time that were then held by that PROPP Beneficiary calculated by reference to the principal amount outstanding of such [yyyy] SNP Instruments then held by that PROPP Beneficiary immediately prior to the Resolution Time and the aggregate principal amount outstanding of all [yyyy] SNP Instruments in issue immediately prior to the Resolution Time;]

["Class [C2] PROPP" means a PROPP in respect of such proportion of Class [C2] Deposited Property as is determined in accordance with and subject to this Instrument;]

["Class [C2] PROPP Beneficiary" means a person who has been granted a Class [C2] PROPP in accordance with [paragraph 28] of this Instrument (or any person who acquires a Class [C2] PROPP from that person by operation of the law).]

"Clearstream" means Clearstream Banking S.A., and any successor thereto;

"common depository/safekeeper" means, in relation to any AT1 Instruments, Tier 2 Instruments, SNP Instruments [and New Debt Instruments], the person acting as the common depository or common safekeeper, as the case may be, for [CREST,] the ICSDs, or other relevant clearing system of the global instrument or master certificate in respect of such class of securities;

"Companies Act" means the Companies Act 2006;

"CREST" means the central securities depository and electronic settlement system for UK securities operated by EUI;

"CSD", in relation to any AT1 Instruments, Tier 2 Instruments and SNP Instruments, the person acting as central securities depository for those instruments, including (without limitation and to the extent appropriate in relation to any instrument) CREST, the ICSDs and DTC;

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["Custodian" means [ ] and any other person appointed as custodian to hold [the [New HoldCo] Shares and <sup>15</sup> [the SNP Instruments] [on behalf of the Depository];]<sup>16</sup>

["Custody Agreement" means [ ]];

"data controller" means controller (as that term is defined in the UK GDPR as supplemented by the Data Protection Act 2018);

"default event provision" has the meaning contained in Section 48Z(1) of the Banking Act;

"Deferred Shares" means the CCDS, PIBS and PPDS;

"Deposit Agreement" means the agreement [dated [ ]] between [New HoldCo][New Bank], [ ] as Depository [and Custodian], [the Resolution Administrator] and the Bank of England relating to the [New HoldCo] Shares, [SNP Instruments and New Debt Instruments] transferred to the Depository by this Instrument;

"Depository" means [ ] and any other person appointed by the Bank of England from time to time to receive the [New HoldCo] Shares [,SNP Instruments and New Debt Instruments] and to act in connection with this Instrument;<sup>17</sup>

["Deposited Instrument Property" means the Class [C1] Deposited Instrument Property and the Class [D2] Deposited Instrument Property;]<sup>18</sup>

["Deposited Property" means and includes the [New HoldCo] Shares and the Deposited Instrument Property;]

"Deposited Property Transfer Request" means a request by the Depository to the Bank of England substantially in the form of Schedule [ ] to the Deposit Agreement for the making of a [New HoldCo] Share Transfer Instrument to transfer the relevant Deposited Property to the relevant PROPP Beneficiaries

["Deposited Shares" means the [New HoldCo] Shares to be issued by [New HoldCo] to the Depository on or as soon as practical following the Allocation Ratio Announcement Date and to be held by [the Depository] [the Custodian on behalf of the Depository] together with the [New HoldCo] Shares to be transferred by the Bank of England to [the Depository] [the

<sup>15</sup> The arrangements for the issue of [New HoldCo] Shares to be delivered to PROPP Beneficiaries (together with the [New HoldCo] Shares initially held by BoE) need to be considered. There are two possibilities: (a) the direct issue and allotment of the [New HoldCo] Shares credited as fully paid to the securities accounts of the relevant PROPP Beneficiaries; or (b) the issue and allotment of the [New HoldCo] Shares credited as fully paid to the Depository/Custodian and then subsequent transfer of the [New HoldCo] Shares by supplemental [New HoldCo] Share Transfer Instruments to the relevant PROPP Beneficiaries. In either case the [New HoldCo] Shares held by the BoE which were issued to the BoE on incorporation of [New HoldCo] will also need to be transferred at the end of the process of distribution of [New HoldCo] Shares to PROPP Beneficiaries. This Template Resolution Instrument assumes that the [New HoldCo] Shares will be issued to the Depository /Custodian and held on trust on the terms of this Instrument and the Deposit Agreement and then transferred to the relevant PROPP Beneficiaries by the Depository/Custodian pursuant to one or more [New HoldCo] Share Transfer Instruments made by the BoE, as would the [New HoldCo] Shares held by the BoE on incorporation of [New HoldCo].

<sup>16</sup> It will be necessary to consider whether a separate Custody Agreement is necessary or whether the custody aspects can be dealt with in the Deposit Agreement. This may depend on the Depository/Custodian which is selected. Reference to the SNP Instruments is only relevant if there is a deferred bail-in and the SNP Instruments are to be transferred to the Depository and a Custodian is to be used by the Depository to hold the SNP Instruments.

<sup>17</sup> The Depository function may be carried out by the Bank of England or a person appointed by the Bank of England.

<sup>18</sup> This definition is relevant only if there is a deferred bail-in of the SNP Instruments. See Footnotes [9] and [12].

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

Custodian on behalf of the Depository] prior to the final transfer of [New HoldCo] Shares to the PROPP Beneficiaries;]<sup>19</sup>

“Dissolution Time” is [ ] [a.m.] [p.m.] on [date];

“DTC” means the Depository Trust Company and any successor thereto;

“EUI” means Euroclear UK & Ireland Limited and any successor thereto;

“Euroclear” means Euroclear Bank SA/NV, and any successor thereto;

“Existing Debt Instruments” means the [AT1 Instruments], the [Tier 2 Instruments] and the [SNP Instruments];

“FCA” means the Financial Conduct Authority;

“FSMA” means the Financial Services and Markets Act 2000 (as amended);

“Holder”, in relation to a holding of AT1 Instruments, Tier 2 Instruments or SNP Instruments, means the person shown on the records of the relevant CSD as entitled to the relevant instrument or, where that person has agreed to sell the relevant instrument and the sale transaction has reached the point at which it is irrevocable and will be settled in accordance with the rules or practice of the relevant CSD, the person to whom the relevant instrument will be transferred by the CSD;

“ICSD” means Euroclear or Clearstream, or both, as the context may require;

“Insolvency Act” means the Insolvency Act 1986 (as amended);

“[New Bank]” means [Name] plc, the successor company to the Society, a public company limited by shares incorporated in England<sup>20</sup> to which all the property, rights and liabilities of the Society are transferred by this Instrument at the Resolution Time and the entire issued share capital of which is held by [New HoldCo];

[“New Debt Instruments Agency Agreement” means [the agency agreement in respect of the New Debt Instruments to be entered into on or before the [first] Onward Transfer Date by [New HoldCo] and [ ] and [ ] as the paying agent[s] [and [ ] as the registrar];]

[“New Debt Instruments” means the sterling [perpetual] subordinated [bonds] [notes] to be issued by [New HoldCo] on or before the [first] [New HoldCo] Share Transfer Date having terms and conditions substantially in the form set out in Schedule [6] and terms as to interest rate, early call

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<sup>19</sup> See Footnote [18] as to the options for issuance of [New HoldCo] Shares.

<sup>20</sup> S.84A (12) Banking Act requires the successor company to which the business of the Society is transferred to be a company as defined in section 1(1) Companies Act which is a public company limited by shares. The existing remaining publicly issued securities of the Society transferred to [New Bank], the SNP instruments, will be transferred to [New HoldCo] which will be the entity from which any new MREL will be issued post resolution. [New HoldCo] therefore does need to be a public company even if it will not issue securities to the public. The requirement in S.84A that “company” means a company as defined in section 1(1) Companies Act which is a public company limited by shares also applies to a parent company.

To carry on business a public company must obtain a trading certificate from the Registrar of Companies under section 761 of the Companies Act. In order to obtain a trading certificate and be a public company the company must have a minimum authorised share capital of £50,000 paid up as to at least 25% of the nominal value and the whole of any premium on the shares. It will be necessary for the BoE to fund the initial capitalisation of [New Bank] and [New HoldCo] although it should be able to recover such amounts through the fee to be charged by the BoE. (See Footnote [2]). It is possible for a company to be incorporated as a private company and then to be re-registered as a public company. It is also possible to form a company as a public company. In either case, special arrangements are likely to need to be made by the BoE with the Registrar of Companies to expedite the process of obtaining a trading certificate so that it has been issued by the Resolution Time.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

dates and maturity date (if applicable) set out in the Supplemental [Society] Resolution Instrument;]<sup>21</sup>

["New Debt Instruments Trust Deed" means the trust deed in respect of the New Debt Instruments to be entered into on or before the [first] Onward Transfer Date by [New HoldCo] [New Bank] and [ ] as the trustee;]

["New HoldCo]" means [Name] plc a public company limited by shares incorporated in England on [ ] 20[ ] [which obtained a trading certificate on [ ] 20[ ]] the entire issued share capital of which is held by or on behalf of and owned by the Bank of England;

["New HoldCo] Shares" means ordinary shares of £[ ] nominal amount in the capital of [New HoldCo];

["New HoldCo] Share Transfer Date" means the date specified in a [New HoldCo] Share Transfer Instrument on which Property the subject of such Share Transfer Instrument is to be transferred to the relevant PROPP Beneficiaries;

["New HoldCo] Share Transfer Instrument" means a transfer instrument made by the Bank of England under Section 48V of the Banking Act to transfer some or all of the [Shares] [the SNP Instruments,] [the New Debt Instruments,] [any cash amount] and any other securities comprised in the Deposited Property from the Depository or its nominee to PROPP Beneficiaries;<sup>22</sup>

["New HoldCo] Share Transfer Request" means a request by the [Depository] to the Bank of England substantially in the form of Schedule [ ] to the Deposit Agreement for the making of a [New HoldCo] Share Transfer Instrument to transfer the relevant Deposited Property to the relevant PROPP Beneficiaries;]

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<sup>21</sup> Although it is unlikely that new debt capital securities would be created in connection with a resolution, placeholder provisions relating to New Debt Instruments have been included in this Template Resolution Instrument as a prompt in case a decision should be taken in a particular case to include new debt capital securities as part of the recapitalisation of the group in resolution. If New Debt Instruments are not to be created and allocated to PROPP Beneficiaries this definition and the related definitions for New Debt Instruments should be deleted. If New Debt Instruments are to be created, such instruments could be structured as Tier 1 and/or Tier 2 instruments, as required, to achieve a particular recapitalisation profile for the group following the exercise of the bail-in power. It may not be known at the time the Resolution Instrument is made what characteristics and quantum of New Debt Instruments would be needed once the final equity valuation (Valuation 3) is concluded. Therefore the Resolution Instrument contains the terms and conditions on which they would be issued but the determination of the commercial terms such as quantum, interest rate, maturity and other commercial features and the entry into the documents is assumed to take place at or around the Allocation Ratio Announcement Date. In this Template Supplemental Instrument only one class of New Debt Instruments has been provided for the purpose of illustration. If multiple classes of New Debt Instruments were to be created additional definitions would be required. All classes of New Debt Instrument could be created using the same Trust Deed and Agency Agreement. If any New Debt Instruments are to be listed an application for admission to listing would need to be made and a prospectus may be required to be prepared. Reference to the first [New HoldCo] Share Transfer Date has been included in case more than one [New HoldCo] Share Transfer Instrument is made.

<sup>22</sup> The [New HoldCo] Shares could be issued directly to the PROPP Beneficiaries or issued to the Depository and transferred to the PROPP Beneficiaries by way of a Share Transfer Instrument made by the BoE under S.48V of the Banking Act (referred to in this Template Resolution Instrument as a [New HoldCo] Share Transfer Instrument) rather than issued directly to the PROPP Beneficiaries. Such a transfer would not be subject to SDRT. The BoE would be required to consult the PRA, FCA and HM Treasury before making such an instrument. The [New HoldCo] Share Transfer Instrument could be used to transfer other assets, if any, to which PROPP Beneficiaries are entitled, for example any cash, any SNP Instruments if there is a deferred bail-in (see below) and any New Debt Instruments if they are to be created as part of the recapitalisation of the firm (see also below). If New Debt Instruments were to be issued, this Template Resolution Instrument assumes for reasons of operational simplicity that they would be issued to the Depository and transferred by the Depository to the relevant class(es) of PROPP Beneficiaries (along with any other Deposited Property to which they are entitled) rather than issued directly to such PROPP Beneficiaries.

If New Debt Instruments are not to be created, all references to New Debt Instruments in this Template Resolution Instrument, the Template Supplemental Resolution Instrument and the Template Onward Transfer Instrument can be ignored and should be deleted.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

["PIBS" means the permanent interest bearing shares issued by the Society with ISIN numbers [ ] and [ ];]<sup>23</sup>

["PPDS" means the profit participating deferred shares issued by the Society with ISIN numbers [ ] and [ ];]<sup>24</sup>

["original minimum denomination" means, in respect of any Existing Debt Instrument, the minimum denomination for such Existing Debt Instrument immediately before the Resolution Time;]<sup>25</sup>

"PRA" means the Prudential Regulation Authority;

"PROPP" or "potential right to onward property or proceeds" means a contingent beneficial interest in the Deposited Property or, in certain circumstances, the net cash proceeds of the sale of such Deposited Property, [or New Debt Instruments], as created by and determined in accordance with and subject to this Instrument and any Supplemental [Society] Resolution Instrument, and "PROPPs" shall be construed accordingly;

"PROPP Beneficiary" means a person who has been granted a PROPP or PROPPs in accordance with this Instrument (or any person who acquires a PROPP from that person by operation of law);

"Resolution Administrator" means [ ] or any other person appointed by the Bank of England as a Resolution Administrator;

"Resolution Administrator Appointment Agreement" means the agreement between the Bank of England and the Resolution Administrator dated [ ] relating to the appointment of the Resolution Administrator;

"Resolution Time" is [ ] [a.m.] [p.m.] on [date];

"Sale Event" means: [(a)] the occurrence of the Allocation Expiration Date; [or (b) a takeover offer is made in respect of [New HoldCo] and accepted by holders of more than 50 per cent. of the Shares at the time of the offer but excluding Shares held by the Depositary<sup>26</sup>;] [or (c) a scheme of arrangement under Sections 895 to 899 of the Companies Act is approved by the holders of the requisite majorities of Shares at the time of the scheme (but excluding Shares held by the Depositary) and a court order sanctioning the scheme under Section 899 of the Companies Act is delivered to the registrar of Companies], provided that, in the case of (b) [and (c)], the relevant event occurs after the expiration of the Allocation Period];

"senior manager" has the meaning specified in Section 48N(4) of the Banking Act;

"Share Registrar" means [ ];

<sup>23</sup> It is assumed for the purposes of this Template Resolution Instrument that PIBS are Tier 2 Instruments and that holders will be Class [B] PROPP Beneficiaries. If PIBS are not Tier 2 Instruments they will still need to be cancelled but a separate class of PROPPs may need to be created.

<sup>24</sup> It is assumed for the purposes of this Template Resolution Instrument that PPDS are Tier 2 Instruments and that holders will be Class [B] PROPP Beneficiaries. If PPDS are not Tier 2 Instruments they will still need to be cancelled but a separate class of PROPPs may need to be created.

<sup>25</sup> If there is a partial write down of SNP Instruments it may be necessary to change the minimum denomination in which the SNP Instruments can be held to avoid significant rounding problems in calculating individual entitlements.

<sup>26</sup> The language in sub-paragraphs (b) and (c) of this definition is only relevant if it is considered appropriate to address takeover risk, for example if there is short time window in which a takeover offer could be made when some Shares are still held by the Depositary but voting rights are no longer controlled by the Resolution Administrator, which might be the period following the end of the Allocation Period after an Onward Transfer Instrument has been made and the bulk (i.e. more than 50% per cent.) of the Shares have been transferred to PROPP Beneficiaries and prior to the date Shares which remain held by the Depositary are sold under Paragraph [55].] Whether this point needs to be addressed would be assessed in the circumstances of the case.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

“SNP Instruments” means the [xxxx] SNP Instruments and the [yyyy] SNP Instruments;<sup>27</sup>

“[xxxx] SNP Instruments” means the direct unsecured debt securities constituting secondary non-preferential debt for the purposes of the Insolvency Act issued by the [Society] with ISIN number[s] [ ];

“[yyyy] SNP Instruments” means the direct unsecured debt securities constituting secondary non-preferential debt for the purposes of the Insolvency Act issued by the [Society] with ISIN number[s] [ ];

“Society” means the [Name of Building Society] all of the property, rights and liabilities of which were transferred to [New bank] at the Resolution Time pursuant to this Instrument;

“Specified Office” means in relation to the Depositary [and the Custodian] either the office identified with its name in the Deposit Agreement and this Instrument or any other office notified to PROPP Beneficiaries by or on behalf of [New HoldCo] [New Bank];

“Supplemental [Society] Resolution Instrument” means the resolution instrument to be made by the Bank of England in respect of [New HoldCo] on the Allocation Ratio Announcement Date and any other resolution instrument which is supplemental to this Instrument including where the context requires any [New HoldCo] Share Transfer Instrument made by the Bank of England at any time;

“Tier 2 Instruments” mean [the PIBS, the PPDS and] the [subordinated notes] issued by the Society with ISIN numbers [ ] and [ ];<sup>28</sup>

“UK GDPR” has the meaning given to it by Section 3(10) (as supplemented by Section 205(4)) of the Data Protection Act 2018;

“Valuation Date” means the date on which the valuation of the assets and liabilities of the Society conducted under Section 6E or Section 48X of the Banking Act by an independent valuer appointed by the Bank of England in accordance with the Banking Act is delivered to the Bank of England]; and

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<sup>27</sup> If there are multiple classes of SNP Instruments which are to be the subject of bail-in immediately on resolution and which are to be treated the same way in bail-in, e.g. because they would rank *pari passu* in insolvency, it should be possible to create a single class of PROPPs in respect of all such SNP Instruments. If a subsequent additional bail-in in respect of all classes of SNP Instruments was to occur, a single class of PROPPs in respect of all such SNP Instruments should still be possible if the subsequent additional bail-in was to be proportionately the same in respect of all such classes of SNP Instruments. However, if there are multiple classes of SNP Instruments and different classes are to be treated differently in the bail-in there will need to be separate definitions for each class specifying the ISIN for each individual class and separate classes of PROPP corresponding to such separate classes of SNP Instruments.

If there is to be a deferred bail-in of SNP Instruments there will need to be separate definitions for each class of SNP Instrument (specifying the ISIN for each individual class) and separate definitions for each class of PROPPs corresponding to each such class of SNP Instruments in order to ensure that the relevant PROPP Beneficiaries receive the correct Deposited Instrument Property on conclusion of the bail-in.

In this Template Resolution Instrument the Class [C] PROPPs correspond to all classes of SNP Instruments and in a deferred bail-in the Class [C1] PROPPs and Class [C2] PROPPs correspond to the relevant classes of SNP Instruments.

If the SNP Instruments contain contractual terms providing for conversion or write-down, it is likely that such SNP Instruments will have been converted or written down in accordance with their terms before the Resolution Time. Accordingly, the SNP Instruments to be bailed-in would be those not converted and the outstanding principal amount of such SNP Instruments would be the principal balance of such written down SNP Instruments following any contractual write-down.

<sup>28</sup> If there are multiple classes of Tier 2 Instruments which are to be treated the same way in bail-in, e.g. because they would rank *pari passu* in insolvency, it should be possible to create a single class of PROPPs in respect of all such Tier 2 Instruments. If different classes of Tier 2 Instruments are to be treated differently in the bail-in separate classes of PROPPs will need to be created corresponding to the relevant class of Tier 2 Instruments. In this Template Resolution Instrument the Class [B] PROPPs correspond to all classes of Tier 2 Instruments (including PIBS and PPDS which are assumed to be Tier 2 Instruments for the purpose of this Template Resolution Instrument).

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

“Voting Rights Transfer Date” means the business day following the day on which more than 50 per cent. of the [New HoldCo] Shares have been transferred to the PROPP Beneficiaries.

Definitions used in this Instrument which are not otherwise defined shall have the meaning given to them by the Banking Act.

### PART 2

#### TRANSFER OF THE BUSINESS OF THE SOCIETY

4. By this Instrument all of the property, rights and liabilities of the Society (including the [Name of Society], all brand names and all property, rights and liabilities that fall within any of the descriptions specified in section 35(1) of the Banking Act) are transferred to [New Bank].
5. The transfer takes place at the Resolution Time.
6. From the Resolution Time [New Bank] is a successor of the Society and shall be treated for all purposes as the same person as the Society.
7. Without prejudice to Paragraph [6], from the Resolution Time save as otherwise provided in paragraph [33] of this Instrument in respect of the substitution of [New HoldCo] as obligor in respect of the SNP Instruments and the related modifications to the terms and conditions of the SNP Instruments set out in Schedule [2]:
  - (a) all agreements or other things done by or in relation to the Society are to be treated as made or done by or in relation to [New Bank];
  - (b) any payment received after the Transfer Time by or in relation to the Society is to be treated as received by or in relation to [New Bank];
  - (c) anything (including legal proceedings):
    - i. that relates to some or all of the property, rights, liabilities or business of the Society immediately prior to the Resolution Time; and
    - ii. which is in the process of being done by or in relation to the Society immediately before the Resolution Time,shall be continued by or in relation to [New Bank] on the same terms and subject to the same discretions;
  - (d) a reference (express or implied) in any instrument or document relating to the Society is to have effect as if it were a reference to [New Bank];
  - (e) where any breach of contract or breach of duty in connection with the Society or some or all of the business of the Society occurred before the Resolution Time, any liability of the Society in connection with that breach (whenever that liability may arise) shall be a liability of [New Bank].
8. Without affecting the powers of the PRA and the FCA to vary or withdraw an authorisation or approval:

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

- (a) all licences, permissions, approvals and authorisation and all other permissive documents held by the Society in respect of anything transferred by this Instrument to [New Bank] shall continue to have effect and shall be held by [New Bank];
  - (b) all persons approved for the purpose of Part 5 FSMA in relation to their role and responsibilities at Society at the Resolution Time [other than those persons specified in Paragraph [ ]] continue to be approved for that purpose in relation to [New Bank] [and New Hold Co]; and
  - (c) Section 192P of FSMA (requirement for approval) does not apply in relation to [New HoldCo] [for so long as it is wholly owned by the Bank of England].<sup>29</sup>
9. At all times prior to its dissolution the Society must provide [New Bank] with such information and assistance as is required by [New Bank]:
- (a) in relation to the transferred property, rights and assets business or to the operation of the Society's business; and
  - (b) for any other purpose relating to, in connection with or in consequence of this Instrument.
10. The Society is dissolved with effect from the Dissolution Time.
11. The FCA is required to cancel the registration of the Society under the Building Societies Act within [one month] of the Dissolution Time.
12. This Instrument is to have effect without causing sections 97 to 102D (transfer of business to a commercial company) of the Building Societies Act to apply.

### PART 3

#### BAIL-IN AND RELATED PROVISIONS

##### Cancellation of shares and membership rights

13. By this Instrument:
- (a) all shares in the Society which are not Deferred Shares are converted into deposit liabilities of [New Bank] in an amount equal to the principal amount outstanding<sup>30</sup> of such shares and all accrued but unpaid interest at the Resolution Time in respect of such shares and any account related to such shares shall be converted into accrued interest in respect of such deposit liabilities, in each case on the same terms as to repayment and withdrawal of principal and accrual and payment of interest as such shares and related share accounts, and such deposit liabilities shall not confer any right to payment of any other amount (including any amount of surplus or reserves or otherwise which may become payable on a dissolution of the Society) or any right to any dividend or other distribution of any kind whether out of profits or reserves of [New Bank] or [New HoldCo] or any right to any shares in the capital of

<sup>29</sup> The authorisation of [New HoldCo] and approval of its senior managers will need to be addressed with the PRA outside the Banking Act.

<sup>30</sup> Terminology used in this Template Resolution Instrument to be checked against the Society's rules and this Paragraph amended if necessary. The rules/terms of issue may for example simply refer to the nominal value of shares.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

- [New Bank] or [New HoldCo], and such shares and related share accounts are cancelled and extinguished;
- (b) [all CCDS] (including all amounts in respect of principal and interest including interest accrued at any time prior to the Resolution Time and any other amounts which may become payable at any time including any amount of surplus or reserves or otherwise which may become payable on a dissolution of the Society) are cancelled and extinguished;<sup>31</sup>
  - (c) all Deferred Shares other than CCDS are cancelled and extinguished in accordance with Paragraphs [25] and [26];
  - (d) all membership rights of all holders of shares of any kind in the Society (including investing members, holders of share accounts and holders of Deferred Shares and holders of AT1 Instruments and Tier 2 Instruments which are shares) are cancelled; and
  - (e) all membership rights of all borrowing members of the Society are cancelled.
14. By this Instrument all rights of any person to become a shareholding member or a borrowing member of the Society which existed at any time prior to the Resolution Time are extinguished.
15. The cancellations and extinguishments effected by Paragraphs [13] and [14] take effect at the Resolution Time.
16. For the purposes of Paragraph [14]:
- (a) a right includes a right or entitlement by any name, including a contingent or future right or entitlement;
  - (b) it does not matter if the right was granted by the Society or any other person.
17. No person who was a member of the Society shall become entitled to any [New HoldCo] Shares or any other securities of [New HoldCo] or any shares or any other securities of [New Bank] or any rights in respect thereof under this Instrument other than the PROPP Beneficiaries subject to and as provided by this Instrument.

### Creation of PROPPs

18. By this Instrument the Class [A] PROPPs are created by the grant of PROPPs to the Holders of the AT1 Instruments in accordance with Paragraph [25] of this Instrument.
19. By this Instrument the Class [B] PROPPs are created by the grant of PROPPs to the Holders of the Tier 2 Instruments in accordance with Paragraph [26] of this Instrument.
20. *[EITHER<sup>32</sup>]*

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<sup>31</sup> The terminology used in this Template Resolution Instrument in relation to principal, interest and interest accrual etc should be checked against the Society's rules and the terms of CCDS instruments and this Paragraph amended as necessary.

<sup>32</sup> The first or second option depends on whether an immediate or a deferred bail-in of SNP Instruments is proposed and the number of classes of SNP Instruments.

The first option (one class of Class [C] PROPPs only) corresponding to the only class of SNP Instruments or all classes of SNP Instruments is applicable if there is an immediate bail-in of SNP Instruments (including where there will be a subsequent additional bail-in) and either there is only one class of SNP Instruments or, if there is more than one class of SNP Instruments, all classes of SNP Instruments are to be treated the same way.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

[By this Instrument the Class [C] PROPPs are created by the grant of PROPPs to the Holders of the SNP Instruments in accordance with Paragraph [28] of this Instrument.]<sup>33</sup>

[OR]

[By this Instrument the Class [C1] PROPPs are created by the grant of PROPPs to the Holders of the [xxxx] SNP Instruments in accordance with Paragraph [ ] of this Instrument and the Class [C2] PROPPs are created by the grant of PROPPs to the Holders of the [yyyy] SNP Instruments in accordance with Paragraph [28] of this Instrument.]<sup>34</sup>

21. All rights and obligations of PROPP Beneficiaries in respect of the PROPPs granted to them are derived from this Instrument and [New Bank] [and [New HoldCo] shall do all things as may be required by the Bank of England or as may otherwise be necessary or desirable in connection with the creation and grant of PROPPs and this Instrument.
22. The creation of PROPPs by virtue of Paragraphs [18] to [20] takes effect at the Resolution Time.

### [New Debt Instruments

23. The New Debt Instruments will be issued by [New Holdco] [on or before] the [first] [New HoldCo] Share Transfer Date in accordance with the provisions of this Instrument and the Supplemental [Society] Resolution Instrument.<sup>35</sup> The New Debt Instruments will be debt securities of and shall for all purposes be treated as obligations of [New HoldCo] only. All rights and liabilities in respect of the New Debt Instruments will be derived from this Instrument, the Supplemental [Society] Resolution Instrument and the terms and conditions of such New Debt Instruments as annexed to the New Debt Instrument Trust Deed, which terms and conditions will be substantially in the form set out in Schedule [ ] of this Instrument. The New Debt Instruments

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The second option (multiple classes of Class [C] PROPPs (Class [C1], Class [C2] PROPPs etc.)) corresponding to the different classes of SNP Instruments is applicable if there are multiple classes of SNP Instruments and there is to be a deferred bail-in of SNP Instruments and the SNP Instruments are to be transferred to the Depository. Multiple classes of Class [C] PROPPs would also be necessary on an immediate bail-in if there were multiple classes of SNP Instruments and they were to be treated differently. This latter possibility is not covered in this draft Template Resolution Instrument. If on a deferred bail-in the SNP Instruments were to be treated differently but were to remain with the relevant Class [C] PROPP Beneficiaries with trading suspended for the duration of the bail-in process, it would be possible to modify the first option and create Class [C1] PROPPS and Class [C2] PROPPS corresponding to the different classes of SNP Instruments. This possibility is not covered in this draft Template Resolution Instrument.

<sup>33</sup> The first or second option depends on whether an immediate or a deferred bail-in of SNP Instruments is proposed and the number of classes of SNP Instruments.

The first option (one class of Class [C] PROPPs only) corresponding to the only class of SNP Instruments or all classes of SNP Instruments is applicable if there is an immediate bail-in of SNP Instruments (including where there will be a subsequent additional bail-in) and either there is only one class of SNP Instruments or, if there is more than one class of SNP Instruments, all classes of SNP Instruments are to be treated the same way.

The second option (multiple classes of Class [C] PROPPs (Class [C1], Class [C2] PROPPs etc.)) corresponding to the different classes of SNP Instruments is applicable if there are multiple classes of SNP Instruments and there is to be a deferred bail-in of SNP Instruments. Multiple classes of Class [C] PROPPs would also be necessary on an immediate bail-in if there were multiple classes of SNP Instruments and they were to be treated differently. This latter possibility is not covered in this draft Template Resolution Instrument.

<sup>34</sup> This option is applicable to a deferred bail-in where the extent of the proposed write-down of the SNP Instruments cannot be quantified with a sufficient level of confidence and the SNP Instruments are to be transferred to the Depository during the bail-in period. The amount of the write-down and grant of PROPPs would be specified in the Supplemental [Society] Resolution Instrument made after the final equity valuation (Valuation 3) had been completed.

<sup>35</sup> If New Debt Instruments were to be created, the principal commercial terms such as amount, interest rate, any early call provisions and the maturity date, if applicable, of the New Debt Instruments are unlikely to be finally determined prior to the Valuation Date when the final bail-in and recapitalisation requirements can be determined. The details of the New Debt Instruments will therefore need to be specified in the Supplemental [Society] Resolution Instrument. The provisions relating to New Debt Instruments included in this Template Resolution Instrument for illustration assume a single class of New Debt Instruments. If multiple classes of New Debt Instruments are to be created additional definitions will be required, e.g. for each class of New Debt Instrument. All classes of New Debt Instrument could be created using the same Trust Deed and Agency Agreement. Separate global notes and conditions would be necessary.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

shall for all purposes be treated as constituted by the New Debt Instruments Trust Deed and issued by [New HoldCo] subject to, and with the benefit of, the New Debt Instruments Agency Agreement. The New Debt Instruments will be represented by a global New Debt Instrument substantially in the form set out in the New Debt Instrument Trust Deed which will be duly executed by [New HoldCo], duly authenticated by [ ] and held by [ ] as common depositary/safekeeper in respect of the New Debt Instruments for the ICSDs. If definitive New Debt Instruments are required to be issued in exchange for a global New Debt Instrument upon the occurrence of any of the limited circumstances in condition [ ] of the New Debt Instruments conditions, the New Debt Instruments shall be represented by definitive New Debt Instruments substantially in the form set out in the New Debt Instrument Trust Deed which will be executed and authenticated by [New HoldCo] and [ ] respectively.

24. The principal amount, interest rate, early call provisions if any and maturity date if applicable of the New Debt Instruments will be determined by the Bank of England following the Valuation Date and will be specified in the Supplemental [Society] Resolution Instrument.<sup>36</sup>

### Grant of PROPPs and cancellation of AT1 Instruments and Tier 2 Instruments

25. By this Instrument:

- (a) a Class [A] PROPP is granted to each Holder of AT1 instruments at the Resolution Time;
- (b) all rights of any holder or beneficial owner of the AT1 Instruments at any time to or in respect of the AT1 Instruments (including in respect of principal and interest including interest accrued at any time prior to the Resolution Time)<sup>37</sup> are cancelled and extinguished; and
- (c) all outstanding AT1 Instruments are cancelled in full.

26. By this Instrument:

- (a) a Class [B] PROPP is granted to each Holder of Tier 2 Instruments at the Resolution Time;
- (b) all rights of any holder or beneficial owner of the Tier 2 Instruments at any time to or in respect of the Tier 2 Instruments (including in respect of principal and interest including interest accrued at any time prior to the Resolution Time)<sup>38</sup> are cancelled and extinguished; and
- (c) all outstanding Tier 2 Instruments are cancelled in full.

27. The grants, extinguishments and cancellations effected by Paragraphs [25] and [26] take effect at the Resolution Time.

### Grant of PROPPs and [EITHER] [Reduction in part] [OR] [Transfer] of SNP Instruments<sup>39</sup>

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<sup>36</sup> The issue of New Debt Instruments on equivalent terms to the SNP Instruments if SNP Instruments which would otherwise be transferred to the Depositary in a partial bail-in could be an alternative to substituting [New HoldCo] as the obligor under the SNP Instruments and amending their terms. However, the New Debt Instruments would not be listed and an application for admission to listing would need to be made. This could be done at the same time as the listing of the [New HoldCo] Shares occurs.

<sup>37</sup> The terminology used in this Template Resolution Instrument in relation to principal, interest etc should be checked against the Society's rules and the terms of AT1 Instruments which are shares and this Paragraph amended as necessary.

<sup>38</sup> The terminology used in this Template Resolution Instrument as to principal, interest etc should be checked against the Society's rules and the terms of Tier 2 Instruments which are shares and this Paragraph amended as necessary.

<sup>39</sup> The option to be used will depend on whether there is an immediate partial bail-in or a deferred bail-in of SNP Instruments.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

### 28. [EITHER]

[By this Instrument:

- (a) a Class [C] PROPP is granted to each Holder of each class of SNP Instrument at the Resolution Time;<sup>40</sup>
- (b) such amount of the aggregate outstanding amount (being the principal amount outstanding and the accrued and unpaid interest up to but excluding the day on which the Resolution Time occurs) in respect of each class of SNP Instruments as set out in the table contained in Schedule [1] to this Instrument is reduced and cancelled;
- (c) [the original minimum denomination in respect of each class of SNP Instrument is reduced and amended as set out in the table contained in Schedule [1] to this Instrument;<sup>41</sup>
- (d) [New HoldCo] is substituted as the sole obligor in respect of each class of SNP Instruments, all references in the SNP Instruments to the Society are to have effect as if they were references to [New HoldCo] and the terms and conditions of each class of SNP Instruments are amended with the modifications set out in the table contained in Schedule [2] to this Instrument; and
- (e) a liability on the same terms and conditions as to payment of principal and interest and as to redemption and as otherwise specified by the Bank of England as the liability arising under each class of SNP Instruments, as reduced, cancelled and extinguished in part and substituted as to the obligor and amended by this Instrument, is created between [New Bank] as obligor and [New HoldCo] as creditor.

[OR]

[By this Instrument:

- (a) a Class [C1] PROPP is granted to each Holder of the [xxxx] SNP Instruments at the Resolution Time; and
- (b) a Class [C2] PROPP is granted to each Holder of the [yyyy] SNP Instruments at the Resolution Time;
- (c) [New HoldCo] is substituted as the sole obligor in respect of each class of SNP Instruments, all references in the SNP Instruments to the Society are to have effect as if they were references to [New HoldCo] and the terms and conditions of each class of SNP Instruments are amended with the modifications set out in the table contained in Schedule [2] to this Instrument;
- (d) the SNP Instruments of each class are transferred to the Depositary;
- (e) the Depositary shall hold the [xxxx] SNP Instruments, as substituted as to the obligor and amended by this Instrument, on trust for the benefit of the Class [C1] PROPP Beneficiaries and the [yyyy] SNP Instruments, as substituted as to the obligor and amended by this Instrument, on trust for the benefit of the Class [C2] PROPP Beneficiaries, subject in each case to the terms of

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<sup>40</sup> Paragraph [28] assumes that all classes of SNP Instruments are to be treated the same in the bail-in. If different classes of SNP Instrument are to be treated differently in bail-in for any reason (e.g. because they would have a different priority on a winding-up) different classes of Class [C] PROPPs will be required corresponding to the separate classes of SNP Instrument.

<sup>41</sup> The provision in sub-Paragraph (c) is relevant only if it is necessary to make an adjustment to the minimum denominations of the SNP Instruments as a consequence of the bail-in.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

this Instrument, the Supplemental [Society] Resolution Instrument, the [New HoldCo] Share Transfer Instrument and the Deposit Agreement;

- (f) a liability on the same terms and conditions as to payment of principal and interest and as to redemption and as otherwise specified by the Bank of England as the liability arising under each class of SNP Instruments, as reduced, cancelled and extinguished in part and substituted as to the obligor and amended by this Instrument, is created between [New Bank] as obligor and [New HoldCo] as creditor.

### 29. [EITHER]

[By this Instrument all rights of any holder or beneficial owner of the SNP Instruments of any class at any time to or in respect of the aggregate outstanding amount in respect of the SNP Instruments of such class which is reduced and cancelled by Paragraph [28] are extinguished and the principal amount outstanding of each SNP Instrument of such class is cancelled to the extent of such reduction.]

### [OR]

[By this Instrument all rights, benefits and privileges of any holder or beneficial owner of the SNP Instruments of any class which are transferred by Paragraph [28] at any time to or in respect of the SNP Instruments of such class, including all rights of any such person to receive any payment whether in respect of principal, interest or otherwise or any amount in specie in respect of the SNP Instruments of such class, are extinguished [save as otherwise expressly provided by this Instrument, any Supplemental [Society] Resolution Instrument or any [New HoldCo] Share Transfer Instrument].]<sup>42</sup>

30. [Other than as expressly provided in this Instrument, the transfers of SNP Instruments effected by Paragraph [28]] vest title in the Depositary:

- (a) free from all trusts, liabilities, claims and other encumbrances; and  
(b) together with all rights, benefits and privileges which attach or accrue to or arise from or in respect of the SNP Instruments;

in each case to hold such SNP Instruments in accordance with the provisions of this Instrument.]<sup>43</sup>

31. [By this Instrument the terms and conditions of the SNP Instruments [of each class] [and of any agreement relating to the SNP Instruments [of each class]] are modified with the effect that all provisions providing for the payment of any amount of interest, principal or any other amount on or in respect of the SNP Instruments [of such class] [at or after the Resolution Time] (and notwithstanding that all or any part of any such amount may have accrued in respect of any period prior to the Resolution Time) shall not have any effect and shall be disregarded for all purposes and no person shall have any right at any time to or in respect of any such amount [save as may otherwise be provided in any Supplemental [Society] Resolution Instrument].<sup>44</sup>

32. [The modifications in Paragraph [31] shall be disregarded in determining whether:

- (a) any breach of contract or event of default applies in the SNP Instruments or in any other contract or other arrangement to which [New HoldCo] or [New Bank] is a party; and

<sup>42</sup> The first option applies if there is to be an immediate bail-in in part of SNP Instruments. The second option applies if there is to be a deferred bail-in where the SNP Instruments are transferred to the Depositary. The reference to save as otherwise provided in the instruments relates to Paragraph [28(b)] and the holding of SNP Instruments on trust referred to therein in a deferred bail-in.

<sup>43</sup> This Paragraph only applies if there is a transfer of SNP Instruments to the Depositary in a deferred bail-in.

<sup>44</sup> To be included if payments in respect of the SNP Instruments are to be suspended during the bail-in period.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

- (b) any right of termination or right to require payment of any amount prior to its due date arises under the SNP Instruments or under any other contact or arrangement to which [New HoldCo] or [New Bank] is a party.]
33. [The modifications in Paragraph [31] shall apply until such time as may be specified in any Supplemental [Society] Resolution Instrument [and are subject to any provision in any Supplemental [Society] Resolution Instrument providing for the cancellation in whole or in part of any such amounts as are referred to in Paragraph [31]].]<sup>45</sup>
34. For the purposes of Paragraphs [29], [30], [31], [32] and [33]:<sup>46</sup>
- (a) a right includes a right or entitlement by any name, including a contingent or future right or entitlement;
- (b) it does not matter if the right was granted by the Society or any other person.
35. The *[EITHER]* [grants, reductions and cancellations] *[OR]* [transfers]<sup>47</sup> effected by Paragraph [29], the extinguishing of rights effected by Paragraphs [30] and [31] [and the modification of the terms and conditions of the SNP Instruments and any agreements relating thereto effected by Paragraphs [32] and [33]] take place with effect from the Resolution Time.

### ***[EITHER]* [Additional Reduction] *[OR]* [Reduction] of SNP Instruments**<sup>48</sup>

36. *[EITHER]*<sup>49</sup>

[On] the Allocation Ratio Announcement Date:

- (a) such further amount of the aggregate principal amount outstanding [and the aggregate accrued and unpaid interest from and including the day on which the Resolution Time occurs to but excluding the [Allocation Ratio Announcement Date]] in respect of [each class of SNP Instruments] as is equal to the aggregate principal amount of [and such aggregate accrued and unpaid interest in respect of] the SNP Instruments [of such class] multiplied [in each case] by the Class [C] Allocation Ratio shall be reduced and cancelled as provided in the Supplemental [Society] Resolution Instrument;<sup>50</sup> and

<sup>45</sup> Paragraph [33] is only relevant if payments in respect of SNP Instruments are to be suspended pursuant to Paragraph [31]

<sup>46</sup> The references to Paragraphs [32] and [33] only apply if payments in respect of SNP Instruments are to be suspended pursuant to Paragraph [31].

<sup>47</sup> The relevant option depends on whether there is an immediate bail-in in part or a deferred bail-in. There may not be a need for either option.

<sup>48</sup> The relevant option depends on whether there is to be an immediate bail-in and a subsequent additional bail-in of the SNP Instruments is to be provided for or if there is to be a deferred bail-in of the SNP Instruments.

<sup>49</sup> The first option is applicable if there is to be an immediate bail-in of the SNP Instruments at the Resolution Time under Paragraph [28] of the Resolution Instrument and the BoE intends to preserve the option to make a subsequent additional bail-in following the final equity valuation (Valuation 3). The inclusion of the provision in square brackets relating to the write-down of accrued and unpaid interest depends on whether interest has continued to accrue or has been suspended under Paragraph [31] and therefore whether the subsequent additional bail-in is a write-down of the principal amount outstanding only or of principal outstanding and accrued and unpaid interest since the Resolution Time. If interest accrual has been suspended the application of the words in square brackets relating to accrued and unpaid interest can be deleted as interest will not have accrued. This Paragraph also assumes all classes of SNP Instruments are to be treated the same in the subsequent additional bail-in. If different classes of SNP Instrument are to be treated differently in a subsequent additional bail-in for any reason (e.g. because they would have a different priority on a winding-up) different classes of Class [C] PROPPs will be required corresponding to the separate classes of SNP Instrument.

<sup>50</sup> This provision assumes that the same Allocation Ratio can be used to calculate the amount of the additional write down of principal amounts outstanding (and any accrued and unpaid interest if relevant) in respect of the SNP Instruments of each class and the allocation of the Class [C] PROPPs. The Allocation Ratio Announcement Date seems to be the appropriate date for the subsequent

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

- (b) [the amended minimum denomination in respect of each class of SNP Instrument shall be reduced and amended as set out in the Supplemental [Society] Resolution Instrument.<sup>51</sup>]

[OR]<sup>52</sup>

[On] the Allocation Ratio Announcement Date such amount of the aggregate principal amount outstanding [and the aggregate accrued and unpaid interest from and including the day on which the Resolution Time occurs to but excluding the [Allocation Ratio Announcement Date]] in respect of [each class of SNP Instruments] as is specified in the Supplemental [Society] Resolution Instrument shall be reduced and cancelled as provided in the Supplemental [Society] Resolution Instrument.

### PROPP Entitlements

37. The Class [A] Entitlement of a Class [A] PROPP Beneficiary shall be the aggregate of:
- (a) such [fractional] number of Deposited Shares as is equal to  $(DS \times AR) \times P$ , where DS is the aggregate number of Deposited Shares, AR is the Class [A] Allocation Ratio and P is the Class [A] Portion in relation to that Class [A] PROPP Beneficiary; and
  - (b) such [fractional] amount of the Deposited Property which is in the form of cash as is equal to  $(DSP \times AR) \times P$ , where DSP is the aggregate amount of cash forming part of the Deposited Property, AR is the Class [A] Allocation Ratio and P is the Class [A] Portion in relation to that Class [A] PROPP Beneficiary .
38. [The aggregate Class [A] Entitlement of a Class [A] PROPP Beneficiary shall be rounded down in the case of Deposited Shares to the nearest whole Deposited Share and in the case of Deposited Property to the nearest £ [1].]
39. The Class [B] Entitlement of a Class [B] PROPP Beneficiary shall be the aggregate of:
- (a) such [fractional] number of Deposited Shares as is equal to  $(DS \times AR) \times P$ , where DS is the aggregate number of Deposited Shares, AR is the Class [B] Allocation Ratio and P is the Class [B] Portion in relation to that Class [B] PROPP Beneficiary ; and
  - (b) such [fractional] amount of the Deposited Property which is in the form of cash as is equal to  $(DSP \times AR) \times P$ , where DSP is the aggregate amount of cash forming part of the Deposited Property, AR is the Class [B] Allocation Ratio and P is the Class [B] Portion in relation to that Class [B] PROPP Beneficiary.
40. [The aggregate Class [B] Entitlement of a Class [B] PROPP Beneficiary shall be rounded down in the case of Deposited Shares to the nearest whole Deposited Share and in the case of Deposited Property to the nearest £ [1].]

41. [EITHER]<sup>53</sup>

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additional bail-in to take place as the final equity valuation information will then be available. However, this is a potential date only and could be altered.

<sup>51</sup> Only relevant if it is necessary to make a further adjustment to the minimum denominations of the SNP Instruments to deal with significant rounding issues in determining entitlements as a consequence of the subsequent additional bail-in.

<sup>52</sup> This option is applicable if there is a deferred bail-in and the write-down of the SNP Instruments is to take place on the Allocation Ratio Announcement Date following completion of the final equity valuation (Valuation 3). The Allocation Ratio Announcement Date seems to be the appropriate date for the deferred bail-in to take place as the final equity valuation information will then be available. However, this is a potential date only and could be altered.

<sup>53</sup> The relevant option depends on whether there is to be an immediate bail-in (whether or not a subsequent additional bail-in is to take place) or a deferred bail-in in respect of the SNP Instruments.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

A. The Class [C] Entitlement of a Class [C] PROPP Beneficiary shall be the aggregate of:

- (a) such [fractional] number of Deposited Shares as is equal to  $(DS \times AR) \times P$ , where DS is the aggregate number of Deposited Shares, AR is the Class [C] Allocation Ratio and P is the Class [C] Portion in relation to that Class [C] PROPP Beneficiary ;
- (b) such [fractional] amount of the Deposited Property which is in the form of cash as is equal to  $(DSP \times AR) \times P$ , where DSP is the aggregate amount of cash forming part of the Deposited Property, AR is the Class [C] Allocation Ratio and P is the Class [C] Portion in relation to that Class [C] PROPP Beneficiary; [and]
- (c) [such [fractional] principal amount of [each class of] New Debt Instruments forming part of the Class [C] Entitlement following the creation of the New Debt Instruments as referred to in Paragraph [23] as is equal to the  $(NDI \times AR) \times P$ , where NDI is the aggregate principal amount of each such class of New Debt Instrument, AR is the Class [C] Allocation Ratio and P is the Class [C] Portion in relation to that Class [C] PROPP Beneficiary .]

B. [The aggregate Class [C] Entitlement of a Class [C] PROPP Beneficiary shall be rounded down in the case of Deposited Shares to the nearest whole Deposited Share, in the case of Deposited Property to the nearest £[1] [and in the case of New Debt Instruments to the nearest whole minimum denomination of a New Debt Instrument of the relevant class or classes]].

[OR]<sup>54</sup>

A. The Class [C1] Entitlement of a Class [C1] PROPP Beneficiary shall be the aggregate of:

- (a) such fractional principal amount of the [xxxx] SNP Instruments following the cancellation of principal amount outstanding as referred to in Paragraph [36] as is equal to  $(SNPI \times AR) \times P$ , where SNPI is the aggregate principal amount of the [xxxx] SNP Instruments, AR is the Class [C1] Allocation Ratio and P is the Class [C1] Portion in relation to that Class [C1] PROPP Beneficiary ;
- (b) [such fractional amount of the Deposited Instrument Property which is in the form of cash as is equal to  $(DIP \times AR) \times P$ , where DIP is the aggregate amount of cash forming part of the Deposited Instrument Property, AR is the Class [C1] Allocation Ratio and P is the Class [C1] Portion in relation to that Class [C1] PROPP Beneficiary ;]<sup>55</sup>
- (c) such [fractional] number of Deposited Shares as is equal to  $(DS \times AR) \times P$ , where DS is the aggregate number of Deposited Shares, AR is the Class [C1] Allocation Ratio and P is the Class [C1] Portion in relation to that Class [C1] PROPP Beneficiary ;
- (d) such [fractional] amount of the Deposited Property which is in the form of cash as is equal to  $(DSP \times AR) \times P$  where DSP is the aggregate amount of cash forming part of the Deposited Property, AR is the Class [C1] Allocation Ratio and P is the Class [C1] Portion in relation to that Class [C1] PROPP Beneficiary; [and

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This first option in Paragraph [41] and the accompanying Paragraph [43] is applicable if there is an immediate bail-in of the SNP Instruments at the Resolution Time under Paragraph [28] of the Resolution Instrument whether or not followed by a subsequent additional bail-in as contemplated in Paragraph [36] of the Resolution Instrument following the final equity valuation (Valuation 3). This Paragraph assumes all classes of SNP Instruments are to be treated the same. If different classes of SNP Instrument are to be treated differently for any reason (e.g. because they would have a different priority on a winding-up) different classes of Class [C] PROPPs will be required corresponding to the separate classes of SNP Instrument.

<sup>54</sup> This option is applicable if there is a deferred bail-in at the Resolution Time under Paragraphs [28] and [36] of the Template Resolution Instrument.

<sup>55</sup> Although it is unlikely to be the case, Deposited Instrument Property could potentially include interest and principal payments which had been suspended during the bail-in period but which are reinstated on the Allocation Ratio Announcement Date. Alternatively, such amounts could be taken into account as part of the write-down and cancellation and the relevant Allocation Ratio calculation.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

- (e) such [fractional] principal amount of [each class of] New Debt Instruments forming part of the Class [C1] Entitlement following the creation of the New Debt Instruments as referred to in Paragraph [23] as is equal to  $(NDI \times AR) \times P$  where NDI is the aggregate principal amount of such class of New Debt Instruments, AR is the Class [C1] Allocation Ratio and P is the Class [C1] Portion in relation to that Class [C1] PROPP Beneficiary.]

B. The Class [C2] Entitlement of each Class [C2] PROPP Beneficiary shall be the aggregate of:

- (a) such fractional principal amount of the [yyyy] SNP Instruments following the cancellation of principal amount outstanding amount as referred to in Paragraph [36] as is equal to  $(SNPI \times AR) \times P$ , where SNPI is the aggregate principal amount of the [yyyy] SNP Instruments, AR is the Class [C2] Allocation Ratio and P is the Class [C2] Portion in relation to that Class [C2] PROPP Beneficiary ;
- (b) [such fractional amount of the Deposited Instrument Property which is in the form of cash as is equal to  $(DIP \times AR) \times P$ , where DIP is the aggregate amount of cash forming part of the Deposited Instrument Property, AR is the Class [C2] Allocation Ratio and P is the Class [C2] Portion in relation to that Class [C2] PROPP Beneficiary;]<sup>56</sup>
- (c) such [fractional] number of Deposited Shares as is equal to  $(DS \times AR) \times P$ , where DS is the aggregate number of Deposited Shares, AR is the Class [C2] Allocation Ratio and P is the Class [C2] Portion in relation to that Class [C2] PROPP Beneficiary;
- (d) such [fractional] amount of the Deposited Property which is in the form of cash as is equal to  $(DSP \times AR) \times P$  where DSP is the aggregate amount of cash forming part of the Deposited Property, AR is the Class [C2] Allocation Ratio and P is the Class [C2] Portion in relation to that Class [C2] PROPP Beneficiary ; [and
- (e) such [fractional] principal amount of [each class of] New Debt Instruments forming part of the Class [C2] Entitlement following the creation of the New Debt Instruments as referred to in Paragraph [23]] as is equal to  $(NDI \times AR) \times P$  where NDI is the aggregate principal amount of such class of New Debt Instruments, AR is the Class [C2] Allocation Ratio and P is the Class [C2] Portion in relation to that Class [C2] PROPP Beneficiary.]

C. [The aggregate Class [C1] Entitlement of a Class [C1] PROPP Beneficiary shall be rounded down in the case of the [xxxx] SNP Instruments to the nearest whole minimum denomination of [xxxx] SNP Instruments following any modification to the minimum denomination of the [xxxx] SNP Instruments made by the Supplemental [Society] Resolution Instrument,]<sup>57</sup> in the case of the Deposited Shares to the nearest whole Deposited Share, [in the case of the Deposited Instrument Property to the nearest [£1] and] in the case of the Deposited Property to the nearest £[1] [and in the case of New Debt Instruments to the nearest whole minimum denomination of a New Debt Instrument of the relevant class or classes.]]

D. [The aggregate Class [C2] Entitlement of a Class [C2] PROPP Beneficiary shall be rounded down in the case of the [yyyy] SNP Instruments to the nearest whole minimum denomination of [yyyy] SNP Instruments following any modification to the minimum denomination of the [yyyy] SNP Instruments made by the Supplemental [Society] Resolution Instrument,] in the case of the Deposited Shares to the nearest whole Deposited Share, in the case of [the Deposited Instrument Property to the nearest [£1] and] in the case of the Deposited Property to the nearest £[1] [and in the case of New Debt Instruments to the nearest whole minimum denomination of a New Debt Instrument of the relevant class or classes.]]

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<sup>56</sup> See Footnote [555].

<sup>57</sup> Adjusting the minimum denomination of SNP Instruments if that was necessary to deal with significant rounding issues in determining individual entitlements should not be problematic.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

42. For the purpose of determining the Class [A] Entitlement, the Class [B] Entitlement, and *[EITHER]* [the Class [C] Entitlement] *[OR]* [the Class [C1] Entitlement and the Class [C2] Entitlement]:
- (a) any Existing Debt Securities denominated in a currency other than sterling shall be converted into sterling at the Allocation FX Rate; and
  - (b) any cash amount received by the Depository and comprised within the Deposited Share Property or the Deposited Instrument Property and denominated in a currency other than sterling shall be converted into sterling at the [Allocation FX Rate].<sup>58</sup>
43. The Class [A] Allocation Ratio, the Class [B] Allocation Ratio and *[EITHER]* [the Class [C] Allocation Ratio] *[OR]* [the Class [C1] Allocation Ratio and the Class [C2] Allocation Ratio] will be [published by the Bank of England [ ] [days] as soon as reasonably practicable after the Valuation Date and] specified in the Supplemental [Society] Resolution Instrument.<sup>59</sup>
44. For so long as the Bank of England requires, each CSD shall keep in respect of each account held with them to which any AT1 Instruments, Tier 2 Instruments or SNP Instruments were credited immediately prior to the Resolution Time the following information:
- (a) the name and address and any other information held by such CSD required to establish the identity of the account holder;
  - (b) the account name and number and any other information held by such CSD required to establish the identity of the account of a PROPP Beneficiary in which such PROPP Beneficiary held, in the case of a Class [A] PROPP Beneficiary, AT1 Instruments in the case of a Class [B] PROPP Beneficiary Tier 2 Instruments *[EITHER]* [and in the case of a Class C PROPP Beneficiary, SNP Instruments] *[OR]* [ in the case of a Class [C1] PROPP Beneficiary, [xxxx] SNP Instruments and in the case of a Class [C2] PROPP Beneficiary, [yyyy] SNP Instruments];
  - (c) separately for each class of securities, the aggregate principal amount outstanding of all AT1 Instruments, Tier 2 Instruments, [[xxxx] SNP Instruments] and [[yyyy] SNP Instruments]<sup>60</sup>;
  - (d) if the same account holder has more than one account with such CSD to which AT1 Instrument, Tier 2 Instruments *[EITHER]* [SNP Instruments] *[OR]* [[xxxx] SNP Instruments or [yyyy] SNP Instruments] were credited, the same details as are specified in (a) to (c) above for each account of such account holder;
  - (e) if an account holder had agreed to sell any AT1 Instruments, Tier 2 Instruments, *[EITHER]* [SNP Instruments] *[OR]* [xxxx] SNP Instruments or [yyyy] SNP Instruments] prior to the Resolution Time and the transaction reached the point at which it would be settled in accordance with the rules or practice of the relevant CSD, the same details as are specified in (a) to (d) above for the person to whom the relevant instruments are required to be transferred by the relevant CSD;

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<sup>58</sup> See comment on the Allocation FX Rate in Footnote [3].

<sup>59</sup> The arrangements for the announcement of the Allocation Ratios and the making of the Supplemental Resolution Instrument will be determined in the circumstances of the case.

<sup>60</sup> Reference to classes of SNP Instruments relevant in a deferred bail-in. Terminology used in this Template Resolution Instrument in respect of principal amounts outstanding, principal etc in relation to AT1 Instruments and Tier 2 Instruments which are shares to be checked against the Society's rules and the terms of such instruments and this provision modified as appropriate.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

- (f) any other information available from the systems of such CSD which would facilitate the identification of the PROPP Beneficiaries and their holding of AT1 Instruments, Tier 2 Instruments, *[EITHER]* [SNP Instruments] *[OR]* [xxxx] SNP Instruments or [yyyy] SNP Instruments] immediately prior to the Resolution Time; and
- (g) the account in respect of each PROPP Beneficiary to which [New HoldCo] Shares are to be credited; and
- (h) the account in respect of each PROPP Beneficiary to which cash or securities other than [New HoldCo] Shares comprised in the Deposited Property to which such PROPP Beneficiary may be entitled is to be credited;

and shall provide such information to the Bank of England or as it may require to the Depository [Custodian] to enable the delivery of Deposited Property and cash in accordance with Paragraph [44].

### Allocation to PROPP Beneficiaries

45. Not less than [ ] Business Days prior to the Allocation Expiration Date, the CSDs will provide to the Depository [and Custodian] in respect of each Class [A] PROPP Beneficiary, each Class [B] PROPP Beneficiary, *[EITHER]* [each Class [C] PROPP Beneficiary] *[OR]* [each Class [C1] PROPP Beneficiary and each Class [C2] PROPP Beneficiary] identified in the records of such CSD the information specified in Paragraph [44] (a) to (h).
46. Following receipt of the information specified in Paragraph [44] above, the Depository [Custodian] will:
- (a) not less than [ ] Business Days prior to the Allocation Expiration Date, determine for each Class [A] PROPP Beneficiary, each Class [B] PROPP Beneficiary, *[EITHER]* [each Class [C] PROPP Beneficiary] *[OR]* [each Class [C1] PROPP Beneficiary and each Class [C2] PROPP Beneficiary] the Deposited Property to be transferred to each such Class [A] PROPP Beneficiary, Class [B] PROPP Beneficiary, *[EITHER]* [Class [C] PROPP Beneficiary] *[OR]* [Class [C1] PROPP Beneficiary and Class [C2] PROPP Beneficiary], being:
    - (i) the aggregate number of [New HoldCo] Shares;
    - (ii) if applicable, the aggregate principal amount of the SNP Instruments of each class, if any;
    - [(iii) if applicable, the aggregate principal amount of the New Debt Instruments, if any;]  
[and]
    - [(iv) if applicable, the aggregate sterling cash amount, if any;] and
  - (b) not less than [ ] Business Days prior to the Allocation Expiration Date provide to the Bank of England a Deposited Property Transfer Request containing such information.
47. As soon as practicable following the making of a [New HoldCo] Share Transfer Instrument by the Bank of England following receipt by the Bank of England of a Deposited Property Transfer Request, the Depository [Custodian] will transfer the relevant Deposited Property to the relevant PROPP Beneficiaries.
48. The Bank of England may require from a PROPP Beneficiary such further information and evidence as it considers relevant before transferring Deposited Property to that PROPP Beneficiary.

**PART 3**

**FURTHER PROVISIONS RELATING TO PROPPS**

**Limitations and restrictions in respect of PROPPs**

49. No PROPP may be assigned or transferred (other than by operation of law), subject always to the provisions of this Instrument. Accordingly, any attempt to assign, transfer, sell, offer to sell, trade or otherwise make available PROPPs to any person (other than the grant to the relevant PROPP Beneficiary pursuant to this Instrument) shall have no legal effect.
50. PROPPs shall not confer any ownership interest in [New HoldCo] or [New Bank] and no PROPP Beneficiary shall have any right or power to vote in respect of any shares of any class in [New HoldCo] or [New Bank] on any poll or at any meeting of [New HoldCo] or [New Bank] shareholders of any class or to agree to any written resolution of [New HoldCo] or [New Bank] shareholders or any class or to give any directions to [New HoldCo] or [New Bank] or to any director of [New HoldCo] or [New Bank].
51. No PROPP Beneficiary shall be entitled to any document or instrument of any kind evidencing the rights of such PROPP Beneficiary to PROPPs under this Instrument.
52. No dividend or other distribution shall be payable in respect of any PROPPs.
53. No interest shall accrue on or in respect of property or proceeds to which PROPPs may at any time confer any entitlement under this Instrument, including without limitation any Deposited Property or any net proceeds of sale of Deposited Property.
54. None of the Bank of England, [the Resolution Administrator,] [the Depository [or the Custodian]] shall have any responsibility to monitor or ascertain the compliance with the restrictions in Paragraph [49].

**Sale of Shares and other Deposited Property by the Depository**

55. Upon the occurrence of a Sale Event, [New HoldCo] shall, unless instructed to the contrary by the [Bank of England] [Resolution Administrator], direct the Depository to sell in accordance with the procedures described in this Instrument all the [New HoldCo] Shares [and any other securities comprised in the Deposited Property to which PROPP Beneficiaries are entitled] which have not been transferred under a [New HoldCo] Share Transfer Instrument (together the “Sale Securities”).
56. Within [ ] days of the Allocation Expiration Date, the [Depository] shall appoint a broker [(which should be approved by the [Bank of England] [Resolution Administrator] in advance of any such appointment)] on such terms as [New HoldCo] shall direct [and at the expense of [New Bank]<sup>61</sup> to sell all Sale Securities in accordance with all applicable laws and rules. None of the Bank of England, the Resolution Administrator or the Depository shall have any liability in respect of losses or expenses arising out of the conduct of the sale or in respect of any price obtained [(save, in the case of the Depository, in respect of the Depository’s wilful default, gross negligence or bad faith)].

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<sup>61</sup> The financial assistance implications of assisting with the sale of [New HoldCo] Shares will need to be considered and whether this needs to be addressed in a Section 75 Order.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

57. [If following the expiration of the Allocation Period a takeover offer in respect of [New HoldCo] is accepted by a holders of more than 50 per cent of the Shares at the time of the offer (excluding any Shares held by or on behalf the Depositary) [or a scheme of arrangement under Sections 895 to 899 of the Companies Act is approved by the requisite shareholder majorities (but excluding [New HoldCo] Shares held by the Depositary) and it remains possible for any offer in connection with such scheme of arrangement to be accepted], the Depositary will accept the offer in respect of [New HoldCo] Shares that remain held by or for the Depositary in connection with this Instrument [unless instructed to the contrary by the[Bank of England] [Resolution Administrator]].]<sup>62</sup>
58. The Depositary shall credit the Cash Account with the proceeds of sale of the Sale Securities sold under Paragraph [55] after deducting all costs and expenses incurred by the Depositary in connection with such sale (the “net proceeds of sale”). Each PROPP Beneficiary who shall be entitled to: (1) such proportion (which may be zero) of the total amount of the net proceeds of sale of Shares credited to the Cash Account as is equal to the proportion that the number of Shares to which that PROPP Beneficiary’s PROPPs relate which were comprised in the Sale Securities bears to the total number of Shares which were sold, rounded down to the nearest [£1] and (2) in the case of any other securities comprised in the Sale Securities, to such proportion of the total amount of the net proceeds of sale of such other securities credited to the Cash Account as is equal to the proportion (which may be zero) that the net proceeds of sale of such other securities to which that PROPP Beneficiary’s PROPPs relate which were comprised in the Sale Securities bears to the total net proceeds of sale of such other securities which were sold, rounded down to the nearest [£1]].<sup>63</sup>
59. The relevant proportion of the net proceeds of sale to which a PROPP Beneficiary is entitled will be paid to such PROPP Beneficiary by the Depositary transferring the relevant proportion of the net proceeds of sale to the account of such PROPP Beneficiary with [EUI,] [Euroclear,] [Clearstream] [or DTC] as the case may be details of which have been retained as required by Paragraph [44] of this Instrument. Balances standing to the credit of the cash account will not earn interest.
60. Following the sale of the Shares [and any other securities comprised in the Deposited Property to which the PROPPs relate] under Paragraph [55] or Paragraph [56], any net proceeds of sale and any other cash amounts in respect of PROPPs shall be held on trust by the [Depositary] in a non-interest bearing account until such time as the Depositary shall receive instructions from the Bank of England to transfer or pay such amounts as the Bank of England may direct.
61. If the Depositary shall receive any payment of interest or principal or any other amount in respect of any other Deposited Property held by or on behalf of the Depositary, the Depositary shall pay such amount into the Cash Account and hold such amount in accordance with this Instrument, any Supplemental [Society] Resolution Instrument and the Deposit Agreement.

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<sup>62</sup> To be considered whether takeover risk needs to be addressed in view of the short time window in which a takeover offer could be made i.e. the period in which a proportion of Shares are still held by the Depositary but voting rights are no longer controlled by the Resolution Administrator, which would be the period following the end of the Allocation Period after one or more Onward Transfer Instruments has been made and the bulk (i.e. more than 50% per cent.) of the Shares have been transferred to PROPP Beneficiaries and prior to the date the Shares which remain held by the Depositary are sold under Paragraph [55]. If this is not considered to be a concern in the particular case, this provision should be deleted.

<sup>63</sup> The rounding thresholds indicated are illustrative only.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

### Voting rights in respect of Shares

62. Prior to the Voting Rights Transfer Date, voting rights in respect of all Shares [(including any Shares which have been delivered to PROPP Beneficiaries in accordance with Paragraph [55] and are no longer held by or on behalf of the Depository)] will be exercisable only by the [Resolution Administrator].<sup>64</sup>
63. Voting rights in respect of Shares that are held by or for the Depository after the Voting Rights Transfer Date will be exercisable only by the [Resolution Administrator].

### Liability

64. None of the Depository [or the Custodian] shall be responsible to anyone with respect to the validity of their appointment, the Deposit Agreement [or the Custody Agreement] (together the "Appointment Agreements") or the PROPPs of any class for any act or omission by it in connection with the Appointment Agreements or any PROPP except in each case for its own wilful default, gross negligence or bad faith, including that of its officers, directors and employees.
65. None of the Depository, [or the Custodian] or any of its respective agents, officers or directors or employees shall incur any liability to any PROPP Beneficiary, [New HoldCo], [New Bank], the Bank of England, [the Resolution Administrator] or any other person if, by reason of any provision of any present or future law or regulation of England and Wales or of any relevant governmental authority, or by reason of the interpretation or application of any such present or future law or regulation or any change therein, or by reason of any other circumstances beyond their control, any of them shall be prevented, delayed or forbidden from doing or performing any act or thing which the terms of this Instrument or the Deposit Agreement [or the Custody Agreement] provide shall or may be done or performed.
66. None of the Depository [or the Custodian] shall be liable (except by reason of its own wilful default, gross negligence or bad faith or that of its agents, officers, directors or employees) to any PROPP Beneficiary, [any holder of SNP Instruments,] [any holder of New Debt Instruments,] [New HoldCo], [New Bank,] the Bank of England, [the Resolution Administrator] or any other person by reason of having accepted as valid, or not having rejected, any document relating to [New HoldCo], Shares or other Deposited Property subsequently found to be forged or not authentic for its failure to perform any obligations under this Instrument.
67. Notwithstanding anything else contained in the Deposit Agreement [or the Custody Agreement] or this Instrument, the Depository [the Custodian] may refrain from doing anything which could or might, in its reasonable opinion, be contrary to any law of any jurisdiction or any directive or regulation of any agency or state or which would or might otherwise render it liable to any person and the Depository [the Custodian] may do anything which is, in its opinion, necessary to comply with any such law, directive or regulation.
68. Notwithstanding anything to the contrary contained in this Instrument, the Depository [the Custodian] shall not be liable in respect of any loss or damage which arises out of or in connection with the performance, delayed performance or non-performance of or the exercise or attempted exercise of, or the failure to exercise any of, its powers or discretions under this Instrument or the Deposit Agreement [or the Custody Agreement], except to the extent that such loss or damage arises

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<sup>64</sup> See Paragraph [83] of this Template Resolution Instrument. The reference to Shares which have been allocated in respect of PROPPs would only be relevant if transfers of Shares to PROPP Beneficiaries was to occur in stages using more than one Onward Transfer Instrument and it would be possible for Shares representing less than 50 per cent. of the voting rights in respect of all Shares to be so transferred.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

from its own wilful default, gross negligence or bad faith or that of its agents, officers, directors or employees.

69. No provision of this Instrument or the Deposit Agreement [or the Custody Agreement] shall require the Depositary [the Custodian] to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if, acting reasonably, it shall believe that repayment of such funds or adequate indemnity and security against such risk of liability is not assured.
70. Save as otherwise provided in this Instrument, the Deposit Agreement, [the Custody Agreement] or or any Supplemental [Society] Resolution Instrument or any [New HoldCo] Share Transfer Instrument, none of the Depositary, [the Custodian] nor any of their respective agents, officers, directors or employees shall be liable to the Bank of England, [the Resolution Administrator], [New Bank], [New HoldCo,] any PROPP Beneficiary, or any person with an interest in a [New HoldCo], Share or other Deposited Property or any other person for any indirect, special, punitive or consequential loss or damage of any kind whatsoever whether arising as a matter of contract, tort, negligence or otherwise (including, but not limited to, lost profit, goodwill, reputation, business opportunity or anticipated saving), whether or not foreseeable, even if any of the Depositary, [the Custodian] or any of their respective agents, officers, directors or employees (as the case may be) has been advised of the likelihood of such loss or damage and regardless of whether the claim for loss or damage is made in negligence, for breach of contract, breach of trust or otherwise.

### Financial crime and sanctions compliance

71. No provision of this Instrument or the Deposit Agreement [or the Custody Agreement] shall require the Depositary [the Custodian] to [take any step that it reasonably believes would] violate any laws or regulations applicable to it concerned with sanctions or the prevention of financial crime, including (without prejudice to the generality of the forgoing) the Proceeds of Crime Act 2002, the Money Laundering, Terrorist Financing and Transfer of Funds (Information on the Payer) Regulations 2017 and the Sanctions and Anti-Money Laundering Act 2018 (and regulations made thereunder).

### Taxation

72. If any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of the United Kingdom of Great Britain and Northern Ireland or any political subdivision therein or any authority therein or thereof having power to tax is required by law to be made in respect of any payment or distribution of cash in respect of the PROPPs or the Deposited Property or the sale of any [New HoldCo] Shares or other Deposited Property, such payment or distribution shall be made net of such deduction or withholding and no additional amount shall be payable by any person in respect of such withholding or deduction.

### Amendments

73. The PROPPs, this Instrument and the provisions of the Deposit Agreement, [and the Custody Agreement] and any other agreement relating to this Instrument may be amended or modified without the consent of the PROPP Beneficiaries to correct a manifest error or if such amendment or modification is of a formal, minor or technical nature or is not, in the opinion of the Bank of England or the Resolution Administrator, materially prejudicial to the interests of the PROPPs or any class of PROPP.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

74. Without prejudice to Paragraph [73], the Bank of England may at any time by a Supplemental [Society] Resolution Instrument make any modification to this Instrument, any Supplemental [Society] Resolution Instrument, any [New HoldCo] Share Transfer Instrument, the PROPPs or any class of PROPPs, [the Deposit Agreement, [the Custody Agreement]] or any other agreement relating to this Instrument which it considers necessary or desirable.

### Resignation and termination of appointment of the Depositary

75. The [Resolution Administrator] [New HoldCo] [or [New Bank]] with the prior written approval of the Bank of England may terminate the appointment of the Depositary with immediate effect or with such period of notice as it may specify in writing and for any or no reason. The Depositary may resign as Depositary by giving at least [90] calendar days' prior notice in writing to [the Resolution Administrator,] [New Bank,] [New HoldCo] and the Bank of England.

76. The termination of the appointment of the Depositary may be effected by the [Resolution Administrator] [or New HoldCo] [or by [New Bank]] [or by New HoldCo] with the prior written approval of the Bank of England serving a termination notice on the Depositary specifying the date on which the termination is to take effect; provided that, where the termination notice is served by [New Bank], the termination of the appointment of the Depositary shall not become effective until a successor depositary has been appointed and such appointment has become effective. If the appointment of a successor depositary has not become effective within [90] calendar days after the notice of termination of appointment, the Depositary may, at the expense of [New Bank], identify a successor depositary, being a leading international bank or an affiliate thereof and [New Bank] [and [New HoldCo] shall, within [45] calendar days after the Depositary has notified [New Bank] of the person identified, appoint such person as a successor depositary.

77. The resignation of the Depositary shall take effect on the date specified in the relevant notice provided that the Depositary shall be required to remain as depositary until [the Resolution Administrator] [New Bank] [New HoldCo] has appointed a successor depositary approved by the Bank of England and such appointment has become effective. If the appointment of a successor depositary has not become effective within [90] calendar days after the notice of resignation, the Depositary may, at the expense of [New Bank], identify a successor depositary, being a leading international bank or any affiliates thereof and [New Bank] shall, within [45] calendar days after the Depositary has notified [New Bank] of the person identified, appoint such person as a successor depositary.

78. Upon the termination of appointment or resignation of the Depositary, the Depositary shall, at the expense of [New Bank], deliver to any successor depositary sufficient information and records to enable such successor efficiently to perform its obligations under this Instrument and, at the expense of [New Bank], shall take or refrain from taking any step as directed by [the Resolution Administrator] [or New HoldCo] [or New Bank] in order to effect the transition to a new depositary.

### Notices

79. All notices to PROPP Beneficiaries shall be validly given if mailed to them at their respective addresses or furnished to them by electronic transmission through the relevant CSD. Any such notice shall be deemed to have been given on the seventh day after being so mailed or in the case of electronic transmission, when delivered.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

### Assignment and transfer

80. None of the Depositary [or the Custodian] may assign or transfer any of its rights or obligations under this Instrument or the Appointment Agreements without the prior written consent of the Bank of England.

## PART 4 GOVERNANCE

### [Resolution Administrator]<sup>65</sup>

81. By this Instrument, [ ] is appointed as Resolution Administrator.
82. The appointment made in Paragraph [81] takes effect at the Resolution Time.
83. Voting rights in respect of the Shares shall be exercisable only by the Resolution Administrator until the Voting Rights Transfer Date, [provided that the Resolution Administrator shall not exercise any voting rights unless it has first consulted with the [Bank of England] [and the PRA].<sup>66</sup>
84. The Resolution Administrator shall be remunerated as provided in the Resolution Administrator Appointment Agreement.<sup>67</sup>
85. The Resolution Administrator may resign as Resolution Administrator on providing not less than [ ] notice in writing to the Bank of England. Such resignation shall become effective on the date determined by the Bank of England [such determination being made not later than [ ] days after receipt by the Bank of England of such notice of resignation].
86. The Bank of England may terminate the appointment of the Resolution Administrator in the circumstances provided in Section 62D(3)(b) of the Banking Act.
87. Following the resignation of the Resolution Administrator or the termination of the appointment of the Resolution Administrator, the Bank of England may take such steps as it deems necessary or desirable in order to appoint a replacement Resolution Administrator or may decide not to appoint a replacement Resolution Administrator.]

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<sup>65</sup> Power to appoint a Resolution Administrator is contained in S. 62B to S. 62E Banking Act. It is not mandatory to appoint a Resolution Administrator, hence these provisions are in square brackets for consideration in the particular case. The BoE may also appoint itself as Resolution Administrator.

<sup>66</sup> The Resolution Instrument may make provision that specified rights attaching to securities may be exercised by the BoE or a Resolution Administrator.

<sup>67</sup> The provisions for remuneration and allowances to be paid by the BoE or determined by the BoE and paid by [New Bank] to the Resolution Administrator may be included in the Resolution Instrument or in a separate document with the Resolution Administrator. The Resolution Administrator Appointment Agreement could also include various other provisions, for example provisions as to frequency and form of reporting to the BoE.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

### Business reorganisation plan<sup>68</sup>

88. The [Resolution Administrator] [directors of [New Bank]] shall:

- (a) draw up a business reorganisation plan in accordance with the requirements specified in Paragraph 89;
- (b) submit the business reorganisation plan to the Bank of England within [ ] days of the date of this Instrument;
- (c) submit to the Bank of England progress reports on the implementation of the business reorganisation plan at [intervals to be specified].<sup>69</sup>

89. The business reorganisation plan shall include:

- (a) an assessment of the factors that caused Condition 1 in Section 7 of the Banking Act to be met in the case of [New Bank];
- (b) a description of the measures to be adopted with a view to restoring the viability of [New Bank];
- (c) a timetable for the implementation of those measures;
- (d) [EITHER] [further provisions in relation to the business reorganisation plan to be specified] [OR] [such matters as are specified in the agreement entered into between the Bank of England and [the person responsible for the preparation of the business reorganisation plan] on or before the date on which the Resolution Time occurs.]<sup>70</sup>

### [Resolution Administrator: Further functions

90. The Resolution Administrator may terminate, or direct [New Bank] to terminate, the appointment of the Depositary [and/or the Custodian] at any time [with immediate effect] and for any or no reason and may appoint, or direct [New Bank] to appoint, a successor depositary, [and/or Custodian].]

### Directors

91. At any time when any Shares are held by or on behalf of the Depositary or a Resolution Administrator has been appointed in respect of [New Bank], the Bank of England may:

- (a) remove, vary the service contract of, terminate the service contract of, or appoint, a director or senior manager of [New Bank]; or

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<sup>68</sup> S. 12A(2C) Banking Act requires provision to be made in a bail-in resolution instrument for a business reorganisation plan under the provisions of S. 48H(1). S. 48H(1) requires a business reorganisation plan to be drawn up by a resolution administrator or one or more directors of the firm in resolution. S. 48H(3) and (5) set out the process for approval of the business reorganisation plan by the BoE and the requirement to consult the PRA and the FCA. The requirements of the Bank Recovery and Resolution (No. 2) Order 2014 in relation to the preparation of a business reorganisation plan will also need to be taken into account, either in the Resolution Instrument or in the separate agreement with the person responsible for preparing the plan.

<sup>69</sup> S. 48H(1) Banking Act sets out the process for production of the business reorganisation plan to be included in the Resolution Instrument. S.48H(7) permits certain matters to be dealt with in a separate agreement between the BoE and the person responsible for drawing up the business reorganisation plan.

<sup>70</sup> S.48H(2) Banking Act sets out what the business reorganisation plan must include. This paragraph will need to be developed with further provisions as are appropriate in the circumstances of the case having regard to the powers of the BoE under S.48H(7) Banking Act or provide for such additional matters to be included in a separate agreement between the BoE and the person responsible for drawing up the business reorganisation plan in accordance with S.48H(7).

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

- (b) give written directions (whether general or specific) to one or more directors of [New Bank].
92. References in Paragraph [91] to [New Bank] include a reference to any undertaking which is a banking group company in respect of [New Bank].
93. The directors of [New Bank] shall do all things necessary to give effect to this Instrument and shall refrain from exercising any power (whether deriving from common law, statute or [New Bank]'s memorandum or articles of association) which could have the effect of undermining the actions and prohibitions provided for or contemplated in this Instrument.

### Memorandum and Articles of Association

94. This Instrument takes effect notwithstanding any provision in [New Bank]'s [or New HoldCo's], memorandum of association or articles of association, or any contracts to which [New Bank] [or New HoldCo] is a party.

## PART 5 MISCELLANEOUS

### Overriding nature of transfers, cancellations and modifications

95. The cancellation of the AT1 Instruments and Tier 2 Instruments in Paragraphs [25] and [26] and *[EITHER]* [the reduction of the SNP Instruments in Paragraph [28] */OR/* [the transfer of the SNP Instruments in Paragraph [28]], [and the modification of the SNP Instruments in Paragraph [31]] take effect at the Resolution Time irrespective of whether the relevant Existing Debt Instruments, as applicable, have been produced, delivered, transferred or otherwise dealt with or are subsequently purported to be produced, delivered, transferred or otherwise dealt with.
96. [If prior to the Resolution Time, any person has agreed to any Shares, Preference Shares or Existing Debt Instruments and those Shares, Preference Shares or Existing Debt Instruments and the sale transaction has reached the point at which it is irrevocable and will be settled in accordance with the rules or practice of the relevant CSD, the person to whom the relevant instrument will be transferred by the shall be treated as the holder of the relevant instrument at the Resolution Time.]

### Suspension and discontinuation of listing

97. By this Instrument, the listing of the SNP Instruments [of each class] listed on the Official List of the FCA is suspended with effect from the Resolution Time without the need for any notice to, or consent of, [New Bank] or [New HoldCo] or any other person.<sup>71</sup>

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<sup>71</sup> It is possible that listed securities of the firm may already have been suspended either on a request from the Society which will be likely to be actively considering its disclosure obligations in the period prior to resolution or by the FCA exercising its power to suspend listed securities. If that is the case this provision will need to be amended. The BoE would co-ordinate with the FCA in relation to the suspension of UK listed securities by the BoE exercising its power so that the FCA can make any announcement it would normally make on the suspension of a listed security and can amend the Official List. The duration of the suspension of the listing of the Shares and the SNP Instruments also needs to be considered. Since the Shares are to be transferred to a Depository for the duration of the bail-in, and as trading of the Shares on the stock exchange would not be possible whilst they are held by the Depository, the suspension of the listing of Shares is expected to remain in place until the bail-in is complete. This would also be likely to be the position with regard to the SNP Instruments. Notwithstanding the suspension of the listing of securities which are admitted to the Official List of the FCA, [New Bank] and [New HoldCo] will remain subject to the continuing obligations, including the disclosure obligations, of the FCA throughout any period of suspension.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

98. By this Instrument, the listing of the AT1 Instruments and the Tier 2 Instruments on the Official List of the FCA is discontinued with effect from the Resolution Time without the need for any notice to, or consent of, [New Bank] or [New HoldCo] or any other person.<sup>72</sup>
99. By this Instrument, [New Bank] is instructed to make arrangements with effect from the Resolution Time for the suspension of the listing of any overseas listed AT 1 Instruments and Tier 2 Instruments without the need for consent from any other person other than as required by the laws of the relevant jurisdiction(s).
100. [By this Instrument, and notwithstanding the transfer of the SNP Instruments of any class to the Depository [or any reduction and cancellation in the [principal amount] [outstanding amount payable] in respect of any class of SNP Instruments or the grant of PROPPs providing any entitlement to SNP Instruments of any class or [New HoldCo]Shares] [and/or New Debt Instruments of any class] as contemplated by this Instrument or any Supplemental [Society] Resolution Instrument, the SNP Instruments of each class shall continue to be admitted to the Official List of the FCA without the need for any notice to or consent of the FCA or any other person and without the need for the approval, filing or publication of any prospectus or listing particulars in respect of [New HoldCo] or [New Bank] or the [New HoldCo] Shares or the SNP Instruments of any class and Section 85 (1) and (2) of FSMA shall be disapplied.<sup>73</sup>

### Continuity

101. [As from the Resolution Time, the [Depository] is to be treated as the same person as the transferors of the SNP Instruments<sup>74</sup> for all purposes necessary to give effect to the transfer to the [Depository].<sup>75</sup>
102. Any rights, benefits or privileges to which the transferors are entitled before the transfer time that have not yet vested been paid or settled shall transfer to the [Depository] from the Resolution Time.
103. A reference (express or implied) in a relevant instrument or document relating to the transferors is to have effect as if it were a reference to the [Depository] if the reference is in connection with rights that relate to the Shares [or the SNP Instruments as applicable].<sup>76</sup>
104. A relevant instrument or document is one which relates to some or all of the SNP Instruments.
105. The transferors in respect of [the SNP Instruments]<sup>77</sup> and the holders of the AT1 Instruments, the Tier 2 Instruments and the SNP Instruments<sup>78</sup> prior to the Resolution Time must provide as soon as practicable the Bank of England [and the Resolution Administrator] with such information and

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<sup>72</sup> Since the AT1 Instruments and Tier 2 Instruments are being cancelled the listing of these instruments should be discontinued.

<sup>73</sup> The reference in Paragraph [100] to the transfer of the SNP Instruments is relevant if there is to be a deferred bail in. The other references to SNP Instruments in Paragraph [100] apply whether there is to be an immediate or a deferred bail-in of such instruments. If New Debt Instruments are to be created and issued in respect of the write down of any SNP Instruments listing particulars/a prospectus will need to be prepared and approved in respect of such New Debt Instruments.

<sup>74</sup> The reference to the SNP Instruments is relevant if there is to be a deferred bail-in.

<sup>75</sup> This is only relevant to a deferred bail-in in which SNP Instruments are transferred to the Depository.

<sup>76</sup> See Footnote [77].

<sup>77</sup> The reference to the SNP Instruments is relevant if there is to be a deferred bail-in.

<sup>78</sup> The reference to SNP Instruments is relevant if there is to be an immediate bail-in.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

assistance as is reasonably requested by the Bank of England [or the Resolution Administrator] in writing:

- (a) in relation to the Shares, the AT1 Instruments, the Tier 2 Instruments, or the SNP Instruments, as applicable; and
- (b) for any other purpose relating to, in connection with or in consequence of this Instrument.

106. [New Bank] shall exercise all rights to which it is entitled by contract or otherwise to procure that each CSD, each registrar, common depositary, trustee and paying agent shall do, and each CSD, each registrar, common depositary, trustee and paying agent and each PROPP Beneficiary [and all other relevant persons] are required by this Instrument to do, all things necessary or desirable to give effect to the transfers, reductions, cancellations, exchanges and modifications and the creation of new securities and instruments effected by this Instrument [or any Supplemental [Society] Resolution Instrument] or any [[New HoldCo] Share Transfer Instrument] and to assist the Bank of England as it may require in connection therewith (including the retention and provision of information required by Paragraph [44] and the taking such actions as are described in Schedule [2] to this Instrument).<sup>79</sup>

### Bank of England Power to Instruct

107. The Bank of England shall have the authority to give instructions, on behalf of [New Bank] [and [New HoldCo]] to any common depositaries/safekeepers, any CSD, any trustee and any paying agent [and any other person] in respect of the AT1 Instruments, the Tier 2 Instruments and the SNP Instruments following the making of this Instrument.

### Execution, issue and delivery of instruments

108. [Add any provision required relating to execution, issue or delivery of instruments].

### Data protection

109. [New Bank] shall be considered the data controller of any personal data required only to be processed in connection with this Instrument.

### Overriding effect of this Instrument

110. This Instrument takes effect despite any restriction arising by virtue of contract or legislation or in any other way.

111. Section 48Z(6) of the Banking Act (which makes provision in respect of default event provisions) is applied by this Instrument.

112. [Section 48Z(6) of the Banking Act does not apply to the extent that it would be incompatible with the Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (SI 1999/2979), as amended or the Financial Collateral Arrangements (No. 2) Regulations 2003 (SI 2003/3226), as amended.]

The Governor and Company of the Bank of England

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<sup>79</sup> In addition to the general power of the BoE to require assistance under S.48Q Banking Act, this provision requires the firm in resolution to exercise any rights it has to direct EUI, the ICSDs, each registrar, common depositary, trustee and paying agent to take any necessary actions to give effect to the bail-in.

**TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)**

**SCHEDULE 1**

**REDUCTIONS OF SNP INSTRUMENTS**

ISIN of relevant class of SNP Instrument	Original principal amount repayable per original minimum denomination of the relevant class of SNP Instrument	Reduction in principal amount repayable per original minimum denomination of the relevant class of SNP Instrument	[Amended minimum denomination of the relevant class of SNP Instrument] <sup>80</sup>	[New principal amount repayable per amended minimum denomination of the relevant class of SNP Instrument] <sup>81</sup>	Accrued and unpaid interest per original minimum denomination of the relevant class of SNP Instrument	Reduction in accrued and unpaid interest per original minimum denomination of the relevant class of SNP Instrument	Aggregate principal amount of relevant class of SNP Instrument (sterling or sterling equivalent) cancelled upon granting of Class [C] PROPPs

<sup>80</sup> This column is only relevant if the reduction in the principal amount outstanding of the SNP Instrument of any class requires a change to be made to the minimum denomination of such class of SNP Instruments.

<sup>81</sup> This column is only relevant if the reduction in the principal amount outstanding of the SNP Instrument of any class requires a change to be made to the minimum denomination of such class of SNP Instruments.

**TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)**

**SCHEDULE 2**

**AMENDMENTS TO SNP INSTRUMENTS AS A CONSEQUENCE OF SUBSTITUTION OF  
[NEW HOLD CO] AS OBLIGOR**

Amendments to [xxxx] SNP Instruments

Amendments to [xxxx] SNP Instruments

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## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

### SCHEDULE 3

#### ACTION TO BE TAKEN BY COMMON DEPOSITARIES/SAFEKEEPERS, CSDs AND REGISTRARS FOLLOWING THE MAKING OF THIS INSTRUMENT

##### Introduction

1. This Schedule describes the procedures to be followed by the common depositaries/safekeepers, CSDs, and the registrars, in respect of the AT1 Instruments, the Tier 2 Instruments and the SNP Instruments following the making of this Instrument.
2. This Schedule forms part of this Instrument.
3. Terms not otherwise defined in this Schedule have the meanings given to such terms in Paragraph 3 of Part 1 of this Instrument.
4. The actions described in this Schedule are to be taken by the relevant entity immediately following notification by the Bank of England on behalf of [New Bank] and/or [New HoldCo] of the making of this Instrument.

##### Common depositaries/safekeepers for the AT1 Instruments and the Tier 2 Instruments

5. The common depositaries/safekeepers for the AT1 Instruments and the Tier 2 Instruments shall cancel the global notes in respect of the relevant AT1 Instruments and the relevant Tier 2 Instruments and shall deliver such cancelled global notes to [New Bank] for destruction.
6. The common depositaries for the AT1 Instruments and the Tier 2 Instruments shall notify [EUI as operator of CREST] [ICSDs] [all other relevant CSDs] immediately following completion of such cancellations of the relevant global notes.

##### Common depositaries/safekeepers for the SNP Instruments

7. [The common depositaries/safekeepers for each class of SNP Instruments shall amend the global notes in respect of such instruments to reflect the reductions in the [aggregate principal amount outstanding] of such class of SNP Instruments effected by Paragraph [28] of the Instrument.
8. The common depositaries/safekeepers for each class of SNP Instruments shall notify [EUI as operator of CREST] [the ICSDs] immediately following completion of such amendments to and reductions in the relevant global notes.]<sup>82</sup>

##### CSDs

9. Each CSD shall, with effect from the Resolution Time until such time as notified in writing by the Bank of England suspend settlement of the AT1 Instruments, the Tier 2 Instruments and [the SNP Instruments] [the [xxxx] SNP Instruments and the [yyyy] Instruments.] except where the person shown on the records of the relevant CSD as entitled to the relevant instrument has agreed to sell that instrument and the sale transaction has at the Resolution Time reached the point at which it is irrevocable and will be settled in accordance with the rules or practice of the relevant CSD.<sup>83</sup>

<sup>82</sup> This provision is relevant if there is an immediate partial bail-in of the SNP Instruments. See [Option 1] in Paragraph [28] of this Template Resolution Instrument.

<sup>83</sup> In the case of deferred bail-in suspension of the SNP Instruments would need to last until completion of the bail-in process.

## TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)

10. Each CSD shall update the records relating to accounts of account holders which held the AT1 Instruments, the Tier 2 Instruments, the [and the SNP Instruments]<sup>84</sup> immediately before the Resolution Time:
- (a) to reflect the reduction to zero of the principal amount repayable<sup>85</sup> to an account holder under any relevant AT1 Instrument or Tier 2 Instrument and the cancellation of the accrued and unpaid interest in respect of such AT1 Instruments and Tier 2 Instruments up to but excluding the day on which the Resolution Time occurs and the cancellation of that instrument;
  - (b) [to reflect the reduction in the [principal amount repayable] to an account holder under any SNP Instrument [and the cancellation of the accrued and unpaid interest in respect of such SNP Instrument up to but excluding the day on which the Resolution Time occurs];<sup>86</sup>
  - (c) [to reflect the transfer of the SNP Instruments to the Depository].<sup>87</sup>

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<sup>84</sup> This provision is relevant if there is a deferred bail-in of the SNP Instruments which are transferred to and to be held by the Depository during the bail-in period. See [Option 2] in Paragraph [28] of this Template Resolution Instrument.

<sup>85</sup> Terminology used in this Template Resolution Instrument as to principal amounts, principal amount outstanding, interest etc should be checked against the rules of the Society and the terms of such instruments which are shares in the Society and the instructions modified as necessary.

<sup>86</sup> This provision is relevant if there is an immediate partial bail-in of the SNP Instruments. See Option 1 in Paragraph [28] of this Template Resolution Instrument.

<sup>87</sup> This provision is relevant if there is a deferred bail-in of the SNP Instruments which are transferred to and to be held by the Depository during the bail-in period. See Option 2 in Paragraph [28] of this Template Resolution Instrument.

**TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)**

**[SCHEDULE 4**

**TERMS AND CONDITIONS OF THE NEW DEBT INSTRUMENTS]<sup>88</sup>**

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<sup>88</sup> To be included only if New Debt Instruments are to be created. See Footnotes [111].

## **TEMPLATE BAIL-IN RESOLUTION INSTRUMENT (BUILDING SOCIETY)**

### **EXPLANATORY NOTE**

[An explanatory note would be included in the Resolution Instrument as made and would be a description of the Resolution Instrument made in a particular case. It would be analogous to the kind of explanatory note which sometimes accompanies a statutory instrument and would briefly describe the purpose and key provisions of the Resolution Instrument. The explanatory note would not be part of the Resolution Instrument.]

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