

TEMPLATE BAIL-IN SUPPLEMENTAL RESOLUTION INSTRUMENT (CERTIFICATES OF ENTITLEMENT)

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 Bank] plc [First] Supplemental Resolution Instrument 20[]¹

Made - - - - [date]

Coming into force - [date]

Having consulted the PRA, the FCA and HM Treasury, the Bank of England, in the exercise of the powers conferred by Section 48U of the Banking Act, makes this instrument.²

This instrument is designated by the Bank of England as supplemental to the [Name of Bank] Resolution Instrument 20[] made by the Bank on [] 20[].

¹ This Template Bail-in Supplemental Resolution Instrument (Certificates of Entitlement) (referred to in these notes as the "Template Supplemental Resolution Instrument") is to be read and used in conjunction with the Template Bail-in Resolution Instrument (referred to in these notes as the "Template Resolution Instrument") and related notes and has been drafted on the same hypothetical basis as the Template Resolution Instrument. Further explanations of individual provisions of this Template Supplemental Resolution Instrument (certain of which will depend on the way in which the bail-in is structured in the Resolution Instrument) are contained in the footnotes to it and in the footnotes to the Template Resolution Instrument. References to the "Resolution Instrument" are to the resolution instrument as it would have been made at the commencement of a resolution and references to the "Supplemental Resolution Instrument" are to the supplemental resolution instrument as it would be made, potentially on the Allocation Ratio Announcement Date as defined in the Template Resolution Instrument.

² S.48U Banking Act permits the BoE, where it has made a resolution instrument, to make with respect to the firm one or more resolution instruments which it designates as supplemental resolution instruments. Additional powers on which the BoE is relying in connection with the Supplemental Resolution Instrument may also be referenced.

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PART 1

GENERAL

Citation and commencement

1. This Instrument may be cited as The [*Name of Bank*] plc [First] Supplemental Resolution Instrument [*Year*].³
2. This Instrument comes into force at [] on [].

Interpretation: general

3. In this Instrument:⁴

“Accrual Recommencement Date” means [];⁵

“Additional Shares” has the meaning given in Paragraph [15] of the [Bank] Resolution Instrument;

“Allocation Expiration Date” means the day falling [] days after the Allocation Record Date;

“Allocation Ratios” means the Class [A] Allocation Ratio, the Class [B] Allocation Ratio, the Class [C] Allocation Ratio [*EITHER*] [and the Class [D] Allocation Ratio] [*OR*] [, the Class [D1] Allocation Ratio and the Class [D2] Allocation Ratio];

“Allocation Ratio Announcement Date” means [] [20[]];⁶

“Allocation Record Date” means [] [20[]];⁷

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- 3 The Template Instruments provide for the Supplemental Resolution Instrument to be made on the Allocation Ratio Announcement Date, but this could be altered as required. The primary purpose of the Supplemental Resolution Instrument is to specify the Allocation Ratio applicable to each class of CEs and the timetable for the exchange the CEs of each class for the relevant Deposited Property. If a deferred bail-in or a subsequent additional bail-in is to take place, the Supplemental Resolution Instrument would also be the instrument by which the deferred bail-in or the subsequent additional bail-in, as applicable, would be effected.
 - 4 The Template Supplemental Resolution Instrument has been drafted on the basis that it should be capable of being read on its own and not simply state that terms defined in the Resolution Instrument have the same meaning in the Supplemental Resolution Instrument. It is also the case that certain definitions used in the Template Resolution Instrument need to be amended when used in the Template Supplemental Resolution Instrument to reflect the fact that, at the time the Supplemental Resolution Instrument is made, the Resolution Instrument will have been made and the bail-in structure will have been determined at the commencement of the resolution and prior to the making of the Supplemental Resolution Instrument and, in some cases, as a result of the effluxion of time between the making of the instruments. Consequently, definitions used in the Template Resolution Instrument have been repeated in this Template Supplemental Resolution Instrument (together where relevant with the related footnotes) but modified as appropriate. Note, however, that terms defined in the Template Resolution Instrument which are not used in this Template Supplemental Resolution Instrument (other than in the footnotes) have not been defined again in this Template Supplemental Resolution Instrument.
 - 5 If the Resolution Instrument stopped the accrual and payment of interest and other amounts in respect of the SNP Instruments and if interest accrual is to recommence as at a particular date, this would be the date from which such accrual would recommence. See Paragraph [12] of this Template Supplemental Resolution Instrument.
 - 6 This will be the date on which the BoE announces the Allocation Ratios in respect of each class of CEs which the BoE will have determined following completion of the final equity valuation (Valuation 3). This is expected to be the date on which the Supplemental Resolution Instrument is made. The Allocation Period will be determined automatically as a consequence of the definitions in the Template Resolution Instrument. The Allocation Period is the period in which CE Holders must complete and submit Statements of Beneficial Ownership in order to exchange their CEs. Since the announcement of the Allocation Ratios will enable CE Holders to calculate precisely the number of Shares and any other property which they will receive in exchange for their CEs, it is possible that some CE Holders may decide to sell their CEs during the Allocation Period.
 - 7 The record date – being the date on which a CE Holder must be on the register in order to be entitled to receive any Deposited Property is defined in the Template Resolution Instrument as the day falling [] days after the Allocation Ratio Announcement Date. Accordingly, in the Supplemental Resolution Instrument the actual day can be specified.

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“[Bank]” means [*Name of Bank*] plc;

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

“[Bank] Onward 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 CE Holders;⁸

“[Bank] Resolution Instrument” means The [*Name of Bank*] plc Resolution Instrument [*Year*] made by the Bank of England;

“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;

“CE” means a certificate of entitlement in registered form issued by [Bank] representing an entitlement to Deposited Property as created by and determined in accordance with and subject to the [Bank] Resolution Instrument, this Instrument and any additional Supplemental [Bank] Resolution Instrument and “CEs” shall be construed accordingly;

“CE Conditions” means the terms and Conditions of the CEs which are set out in Schedule [3] to the [Bank] Resolution Instrument;

“CE Holder” means the person to whose account an interest in a CE is credited in the books of [EUI as operator of CREST] Euroclear or Clearstream];

“CE Programme” means the certificates of entitlement programme of [Bank] established by the [Bank] Resolution Instrument and governed by the CE Conditions;

“Class [A] CE” means a CE representing an entitlement to such proportion of Class [A] Deposited Property as is determined in accordance with and subject to the [Bank] Resolution Instrument and “Class [A] CEs” shall be construed accordingly;⁹

“Class [A] Deposited Property” means Shares and any other Deposited Share Property;

“Class [A] Entitlement” means the fractional amount of Class [A] Deposited Property to which each Class [A] CE is entitled as determined in accordance with Paragraph [43] of the [Bank] Resolution Instrument and specified in the relevant Onward Transfer Request;

8 The Template Resolution Instrument provides for the Shares in [Bank] to be transferred by the Resolution Instrument from the holders to the Depository and to be held by or by a nominee on behalf of the Depository until transferred to the holders of CEs who become entitled to Shares. It is assumed that the subsequent transfer of Shares to CE Holders would be effected by way of an Onward Transfer Instrument made by the BoE under S.48V of the Banking Act. 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. It is also proposed that the Onward Transfer Instrument would be used to transfer other assets to which CE Holders may be entitled, for example any cash, any SNP Instruments if there is a deferred bail-in and any New Debt Instruments if they are to be created as part of the recapitalisation of the firm.

9 The number of classes of CE and the bailed-in securities to which they correspond will depend on the capital structure of the [Bank] and how the bail-in is structured under the Resolution Instrument. In the Template Resolution Instrument and this Template Supplemental Resolution Instrument four classes of CE (A, B, C and D) corresponding respectively to all AT1 Instruments, all Tier 2 Instruments, all Preference Shares and all SNP Instruments of the hypothetical firm ([Bank]) have been included for the purposes of illustration. In an actual bail-in resolution, the number of different classes of CE will be case specific. The Template Resolution Instrument does not provide for CEs to be issued to shareholders of the firm whose shares are transferred to the Depository. If separate classes of CEs were necessary for different classes of AT1 Instruments, Tier 2 Instruments, Preference Shares or SNP Instruments for any reason, additional classes and nomenclature would be necessary. If there is a deferred bail-in and there is more than one class of SNP Instruments, additional classes of CEs corresponding to the different classes of SNP Instrument would be necessary – e.g. D1, D2 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 Supplemental Resolution Instrument definitions referring to Class [D1] CEs and Class [D2] CEs 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 [A] Allocation Ratio” means the fractional number specified in Paragraph [6] of this Instrument used by the Bank of England for the purpose of calculating the Class [A] Entitlement in accordance with Paragraph [43] of the [Bank] Resolution Instrument;

“Class [B] CE” means a CE representing an entitlement to such proportion of Class [B] Deposited Property as is determined in accordance with and subject to the [Bank] Resolution Instrument and “Class [B] CEs” shall be construed accordingly;

“Class [B] Deposited Property” means the Shares and any other Deposited Share Property;

“Class [B] Entitlement” means the fractional amount of Class [B] Deposited Property to which each Class [B] CE is entitled as determined in accordance with Paragraph [45] of the [Bank] Resolution Instrument and specified in the relevant Onward Transfer Request;

“Class [B] Allocation Ratio” means the fractional number specified in Paragraph [6] of this Instrument used by the Bank of England for the purpose of calculating the Class [B] Entitlement in accordance with Paragraph [45] of the [Bank] Resolution Instrument;

“Class [C] CE” means a CE representing an entitlement to such proportion of Class [C] Deposited Property as is determined in accordance with and subject to the [Bank] Resolution Instrument and “Class [C] CEs” shall be construed accordingly;

“Class [C] Deposited Property” means the Shares and any other Deposited Share Property;

“Class [C] Entitlement” means the fractional amount of Class [C] Deposited Property to which each Class [C] CE is entitled as determined in accordance with Paragraph [47] of the [Bank] Resolution Instrument and specified in the relevant Onward Transfer Request;

“Class [C] Allocation Ratio” means the fractional number specified in Paragraph [6] of this Instrument used by the Bank of England for the purpose of calculating the Class [C] Entitlement in accordance with Paragraph [47] of the [Bank] Resolution Instrument;

[“Class [D] CE” means a CE representing an entitlement to such proportion of Class [D] Deposited Property as is determined in accordance with and subject to the [Bank] Resolution Instrument and “Class [D] CEs” shall be construed accordingly;]

[“Class [D] Deposited Property” means the Shares and any other Deposited Share Property;]

[“Class [D] Entitlement” means the fractional amount of Class [D] Deposited Property [and fractional principal amount of New Debt Instruments]¹⁰ to which each Class [D] CE is entitled as determined in accordance with Paragraph [49] of the [Bank] Resolution Instrument and specified in the relevant Onward Transfer Request;]

[“Class [D] Allocation Ratio” means the fractional number specified in Paragraph [6] of this Instrument used by the Bank of England for the purpose of calculating the Class [D] Entitlement in accordance with Paragraph [49] of the [Bank] Resolution Instrument;]

¹⁰ Whilst it is unlikely that New Debt Instruments would be created references to such instruments have been included so that the point can be considered if it were to become relevant. References should be deleted if not relevant. In this Template Supplemental Resolution Instrument only one class of New Debt Instruments has been provided for illustration. If different classes were to be issued (e.g. having different regulatory capital status) additional definitions would be needed. If New Debt Instruments were created they could be issued directly to CE Holders who have submitted completed Statements of Beneficial Ownership or issued to the Depositary and transferred by the Depositary together with the other Deposited Property to which the relevant CE Holders become entitled. The latter process has been assumed for the purpose of the Template Resolution Instrument, this Template Supplemental Resolution Instrument and the Template Onward Transfer Instrument.

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["Class [D1] CE" means a CE representing an entitlement to such proportion of Class [D1] Deposited Property as is determined in accordance with and subject to the [Bank] Resolution Instrument and "Class [D1] CEs" shall be construed accordingly;]¹¹

["Class [D1] 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;]¹²

["Class [D1] Deposited Property" means the Shares, any other Deposited Share Property and [the Class [D1] Deposited Instrument Property];]

["Class [D1] Entitlement" means the fractional amount of Class [D1] Deposited Property [and the fractional principal amount of New Debt Instruments] to which each Class [D1] CE is entitled as determined in accordance with Paragraph [49A] of the [Bank] Resolution Instrument and specified in the relevant Onward Transfer Request;]

["Class [D1] Allocation Ratio" means the fractional number specified in Paragraph [6] of this Instrument used by the Bank of England for the purpose of calculating the Class [D1] Entitlement in accordance with Paragraph [49A] of the [Bank] Resolution Instrument;]

["Class [D2] CE" means a CE representing an entitlement to such proportion of Class [D2] Deposited Property as is determined in accordance with and subject to the [Bank] Resolution Instrument and "Class [D2] CEs" shall be construed accordingly;]

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

["Class [D2] Entitlement" means the fractional amount of Class [D2] Deposited Property [and the fractional principal amount of New Debt Instruments] to which each Class [D2] CE is entitled as determined in accordance with Paragraph [49B] of the [Bank] Resolution Instrument and specified in the relevant Onward Transfer Request;]

["Class [D2] Allocation Ratio" means the fractional number specified in Paragraph [6] of this Instrument used by the Bank of England for the purpose of calculating the Class [D2] Entitlement in accordance with Paragraph [49B] of the [Bank] Resolution Instrument;]

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

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

11 This definition, the other Class [D1] related definitions and the Class [D2] 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.

12 For illustrative purposes it has been assumed in this Template Supplemental 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 CEs related to the SNP Instruments would be created, the Class [D1] CEs and the Class [D2] CEs, 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 holders of the Class [D1] CEs (or Class [D2] CEs, as applicable) following the partial write down of such SNP Instruments and their partial exchange for shares in [Bank].

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“Companies Act” means the Companies Act 2006 (as amended);

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

“CSD” means, in relation to any Shares, SNP Instruments, [New Debt Instruments] and the CEs, the person acting as central securities depository for those instruments, including (without limitation and to the extent appropriate in relation to any instrument) EUI, CREST, the ICSDs and DTC;

[“Custodian” means [] and any other person appointed as custodian to hold the Shares [and SNP Instruments] on behalf of the Depository in connection with the CE Programme from time to time;]

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

“Deposit Agreement” means the agreement [dated []] between [Bank], [] as Depository, [Registrar] [and Custodian], [the Resolution Administrator] and the Bank of England relating to the Shares [and SNP Instruments] transferred to the Depository by the [Bank] Resolution Instrument [and the New Debt Instruments to be issued to and held by the Depository pursuant to this Supplemental Instrument];

“Depository” means [] and any other person appointed from time to time to receive the Shares in connection with the CE Programme;

[“Deposited Instrument Property” means the Class [D1] Deposited Instrument Property and the Class [D2] Deposited Instrument Property;]¹³

“Deposited Property” means the Deposited Share Property [and the Deposited Instrument Property];

“Deposited Shares” means the Shares and all and any Additional Shares transferred, issued or allotted to the Depository [or to the Custodian on behalf of the Depository];

“Deposited Share Property” means the Deposited Shares and all and any other securities, property and cash received by the Depository, [the Custodian] or their respective agents and attributable to the Deposited Shares;

“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;

“FCA” means the Financial Conduct Authority;

“Further Reduction Time” means [] [a.m.] [p.m.] on [];

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

[“New Debt Instruments” means the £ [] sterling [perpetual] subordinated [bonds] [notes] [due []] to be issued by [Bank] on or before the [first] Onward Transfer Date having terms and conditions substantially in the form set out in Schedule [] of the [Bank] Resolution

¹³ This definition is relevant only if there is a deferred bail-in of the SNP Instruments. See Footnotes [7] [11] and [21] of the Template Resolution Instrument.

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Instrument and terms as to interest rate, [early call dates] [and maturity date] set out in Paragraph [7] of this Instrument;]¹⁴

["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 [Bank] and [] and [] as the paying agent[s] [and [] as the registrar];]

["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 [Bank] and [] as the trustee;]

"Onward Transfer Date" means the date specified in a [Bank] Onward Transfer Instrument on which Deposited Property the subject of such Onward Transfer Instrument is to be transferred to the relevant CE Holders;

"Onward 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 [Bank] Onward Transfer Instrument] to transfer the relevant Deposited Property to the relevant CE Holders;

["original minimum denomination" means, in respect of any SNP Instrument, the minimum denomination for such SNP Instrument immediately before the [Allocation Ratio Announcement Date];]

"PRA" means the Prudential Regulation Authority;

"Ranking Order" means the ranking order specified in section 176AZA of the Insolvency Act 1986, as the same may be amended, supplemented or replaced from time to time;]

"Register" has the meaning given to such term in CE Condition [1.2];

"Registrar" means [] and any other person appointed as registrar of the CEs in connection with the CE Programme from time to time;

"Registrar Agreement" means [];

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

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

"Shares" means all the issued ordinary share capital of [Bank];

14 It is unlikely that new debt capital securities would be created in connection with a resolution. Consequently the references to New Debt Instruments would only be relevant if a decision should be taken in a particular case to include new debt capital securities as part of the recapitalisation of the firm in resolution. If New Debt Instruments are not to be created and allocated to CE Holders this definition and the related definitions for New Debt Instruments should be deleted. If new debt capital securities are to be created, such instruments could be structured as Tier 1 and/or Tier 2 instruments, as required, to achieve the desired recapitalisation profile of the firm 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 Resolution 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. Separate global notes and conditions would be necessary. An application for listing of any New Debt Instruments would need to be made and listing particulars/a prospectus prepared. Reference to the first Onward Transfer Date has been included in case more than one [Bank] Onward Transfer Instrument is made.

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“SNP Instruments” means the [xxxx] SNP Instruments and the [yyyy] SNP Instruments;¹⁵

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

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

“Supplemental [Bank] Resolution Instrument” means any resolution instrument which is supplemental to the [Bank] Resolution Instrument including this Instrument and including where the context requires any [Bank] Onward Transfer Instrument made by the Bank of England in respect of [Bank] at any time.

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

PART 2

BAIL-IN PROVISIONS

[EITHER] [Additional Reduction and Conversion [in part] of SNP Instruments] [OR] [Reduction in part] of SNP Instruments]

[EITHER] ¹⁶

15 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 CEs for 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 CEs for 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 CE 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 CEs corresponding to each such class of SNP Instruments in order to ensure that the holders of the relevant class of CEs receive the correct Deposited Instrument Property on conclusion of the bail-in.

In this Template Supplemental Resolution Instrument the Class [D] CEs correspond to all classes of SNP Instruments and in a deferred bail-in the Class [D1] CEs and Class [D2] CEs correspond to the relevant classes of SNP Instruments.

If the SNP Instruments contain contractual terms providing for conversion or write-down, it is likely 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.

16 This option is applicable if there were an immediate bail-in of the SNP Instruments at the Resolution Time under Paragraph [33] of the Template Resolution Instrument and the BoE wishes to preserve the option to make a subsequent additional bail-in following the final equity valuation. The inclusion of the provision in square brackets relating to the write-down of accrued and unpaid interest depends on whether interest on the SNP Instruments has continued to accrue or has been suspended under Paragraph [36] of the Template Resolution Instrument 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 the accrual and payment of interest has been suspended the words in square brackets relating to accrued and unpaid interest can be deleted. In a subsequent additional bail-in it will be necessary to create further CEs corresponding to the additional principal amount written down. The holders of SNP Instruments whose CSD/ICSD accounts will be credited with the Class [D] CEs being created at the time of the subsequent additional bail-in are those persons holding the SNP Instruments at the Further Reduction Time. This Paragraph assumes all classes of SNP Instruments are to be treated the same in the subsequent additional bail-in. If different classes of SNP Instruments are to be treated differently in a subsequent additional bail in (e.g. because they would have a different priority on a winding-up) different classes of Class [D] CEs will

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4. [By this Instrument:
- (a) additional Class [D] CEs are created by converting the SNP Instruments [in part] into CEs in accordance with sub-Paragraphs (b) to (d) below;
 - (b) such amount of the [aggregate principal amount outstanding] [OR] [aggregate outstanding amount (being the principal amount outstanding and the accrued and unpaid interest up to but excluding the Allocation Ratio Announcement Date)]¹⁷ 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) each class of SNP Instrument is converted [in part] into Class [D] CEs¹⁸ in an amount equal to the amount of the reduction and cancellation of the aggregate principal amount outstanding in respect of such class of SNP Instrument as set out in the table contained in Schedule [1] to this Instrument; and
 - (d) [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.]¹⁹

[OR]²⁰

4. [By this Instrument such amount of the aggregate principal amount outstanding [and the aggregate accrued and unpaid interest up to but excluding the [Allocation Ratio Announcement Date]]²¹ 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.
5. The [EITHER] [reductions, conversions and cancellations] [OR] [the reductions and cancellations]²² effected by Paragraph [4] take place with effect from the Further Reduction Time.²³

be required corresponding to the separate classes of SNP Instrument. See Footnotes [7] and [11] of the Template Resolution Instrument.

- 17 It is possible that Paragraph [36] of the Template Resolution Instrument would have stopped interest accruing in respect of the SNP Instruments during the bail-in period and therefore that the subsequent additional bail-in would relate to principal only. If this is the case the alternative wording relating to the aggregate outstanding amount should be deleted.
- 18 If a subsequent additional bail-in is necessary it should not be necessary to create an additional class of CEs corresponding to the principal amount written down of the relevant SNP Instruments notwithstanding that the holders of the SNP Instruments on the Allocation Ratio Announcement Date are not or may not be the same persons as held the relevant SNP Instruments at the Resolution Time and would not therefore have received Class [D] CEs at the Resolution Time. It is assumed for this purpose that, as with the write-down at the Resolution Time, the SNP Instruments of each class rank pari passu on insolvency and therefore that additional CEs of a single class (the Class [D] CEs) can be created with the same ISIN.
- 19 The provision in sub-paragraph (d) 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.
- 20 This option is applicable if there is a deferred bail-in and the write-down of the SNP Instruments is to take place following completion of the final equity valuation process.
- 21 It is possible that under Paragraph [36] of the Template Resolution Instrument the accrual of interest from the Resolution Time onwards has been stopped. If this is the case the reference to the Allocation Ratio Announcement Date should be changed to the date on which interest accrual was stopped – which would be the date on which the Resolution Time occurred.
- 22 The relevant option depends on whether there is a subsequent additional bail-in or a deferred bail-in.
- 23 The write down and cancellations effected by Paragraph 4 take effect at the Further Reduction Time which will be specified in the Supplemental Resolution Instrument. This is likely to be the Allocation Ratio Announcement Date.

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PART 3

EXCHANGE PROVISIONS IN RESPECT OF CEs

Allocation Ratios

6. The Allocation Ratios applicable to the CEs are as follows:

(a) the Class [A] Allocation Ratio is [];

(b) the Class [B] Allocation Ratio is [];

(c) the Class [C] Allocation Ratio is [];

*[EITHER]*²⁴

(d) the Class [D] Allocation Ratio is [];

[OR]

(d) the Class [D1] Allocation Ratio is [];

(e) the Class [D2] Allocation Ratio is [].

[New Debt Instruments]²⁵

7. The interest, redemption [and [other]] provisions applicable to the New Debt Instruments to be issued by [Bank] on or before the [Onward Transfer Date] in accordance with Paragraph [27] of the [Bank] Resolution Instrument are:

Interest rate: []

[Early call date[s]: []]

[Maturity date: []]

[Other]²⁶

8. On or before the [Onward Transfer Date] [Bank] will:

24 The relevant option depends on whether there has been an immediate bail-in or a deferred bail-in in the Template Resolution Instrument.

25 This provision is only relevant if New Debt Instruments are to be created and issued to the holders of the Class [D] or Class [D1] or [D2] CEs. It will be possible to determine the principal amount, interest rate, any early call provisions and any maturity date, if applicable, of the New Debt Instruments following the final equity valuation and therefore these details can be specified in the Supplemental Resolution Instrument. The general conditions, including the subordination provisions and events of default, will be contained in the conditions of the New Debt Instruments appended to the Trust Deed which could be in the form contained in Schedule [5] to the Template Resolution Instrument. The draft provisions in this Template Supplemental Resolution Instrument provide for a single class of New Debt Instrument for the purpose of illustration. If multiple classes of New Debt Instruments are 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. Separate global notes and conditions for each class would be necessary.

26 If the New Debt Instruments are perpetual there will not be a maturity date. Early redemption dates (if relevant) and interest step-up details (if relevant) would need to be included if applicable together with any other commercial terms.

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- (a) duly execute the New Debt Instruments Trust Deed and the New Debt Instruments Agency Agreement;
 - (b) duly execute a temporary global New Debt Instrument and a permanent global New Debt Instrument substantially in the form set out in [Annex [] to Schedule [] of the New Debt Instruments Trust Deed;
 - (c) ensure that such global New Debt Instruments are authenticated by [] and, following such authentication, delivered to [] to hold as common depository/safekeeper for [CREST] [the ICSDs] [all other relevant CSDs];
 - (d) take all other necessary actions to authorise and issue the New Debt Instruments on the terms specified in Paragraph [27] of the [Bank] Resolution Instrument and Paragraph 7 of this Instrument.
9. On issue the New Debt Instruments will be issued by [Bank] to and credited to the securities account of [the Depository] to be held [by the Depository] in accordance with the Deposit Agreement. On the Onward Transfer Date, upon the transfer of New Debt Instruments to the CE Holders or CE Beneficiaries identified in the Onward Transfer Request relating to the relevant [Bank] Onward Transfer Instrument, the Depository will instruct the relevant CSDs to credit, and the relevant CSDs are required by this Instrument to credit, such New Debt Instruments to the accounts of the account holders specified in the Onward Transfer Request to which the relevant [Bank] Onward Transfer Instrument relates].²⁷
10. Following the transfers effected by any [Bank] Onward Transfer Instrument, the aggregate principal amount of New Debt Instruments (if any) which have not been transferred by any [Bank] Onward Transfer Instrument] shall remain credited to the securities account of [the Depository] with [EUI as operator of CREST] [the ICSDs] and shall be held on trust by the Depository in accordance with the terms of the Deposit Agreement until sold in accordance with CE Condition [3]²⁸.

[CE Entitlements²⁹

11. The entitlements of each class of CEs are as follows:
- (a) the Class [A] Entitlement is [];
 - (b) the Class [B] Entitlement is [];
 - (c) the Class [C] Entitlement is [];

²⁷ New Debt Instruments if created could be issued to the Depository and transferred to the relevant CE Holders along with the Shares and other Deposited Property to which they are entitled or credited directly to the accounts of such CE Holders with the CSD/ICSD specified in their duly completed and submitted Statements of Beneficial Ownership. The first option of initial issue to the Depository followed by a transfer by the Depository to the relevant CE Holders/CE Beneficiaries has been assumed in this draft Template Supplemental Resolution Instrument.

²⁸ It is possible that duly completed Statements of Beneficial Ownership in respect of all the Class [D]/[D1] [D2] CEs will not have been received by the end of the Allocation Period and therefore that not all New Debt Instruments can be issued to the holders of such CEs. Any balance will need to be held by the Depository until sold in accordance with CE Condition [3] of the CEs.

²⁹ During the Allocation Period CE Holders will wish to know the value of their CE entitlement if they wish to sell their CEs. Consideration will be given as to whether it is necessary to specify the amount of Deposited Property, and if applicable New Debt Instruments, per single CE of each class, as could be done in Paragraph 11, or whether publication of the Allocation Ratios will be sufficient to enable holders to calculate this themselves if they were provided with information on the total number of Shares, aggregate principal amount of New Debt Instruments (if relevant) and any other assets comprised in the Deposited Property and, in the case of a deferred bail-in, the written down amounts of the relevant Deposited Instrument Property,

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[EITHER]³⁰

(d) the Class [D] Entitlement is [];

[OR]

(d) the Class [D1] Entitlement is [];

(e) the Class [D2] Entitlement is [].]

Further modification of SNP Instruments

12. [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, from and including the Accrual Recommencement Date, Paragraph [36] of the [Bank] Resolution Instrument shall cease to apply and all provisions providing for the accrual and payment of interest or the payment of principal or any other amount on or in respect of the SNP Instruments [of each class] [on or after the Accrual Recommencement Date] shall have effect from the Accrual Recommencement Date as if such SNP Instruments had been issued on the Accrual Recommencement Date and otherwise in accordance with their terms save to the extent that such SNP Instruments have been reduced, cancelled, or converted or otherwise modified by the [Bank] Resolution Instrument or this Instrument.]³¹
13. [The modifications in Paragraph [12] 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 [Bank] is a party; and
 - (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 [Bank] is a party.]
14. [For the purposes of Paragraphs [12] [and 13]:
- (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 [Bank] or any other person.]
15. [The modification of the terms and conditions of the SNP Instruments and any agreements relating thereto effected by Paragraph [12] and Paragraph [13] take place with effect from the Accrual Recommencement Date.]

30 The relevant option depends on whether there has been an immediate bail-in or a deferred bail-in in the Template Resolution Instrument.

31 Payments in respect of the SNP Instruments are likely to be suspended during the bail-in period (see Paragraph [36] of the Template Resolution Instrument). If this is the case it will be necessary to decide when interest accrual will recommence. This would also be relevant to holders of CEs of the relevant class in making their assessments of value of such CEs if they are considering selling such CEs.

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PART [4]

MISCELLANEOUS

Overriding nature of transfers, cancellations, exchanges and modifications

16. *[EITHER]* [The further reduction and conversion of the SNP Instruments in Paragraph [4] *[OR]* [the reduction of the SNP Instruments in Paragraph [4]] takes effect at the Further Reduction Time [and the modification of the SNP Instruments in Paragraph [12] takes effect at the Accrual Recommencement Date] irrespective of whether the SNP Instruments have been produced, delivered, transferred or otherwise dealt with or are subsequently purported to be produced, delivered, transferred or otherwise dealt with.
17. [If prior to the Further Reduction Time [or the Accrual Recommencement Date, as the case may be,] any person has entered into a contract for the sale of *[EITHER]* [any SNP Instruments or any Class [D] CEs] *[OR]* [any Class [D1] CEs or Class [D2] CEs] and the sale transaction has reached the point at which it will be settled irrevocably in accordance with the rules or practice of the relevant CSD, the person to whom the relevant instrument will be transferred by the CSD shall be treated as the holder of the relevant instrument at the Resolution Time.]³²

Directors

18. The directors of [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 [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

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

Continuity

20. [The holders of the SNP Instruments must provide as soon as practicable the Bank of England [and the Resolution Administrator] with such information and assistance as is reasonably requested by the Bank of England [or the Resolution Administrator] in writing:
 - (a) in relation to the SNP Instruments; and
 - (b) for any other purpose relating to, in connection with or in consequence of this Instrument.]³³
21. [Bank] shall exercise all rights to which it is entitled by contract or otherwise to procure that the Registrar, the common depositaries/safekeepers, the relevant CSDs, the paying agents and the trustees in respect of [the Class [D] CEs and] the SNP Instruments shall do, and the Registrar, the common depositaries/safekeepers, the relevant CSDs, the paying agents and the trustees in respect of [the Class [D] CEs and] the SNP Instruments [and all other relevant persons] are required by this Instrument to do, all things necessary or desirable to give effect to the exchanges, reductions,

³² The treatment of 'in flight' transactions will need to be considered. Paragraph [16] is one approach which has been included for the purpose of illustration only.

³³ This provision would only be relevant if there has been an immediate bail-in of the SNP Instruments and a subsequent additional bail-in is to be made by the Supplemental Resolution Instrument. It is not relevant to a deferred bail-in as the SNP Instruments will have been transferred to the Depositary.

TEMPLATE BAIL-IN SUPPLEMENTAL RESOLUTION INSTRUMENT (CERTIFICATES OF ENTITLEMENT)

cancellations and modifications effected by this Instrument (including taking such action as is described in Schedule [2] to this Instrument).³⁴

Bank of England Power to Instruct

22. The Bank of England shall have the authority to give instructions, on behalf of [Bank], to any common depositaries/safekeepers, CSD, any trustee and any paying agent [and any other person] in respect of the [the Class [D] CEs and] the SNP Instruments following the making of this Instrument.

Execution, issue and delivery of instruments

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

Overriding effect of this Instrument

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

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

26. [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

³⁴ Reference to [the Registrar] and the Class [D] CEs are only applicable if there is a subsequent additional bail-in of SNP Instruments (the first option in Paragraph [4] of this Template Supplemental Resolution Instrument) and additional Class [D] CEs are being created. On a deferred bail-in the SNP Instruments being bailed-in by the Supplemental Resolution Instrument would be held by the Depository and no further Class [D1] CEs or Class [D2] CEs need to be created.

TEMPLATE BAIL-IN SUPPLEMENTAL RESOLUTION INSTRUMENT (CERTIFICATES OF ENTITLEMENT)

SCHEDULE 1

**[FURTHER REDUCTIONS AND CONVERSIONS OF SNP INSTRUMENTS] [OR]
[REDUCTIONS OF SNP INSTRUMENTS]³⁵**

ISIN of relevant class of SNP Instrument	[Reduced] [Original] principal amount repayable per [amended] [original] minimum denomination of the relevant class of SNP Instrument	Reduction in principal amount repayable per [amended] [original] minimum denomination of the relevant class of SNP Instrument	[Amended minimum denomination of the relevant class of SNP Instrument] ³⁶	[New principal amount repayable per [amended] minimum denomination of the relevant class of SNP Instrument] ³⁷	Accrued and unpaid interest per original [amended] minimum denomination of the relevant class of SNP Instrument	Reduction in accrued and unpaid interest per original [amended] minimum denomination of the relevant class of SNP Instrument	[Aggregate outstanding amount of relevant class of SNP Instrument (sterling or sterling equivalent) converted to Class [D] CEs] ³⁸

35 This Schedule will need to be amended depending on whether the Supplemental Resolution Instrument is effecting a subsequent additional bail-in of the SNP Instruments following an initial bail-in at the Resolution Time or whether it is effecting a deferred bail-in of the SNP Instruments.

36 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.

37 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.

38 This column is only relevant in the case of an additional subsequent bail-in of the SNP Instruments (first option in Paragraph [4] of this Instrument).

TEMPLATE BAIL-IN SUPPLEMENTAL RESOLUTION INSTRUMENT (CERTIFICATES OF ENTITLEMENT)

SCHEDULE 2

ACTION TO BE TAKEN BY [THE REGISTRAR,] COMMON DEPOSITARIES/SAFEKEEPERS, CSDs AND OTHERS FOLLOWING THE MAKING OF THIS INSTRUMENT³⁹

Introduction

1. This Schedule describes the procedures to be followed by [the Registrar,] common depositaries/safekeepers, [EUI] [the ICSDs,]⁴⁰ [the paying agents and the trustees] in respect of [the Class [D] CEs 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 [Bank] of the making of this Instrument.

[Registrar for the Class [D] CEs

5. The Registrar shall amend the Register to record the additional Class [D] CEs created by Paragraph [4] of this Instrument and represented by the Master Class [D] [CE] Certificate.⁴¹

Common depositaries/safekeepers

6. The common depositaries/safekeepers for [the] [each class of] SNP Instruments shall amend the global notes in respect of such instruments to reflect *[EITHER]* [the further reductions in the principal amount outstanding of such class of SNP Instruments]⁴² *[OR]* [the reductions in the principal amount outstanding of such [class of] SNP Instruments]⁴³ effected by Paragraph [4] of this Instrument.
7. The common depositaries/safekeepers for [the] [each class of] SNP Instruments shall notify [EUI] [the ICSDs] [all other relevant CSDs] immediately following completion of such amendments to and reductions in the global notes in respect of the relevant SNP Instruments.

39 The relevant provisions will depend on the scope of the Supplemental Resolution Instrument – i.e. whether, if there was an immediate bail-in of the SNP Instruments, there is to be a subsequent additional bail-in of the SNP Instruments resulting in additional Class [D] CEs being created or if there was a deferred bail-in of the SNP Instruments, with the whole of the write down of such SNP Instruments (whether in full or in part) being effected solely by the Supplemental Resolution Instrument following the completion of the final equity valuation process.

40 The CSDs to be referred to will depend on how the SNP Instruments are held in clearing systems. It is assumed in this Template Supplemental Instrument that EUI and/or the ICSDs will be the relevant CSDs and not DTC for example. The Schedule should be amended to reflect the circumstances of the case.

41 This provision is only relevant in the case of a subsequent additional bail-in resulting in the conversion of further principal amounts of SNP Instruments into Class [D] CEs.

42 This provision is applicable if there is to be a subsequent additional bail-in of the SNP Instruments. See the first option in Paragraph [4] of this Template Supplemental Resolution Instrument.

43 This provision is relevant if there is a deferred bail-in of the SNP Instruments which were transferred to the Depositary to be held by the Depositary during the bail-in period, and where the write down and Exchange of such SNP Instruments occurs following the completion of the final equity valuation process. See the second option in Paragraph [4] of this Template Supplemental Resolution Instrument.

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8. [Immediately following the execution of each of the global New Debt Instruments by [Bank] and prior to the making of the [Bank] Onward Transfer Instrument, the common depository/safekeeper for each of the global New Debt Instruments shall:
 - (a) authenticate the global New Debt Instruments; and
 - (b) notify [EUI] [and the ICSDs] [all relevant CSDs] immediately following completion of such authentication;]⁴⁴

[CSDs]

9. Each CSD shall, with effect from the [Further Reduction Time] until account holders' records have been updated in accordance with Paragraph [6] [and [7] of this Schedule, suspend settlement of [the SNP Instruments] [and the Class [D] CEs.] except where the person shown on the records of the relevant CSD as entitled to an SNP 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.⁴⁵
10. Each CSD shall update the records relating to accounts of [account holders which held [the SNP Instruments] before the Further Reduction Time] [[the Depository]]:⁴⁶ [to reflect the reduction in the [principal amount repayable] to [an account holder] [the Depository] 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 Further Reduction Time occurs].]
11. Each CSD shall update the records relating to accounts of [account holders which held [the SNP Instruments] before the Further Reduction Time] [to reflect the number of the Class [D] CEs required to be credited to the account of each relevant account holder by virtue of Paragraph [4] of this Instrument.]⁴⁷

44 This provision is relevant only if New Debt Instruments are created and form part of the entitlement of a class of CEs.

45 This reference to SNP Instruments is only relevant if there was an immediate bail-in of the SNP Instruments and trading in SNP Instruments was possible following the initial bail-in.

46 This provision is relevant whether there is a subsequent additional bail-in of the SNP Instruments or a deferred bail-in of the SNP Instruments. In the latter case, the only person holding SNP Instruments and having such instruments credited to a securities account would be the Depository or the entity holding the SNP Instruments on behalf of the Depository and the provision should be amended accordingly.

47 This provision is relevant if there is a subsequent additional bail-in of the SNP Instruments and additional Class [D] CEs are created. The additional Class [D] CEs would have the same ISIN as the existing Class [D] CEs.

TEMPLATE BAIL-IN SUPPLEMENTAL RESOLUTION INSTRUMENT (CERTIFICATES OF ENTITLEMENT)

EXPLANATORY NOTE

[An explanatory note would be included in the Supplemental Resolution Instrument as made and would be a description of the Supplemental Resolution Instrument made in the 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 Supplemental Resolution Instrument. The explanatory note would not be part of the Supplemental Resolution Instrument.]

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