

# Morgan Stanley

***Morgan Stanley & Co. International plc***  
*(incorporated as a public limited company in England and Wales)*  
*(as Issuer)*

## **Up to €5,000,000,000 Programme for the Issuance of Notes**

Under the programme (the "**Programme**") described in this base prospectus (the "**Base Prospectus**"), Morgan Stanley & Co. International plc (the "**Issuer**") may offer from time to time Notes (the "**Notes**") subject to all applicable legal and regulatory requirements. The Notes will be issued from time to time in series (each, a "**Series**"), denominated in the same currency and having the same maturity date and, if applicable, interest rate and interest payment dates. Each Series may be issued in one or more tranches (each, a "**Tranche**") on different issue dates. Details applicable to each Tranche will be specified in the relevant Final Terms. To the extent not set forth in this Base Prospectus, the specific terms of any Note will be included in the appropriate Final Terms.

**Prospective purchasers of Notes should ensure that they understand the nature of the Notes and the extent of their exposure to risks, and that they consider the suitability of the Notes as an investment in the light of their own circumstances and financial condition. See "Risk Factors" beginning on page 12.**

The Issuer is offering the Notes on a continuing basis (in such capacity, the "**Manager**") and through any other manager which agrees to subscribe and/or distribute any Tranche of Notes (together with the Manager, the "**Managers**"). The Managers may resell any Notes as principal at prevailing market prices, or at other prices, as they may determine. The Issuer or the Managers may reject any offer to purchase Notes, in whole or in part.

The Commission de Surveillance du Secteur Financier (the "**CSSF**") in its capacity as competent authority for the purposes of Directive 2003/71/EC and under the Luxembourg Act relating to prospectuses for securities has approved this document as a Base Prospectus for the purposes of providing the information with regard to the Issuer and the Notes during the period of twelve months after the date of publication of this Base Prospectus. Notes issued under the Programme will be offered to the public in Luxembourg. This document constitutes a Base Prospectus for the purposes of Article 5.4 of the Directive 2003/71/EC (the "**Prospectus Directive**").

The Notes are intended to be included in trading on the unofficial market (the "**Freiverkehr**") of the Frankfurt Stock Exchange. The Issuer may in future apply for admission of the Notes to listing, trading and/or quotation on other stock exchanges, listing authorities and/or quotation systems, subject to meeting the relevant listing requirements.

Notes of each Tranche of each Series will be represented by interests in a permanent global note (each a "**Global Note**"), without interest coupons, which will be deposited on its issue date with a common depository on behalf of, Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking societe anonyme ("**Clearstream Luxembourg**") or Clearstream Banking AG ("**Clearstream Frankfurt**"). Beneficial interests in Global Notes will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear, Clearstream Luxembourg or Clearstream Frankfurt and their participants. Notes in definitive form will not be issued.

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or under any state securities laws, and the Notes may not be offered, sold, transferred, pledged, delivered, exercised or redeemed, directly or indirectly, at any time within the United States or to, or for the account or benefit of, any U.S. person (as defined in Regulation S under the Securities Act ("**Regulation S**") (a "**U.S. Person**"). The Notes may not be legally or beneficially owned at any time by any U.S. Person and accordingly are being offered and sold outside the United States to non-U.S. Persons in reliance on Regulation S. Furthermore, trading in the Notes has not been approved by the United States Commodity Futures Trading

Commission under the United States Commodity Exchange Act, and no U.S. Person may at any time trade or maintain a position in the Notes.

The aggregate principal amount of Notes outstanding issued under the Programme shall not at any time exceed €5,000,000,000. The Notes will be governed by, and construed in accordance with, the laws of England.

**Each investor must comply with all applicable laws and regulations in each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Notes or has in the investor's possession or distributes this Base Prospectus or any accompanying Final Terms.**

**MORGAN STANLEY**

The Issuer accepts responsibility for information contained in this Base Prospectus. To the best of the knowledge and belief of the Issuer (which has taken all reasonable care to ensure that such is the case), the information contained in the Base Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

No person has been authorised by the Issuer to give any information or to make any representation not contained or incorporated by reference in this Base Prospectus, and, if given or made, that information or representation should not be relied upon as having been authorised by the Issuer. Neither the delivery of this Base Prospectus nor the offering, sale or delivery of any securities will, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or that there has been no adverse change in the financial situation of the Issuer since the date hereof or the balance sheet date of the most recent financial statements which have been incorporated into this Base Prospectus, or that any other information supplied from time to time is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same. Investors should review, inter alia, the most recent financial statements of the Issuer when evaluating any Notes or an investment therein. Such financial statements shall not form a part of this Base Prospectus unless they have been expressly incorporated herein by way of a supplement to this Base Prospectus.

The distribution of this Base Prospectus and the offering, sale and delivery of securities in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus comes are required by the Issuer to inform themselves about and to observe those restrictions.

The Issuer will not provide any post-issuance information, except if required by any applicable laws and regulations.

Each recipient of this Base Prospectus will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and of the particular terms of any offered securities.

This Base Prospectus does not constitute an offer of or an invitation to subscribe for or purchase any securities and should not be considered as a recommendation by the Issuer that any recipient of this Base Prospectus should subscribe for or purchase any securities.

Neither this Base Prospectus nor any Final Terms may be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which that offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation.

In particular, no action has been taken by the Issuer which would permit a public offering of the Notes or distribution of this document in any jurisdiction where action for that purpose is required and has not already been taken. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this document nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations. Persons into whose possession this document or the Notes may come must inform themselves about, and observe, any such restrictions on the distribution of this document and the offering and sale of the Notes. In particular, there are restrictions on the distribution of this document and the offer or sale of Notes in the United States and the European Economic Area (including the United Kingdom, the Netherlands and Italy) (see "Subscription and Sale and Transfer Restrictions").

All references in this Base Prospectus to "Sterling" and "£" are to the lawful currency of the United Kingdom, all references to "U.S. dollars," "U.S.\$" and "\$" are to the lawful currency of the United States of America, and all references to "euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended (the "**Treaty**").

This Base Prospectus should be read and construed with any documents incorporated by reference herein. The Issuer will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in the Base Prospectus which is capable of affecting the assessment of the Notes, prepare a supplement to the Base Prospectus or publish a new Base Prospectus for use in connection with any subsequent issue of Notes.

A supplement to the Base Prospectus may be prepared by the Issuer and approved by the CSSF in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in the Base Prospectus or in a document which is incorporated by reference in the Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of the Base Prospectus.

Copies of documents incorporated by reference in the Base Prospectus can be obtained from the registered office of the Issuer and from the specified office of the Paying Agent for the time being in Luxembourg. The Base Prospectus and the documents incorporated by reference are available for viewing at [www.bourse.lu](http://www.bourse.lu).

IN MAKING AN INVESTMENT DECISION, INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED. THESE NOTES HAVE NOT BEEN RECOMMENDED BY ANY UNITED STATES FEDERAL OR STATE SECURITIES COMMISSION OR REGULATORY AUTHORITY. FURTHERMORE, THE FOREGOING AUTHORITIES HAVE NOT CONFIRMED THE ACCURACY OR DETERMINED THE ADEQUACY OF THIS DOCUMENT. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENCE.

**IN CONNECTION WITH THE ISSUE OF ANY TRANCHE OF NOTES UNDER THE PROGRAMME, THE MANAGER OR ANY OTHER AGENT SPECIFIED FOR THAT PURPOSE IN THE APPLICABLE FINAL TERMS AS THE STABILISING MANAGER (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) MAY OVER-ALLOT NOTES OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF ANY OF THE NOTES AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER, THERE IS NO ASSURANCE THAT THE STABILISING MANAGER (OR ANY AGENT OF THE STABILISING MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE RELEVANT TRANCHE OF NOTES IS MADE AND, IF COMMENCED, MAY BE ENDED AT ANY TIME BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE RELEVANT TRANCHE OF NOTES AND 60 DAYS AFTER THE ALLOTMENT OF THE RELEVANT TRANCHE OF NOTES. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE STABILISING MANAGER (OR ANY PERSON ACTING FOR THE STABILISING MANAGER) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.**

**TABLE OF CONTENTS**

SUMMARY	6
MORGAN STANLEY & CO. INTERNATIONAL PLC	9
GENERAL DESCRIPTION OF THE PROGRAMME	11
RISK FACTORS RELATING TO THE NOTES	12
KEY FEATURES OF THE NOTES	23
TERMS AND CONDITIONS OF THE NOTES	26
PRO FORMA FINAL TERMS FOR THE NOTES	73
TAXATION	89
SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS	100
GENERAL INFORMATION	103

## SUMMARY

# Morgan Stanley

***Morgan Stanley & Co. International plc***  
*(incorporated as a public limited company in England and Wales)*  
*(as Issuer)*

**Up to €5,000,000,000**  
**Programme for the Issuance of Notes**

*This summary has been prepared in accordance with Article 5(2) of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**") and must be read as an introduction to the Base Prospectus prepared by the Issuer relating to the Notes referred to below. This summary relates only to Notes with a denomination of less than EUR50,000. Any decision to invest in any Notes should be based on a consideration of the Base Prospectus as a whole, including the documents incorporated by reference. Following implementation of the relevant provisions of the Prospectus Directive in a Member State of the European Economic Area, no civil liability will attach to the Issuer solely on the basis of the summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Base Prospectus. Where a claim relating to the information contained in the Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.*

*Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Base Prospectus have the same meanings in this summary.*

### **Essential Characteristics of the Issuer**

#### **History and Development**

The Issuer's legal and commercial name is Morgan Stanley & Co. International plc.

The Issuer was incorporated in England and Wales with registered number 2068222 on 28 October 1986.

The Issuer was incorporated as a company limited by shares under the Companies Act 1985 and operates under the Companies Act 1985. The Issuer was re-registered as a public limited company on 13 April 2007. The Issuer's registered office is at 25 Cabot Square, Canary Wharf, London E14 4QA and the telephone number of its registered office is +44 20 7425 8000.

The principal activity of the Issuer is the provision of a wide range of financial and securities services which includes capital raising; financial advisory services, including advice on mergers and acquisitions, restructurings, real estate and project finance; sales, trading, financing and market-making activities in equity securities and related products and fixed income securities and related products, including foreign exchange and commodities; research; and global wealth management.

The Issuer provides its products and services to corporations, governments, financial institutions and individual investors. The Issuer operates globally with a particular focus in Europe. It operates branches in Korea, France, Greece, the Netherlands, New Zealand, the Dubai International Financial Centre and the Qatar Financial Centre.

#### **The Group**

The Issuer's ultimate parent undertaking is Morgan Stanley. Morgan Stanley is a global financial services firm that, through its subsidiaries and affiliates, provides its products and services to a large and diversified group of clients and customers, including corporations, governments, financial institutions and individuals. Morgan Stanley was originally incorporated under the laws of the State of Delaware in 1981, and its predecessor companies date back to 1924. Morgan Stanley conducts its business from its headquarters in and around New

York City, its regional offices and branches throughout the United States and its principal offices in London, Tokyo, Hong Kong and other world financial centers. At 30 November 2006, Morgan Stanley had 55,310 employees worldwide.

Morgan Stanley maintains significant market positions in each of its business segments—Institutional Securities, Global Wealth Management Group and Asset Management.

### **Essential Characteristics of the Notes**

Under the Programme, the Issuer may from time to time issue Notes in any currency, subject as set out herein. The applicable terms of any Notes will be determined by the Issuer prior to the issue of the Notes, will be set out in the Final Terms which will be prepared for each Series of Notes and will be attached to the Global Note representing the Notes.

Notes will be issued in denominations of at least EUR1,000 per Note.

The Issuer may issue Notes with principal and/or interest determined by reference to currency prices, commodity prices or to single securities, baskets of securities or indices, the credit of one or more entities not affiliated with the Issuer, specified interest rates, or other assets or instruments (in respect of each Series of Notes, the "**Underlying**"). Any such Notes may entail significant risks not associated with a similar investment in fixed or floating rate debt securities, including a return that may be significantly less than the return available on an investment in fixed or floating rate debt securities. In some cases such Notes may also carry the risk of a total or partial loss of principal.

Interest (if any) may accrue on the Notes at a fixed rate, which may be zero, or at a floating rate or at a rate which varies during the lifetime of the relevant Series.

Notes may be redeemed at par or at such other redemption amount (detailed in a formula or otherwise) or by delivery of securities of an issuer that is not affiliated with the Issuer, as may be specified in the applicable Final Terms.

Early redemption will be permitted only to the extent specified in the applicable Final Terms.

The net proceeds from the sale of Notes will be used by the relevant Issuer for general corporate purposes, in connection with hedging its obligations under the Notes, or both.

The Notes will be governed by, and construed in accordance with, the laws of England. Certain documents relating to the Notes will be available, during usual business hours on any week day, for inspection at The Bank of New York, One Canada Square, London E14 5AL and at the registered office of the Issuer.

### **Summary of Risk Factors**

#### *Issuer Risk Factors*

Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of the Issuer comprising Part B of this Base Prospectus and consult with their own professional advisers if they consider it necessary. An investment in the Notes issued by the Issuer bears the risk that the Issuer is not able to fulfil its obligations created by the issuance of such Notes on the Issue Date.

*Ratings*

Ratings assigned to the Issuer by certain independent rating agencies are an indicator of the Issuer's ability to meet its obligations in a timely manner. The lower the assigned rating is on the respective scale the higher the respective rating agency assesses the risk that obligations will not be met at all or not be met in a timely manner. As of the publication date of this summary, the following ratings were assigned to the Issuer:

<b>Rating Agency</b>	<b>Long-term</b>	<b>Short-term</b>
Standard & Poor's (S&P)	AA	A-1+
Moody's	Aa3	P-1

Rating agencies may change their ratings at short notice. A ratings change may affect the price of Notes outstanding. A rating is not a recommendation to buy, sell or hold the Notes and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

**Risks relating to the Notes**

An investment in the Notes entails certain risks which vary depending on the specification and type or structure of the Notes. These risks may include, among others, equity market, bond market, foreign exchange, interest rate, credit, market volatility, economic, political and regulatory risks and any combination of these and other risks. Prospective investors should determine whether an investment in the Notes is appropriate in its particular circumstances. An investment in the Notes requires a thorough understanding of the nature of the Notes. Prospective investors should be experienced with respect to an investment relating to Notes linked to the relevant Underlying and be aware of the related risks. Potential investors should only reach an investment decision after careful consideration, with their legal and financial advisers, of (i) the suitability of an investment in the Notes in the light of their own particular circumstances; (ii) the information set out in this document; and (iii) the relevant Underlying.

The Notes may decline in value and investors may potentially lose all of their investment in the Notes.

An investment in the Notes should only be made after assessing the direction, timing and magnitude of potential future changes in the value of the relevant Underlying, and/or the in the composition or method of calculation of such Underlying, as the return of any such investment will be dependent, inter alia, upon such changes. More than one risk factor may have simultaneous effect with regard to the Notes such that the effect of a particular risk factor may not be predictable. In addition, more than one risk factor may have a compounding effect which may not be predictable. No assurance can be given as to the effect that any combination of risk factors may have on the value of the Notes.

## MORGAN STANLEY & CO. INTERNATIONAL PLC

### Documents incorporated by reference

The following documents which have previously been published and have been filed with the CSSF shall be incorporated in, and form part of, the Base Prospectus:

1. the Registration Document in respect of Morgan Stanley & Co. International plc dated 29 May 2007 (the "**Registration Document**").

### Cross Reference List

Specific items contained in "*Documents Incorporated by Reference*"

#### Registration Document

1.	Issuer Description	Pages 1 to 23;
	(i) Persons responsible	Page 1
	(ii) Statutory auditors	Page 23
	(iii) Selected financial information	Pages 21 to 23
	(iv) Risk Factors	Pages 4 to 15
	(v) Information about the issuer	Page 16
	(vi) Business overview	Page 18
	(vii) Organisational structure	Page 19
	(viii) Trend Information	Page 23
	(ix) Profit forecasts or estimates	N/A
	(x) Administrative, management and supervisory bodies	Page 18
	(xi) Board practices	Page 19
	(xii) Major shareholders	Page 20
	(xiii) Financial information	See paragraphs 2 and 3 below
	(xiv) Additional information	Pages 16 to 23
	- share capital	Page 20
	- memorandum and articles of association	Page 16
	(xv) Material Contracts	N/A
	(xvi) Third party information and statement by experts and declarations of any interest	N/A
	(xvii) Documents on display	Page 23

2. the auditors report and audited non-consolidated annual financial statements for the financial year ended 30 November 2005 including the information set out at the following pages in particular:

Balance Sheet.....	A2-6
Cash Flow Statement.....	See below
Profit and Loss Account.....	A2-4
Accounting Principles and Notes.....	A2-7 to 21
Audit Report.....	A2-3

The Cash Flow Statement for the financial year ended 30 November 2005 is included in the Issuer's audited financial statements for the year ended 30 November 2006 referred to in paragraph 3 below.

3. the auditors report and audited non-consolidated annual financial statements for the financial year ended 30 November 2006 including the information set out at the following pages in particular:

Balance Sheet.....	A1-7
Cash Flow Statement.....	A1-8
Profit and Loss Account.....	A1-5
Accounting Principles and Notes.....	A1-9 to 29
Audit Report.....	A1-4.

Any other information not listed above but contained in such document is incorporated by reference for information purposes only.

### **Recent Developments**

Since publication of the Registration Document;

- (1) On 2 July 2007, Morgan Stanley announced that it had completed the spin-off of Discover Financial Services (“**DFS**”) on 30 June 2007 (the “**Spin-off**”). Morgan Stanley distributed all of the shares of DFS common stock to its stockholders of record as of 18 June 2007. Morgan Stanley's stockholders received one share of DFS common stock for every two shares of Morgan Stanley common stock. On 2 July 2007, DFS stock began trading regular way on the New York Stock Exchange under the ticker symbol "DFS"; and
- (2) on 30 July 2007 Standard and Poor's Rating Services announced that it had raised the rating of the Issuer from AA- to AA.

## **GENERAL DESCRIPTION OF THE PROGRAMME**

Under the Programme, the Issuer may from time to time issue Notes in any currency, subject as set out herein. A summary of the terms of the Notes which may be issued under the Programme is set out in "Key Features of the Notes" on pages 23 to 25 . The applicable terms of any Notes will be determined by the Issuer prior to the issue of the Notes and will be set out in the terms and conditions of the Notes which will be attached to the Global Note representing the Notes.

Application has been made to the CSSF in its capacity as competent authority under the Luxembourg Act relating to prospectuses for securities to approve this document as a Base Prospectus.

## RISK FACTORS RELATING TO THE NOTES

The Issuer disclaims any responsibility to advise prospective purchasers of any matters arising under the laws of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments on the Notes. These persons should consult their own legal and financial advisors concerning these matters. This section describes generally the most significant risks of investing in Notes linked to single securities, single indices, baskets of securities or indices, currency prices, commodity prices or the credit of one or more entities not affiliated with the Issuer. Each investor should carefully consider whether the Notes, as described herein and in the applicable Final Terms, are suited to its particular circumstances before deciding to purchase any Notes.

Prospective investors should read the entire Base Prospectus (and where appropriate the Final Terms). Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this section. Prospective investors should consider, among other things, the following:

### *Risks relating to the Notes*

#### *The Notes may not be a suitable investment for all investors*

An investment in the Notes entails certain risks, which vary depending on the specification and type or structure of the Notes. The Issuer may issue Notes with principal and/or interest determined by reference to a single security or index, to baskets of securities or indices, to currency prices, commodity prices, interest rates, to the credit of one or more entities not affiliated with the Issuers, or other assets or instruments (each, a "**Relevant Underlying**"). In addition, the Issuer may issue Notes with principal or interest payable in one or more currencies which may be different from the currency in which the Notes are denominated.

Each potential investor should determine whether an investment in the Notes is appropriate in its particular circumstances. An investment in the Notes requires a thorough understanding of the nature of the relevant transaction. Potential investors should be experienced with respect to an investment in Notes and be aware of the related risks.

An investment in the Notes is only suitable for potential investors who:

- have the requisite knowledge and experience in financial and business matters to evaluate the merits and risks of an investment in the Notes and the information contained or incorporated by reference into this document;
- have access to, and knowledge of, appropriate analytical tools to evaluate such merits and risks in the context of the potential investor's particular financial situation and to evaluate the impact the Notes will have on their overall investment portfolio;
- understand thoroughly the terms of the Notes and are familiar with the behaviour of the Relevant Underlying and financial markets;
- are capable of bearing the economic risk of an investment in the Notes until the maturity date of the Notes;
- recognise that it may not be possible to dispose of the Notes for a substantial period of time, if at all before the maturity date; and
- are familiar with the behaviour of the Relevant Underlying and relevant financial markets and be able to evaluate (either alone or with the help of a financial and legal adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall

portfolios. A potential investor should not invest in the Notes unless it has the expertise (either alone or with a financial and legal adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of the Notes and the impact this investment will have on the potential investor's overall investment portfolio. The Issuer disclaims any responsibility to advise prospective investors of any matters arising under the law of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments or deliveries on the Notes.

***Notes Are Not Ordinary Debt Securities***

The terms of certain Notes differ from those of ordinary debt securities because the Notes may not pay interest and, on maturity, depending on the performance of the Relevant Underlying, may return less than the amount invested or nothing, or may return assets of an issuer that is not affiliated with Morgan Stanley & Co. International plc, the value of which is less than the amount invested. Prospective investors who consider purchasing the Notes should reach an investment decision only after carefully considering the suitability of the Notes in light of their particular circumstances. The price of the Notes may fall in value as rapidly as it may rise, and investors in the Notes may potentially lose all of their investment.

***The Value of the Notes Linked to the Relevant Underlying May Be Influenced by Unpredictable Factors***

The value of the Notes may be influenced by several factors beyond the Issuer's and/or its Affiliates' control including:

1. *Valuation of the Relevant Underlying.* The market price or value of the Note at any time is expected to be affected primarily by changes in the level of the Relevant Underlying to which the Notes are linked. It is impossible to predict how the level of the Relevant Underlying will vary over time. Factors which may have an affect on the value of the Relevant Underlying include the rate of return of the Relevant Underlying and, where relevant, the financial position and prospects of the issuer of the Relevant Underlying or the specified entity with respect to Credit-Linked Notes. In addition, the level of the Relevant Underlying may depend on a number of inter-related factors, including economic, financial and political events and their effect on the capital markets generally and relevant stock exchanges. Potential investors should also note that whilst the market value of the Notes is linked to Relevant Underlying and will be influenced (positively or negatively) by the Relevant Underlying, any change may not be comparable and may be disproportionate. It is possible that while the Relevant Underlying is increasing in value, the value of the Notes may fall. Further, where no market value is available for the Relevant Underlying, the Determination Agent may determine its value to be zero notwithstanding the fact that no Market Disruption Event and/or Potential Adjustment Event has occurred or exists;
2. *Volatility.* The term "volatility" refers to the actual and anticipated frequency and magnitude of changes of the market price with respect to a Relevant Underlying. Volatility is affected by a number of factors such as macroeconomic factors (i.e. those economic factors which have broad economic effects), speculative trading and supply and demand in the options, futures and other derivatives markets. Volatility of a Relevant Underlying will move up and down over time (sometimes more sharply than at other times) and different Relevant Underlyings will most likely have separate volatilities at any particular time;
3. *Dividend Rates and other Distributions.* The value of certain Equity-Linked Notes could, in certain circumstances, be affected by fluctuations in the actual or anticipated rates of dividend (if any) or other distributions on a Relevant Underlying;
4. *Interest Rates.* Investments in the Notes may involve interest rate risk. The interest rate level may fluctuate on a daily basis and cause the value of the Notes to change on a daily basis. The interest rate risk is a result of the uncertainty with respect to future changes of the market interest rate level. In general, the effects of this risk increase as the market interest rates increase;
5. *Remaining Term.* Generally, the effect of pricing factors over the term of the Notes will decrease as the maturity date approaches. However, this reduction in the effect of pricing factors will not necessarily develop consistently up until the maturity date, but may undergo temporary acceleration and/or deceleration. Even if the price of the Relevant Underlying rises or falls there may a reduction or increase, as the case may be, in the value of the Notes due to the other value determining factors. Given

that the term of the Notes is limited, investors cannot rely on the price of the Relevant Underlying or the value of the Notes recovering again prior to maturity;

6. *Creditworthiness.* Any prospective investor who purchases the Notes is relying upon the creditworthiness of the Issuer and has no rights against any other person. If the Issuer becomes insolvent, investors may suffer potential loss of their entire investment irrespective of any favourable development of the other value determining factors, such as an Relevant Underlying; and
7. *Exchange Rates.* Even where payments in respect of the Notes are not expressly linked to a rate or rates of exchange between currencies, the value of the Notes could, in certain circumstances, be affected by such factors as fluctuations in the rates of exchange between any currency in which any payment in respect of the Notes is to be made and any currency in which a Relevant Underlying is traded, appreciation or depreciation of any such currencies and any existing or future or governmental or other restrictions on the exchangeability of such currencies. There can be no assurance that rates of exchange between any relevant currencies which are current rates at the date of issue of the Notes will be representative of the relevant rates of exchange used in computing the value of the Notes at any time thereafter. Where Notes are described as being "quantoed", the value of the Relevant Underlying will be converted from one currency (the **Relevant Underlying Currency**) into a new currency (the **Settlement Currency**) on the date and in the manner specified in, or implied by, the Conditions using a fixed exchange rate. The cost to the Issuer of maintaining such a fixing between the Relevant Underlying Currency and the Settlement Currency will have an implication on the value of the Notes. The implication will vary during the term of the Notes. No assurance can be given as to whether or not, taking into account relative exchange rate and interest rate fluctuations between the Relevant Underlying Currency and the Settlement Currency, a quanto feature in a Note would at any time enhance the return on the Note over a level of a similar security issued without such a quanto feature, and a quanto feature may worsen the return.

#### ***Notes are Unsecured Obligations***

The Notes constitute senior, unsecured and unsubordinated obligations of the Issuer, which rank pari passu among themselves.

#### ***Certain Considerations Regarding Hedging***

Any person intending to use the Notes as a hedge instrument should recognise the "correlation risk" of doing this. Correlation risk is the potential differences in exposure for a potential investor that may arise from the ownership of more than one financial instrument. The Notes may not hedge exactly a Relevant Underlying or portfolio of which a Relevant Underlying forms a part. In addition, it may not be possible to liquidate the Notes at a level which directly reflects the price of the Relevant Underlying or portfolio of which the Relevant Underlying forms a part. Potential investors should not rely on the ability to conclude transactions during the term of the Notes to offset or limit the relevant risks. This depends on the market situation and the specific Relevant Underlying conditions. It is possible that such transactions will only be concluded at an unfavourable market price, resulting in a corresponding loss for the Noteholder.

#### ***Effect on the Notes of hedging transactions by the Issuer***

The Issuer may use a portion of the total proceeds from the sale of the Notes for transactions to hedge the risks of the Issuer relating to the Notes. In such case, the Issuer or any of its Affiliates may conclude transactions that correspond to the obligations of the Issuer under the Notes. As a rule, such transactions are concluded prior to or on the Issue Date, but it is also possible to conclude such transactions after issue of the Notes. On or before a valuation date the Issuer or any of its Affiliates may take the steps necessary for closing out any hedging transactions. It cannot, however, be ruled out that the price of a Relevant Underlying will be influenced by such transactions. Entering into or closing out these hedging transactions may influence the probability of occurrence or non-occurrence of determining events in the case of Notes with a value based on the occurrence of a certain event in relation to a Relevant Underlying.

***Secondary Trading of the Notes May Be Limited***

Potential investors should be willing to hold the Notes until maturity. The nature and extent of any secondary market in the Notes cannot be predicted. As a consequence any person intending to hold the Notes should consider liquidity in the Notes as a risk. Where the Notes are listed or quoted on an exchange or quotation system, this does not imply greater or lesser liquidity than if equivalent Notes were not so listed or quoted and the Issuer cannot guarantee that the listing or quotation will be permanently maintained. Where the Notes are not listed or quoted, it becomes more difficult to purchase and sell such Notes and there may also be a lack of transparency with regard to pricing information.

Under normal market conditions, it is the intention of the Issuer and/or its Affiliates to regularly quote "buy" and "sell" prices for the Notes. Nevertheless, neither the Issuer nor its Affiliates undertake any legal obligation whatsoever to Noteholders that it will quote such prices at any time or represent that such prices are reasonable or will be accepted by the market. Therefore, investors should not rely on being able to sell at a certain time or at a certain price during the term of the Notes.

The Issuer and/or its Affiliates may have voluntarily undertaken obligations to certain stock exchanges or quotation systems that it will quote "buy" and "sell" prices for certain volumes of orders of Notes, provided that the market conditions are reasonable. Such undertaking is given only to the stock exchanges concerned and does not give rise to any rights on the part of third parties such as Noteholders. Furthermore, the undertaking to the stock exchange or quotation system does not apply in exceptional situations, such as technical disruptions in the Issuer's and/or its Affiliates' operations (e.g. disruption to telephone service, technical disruptions or loss of power), in exceptional market situations (e.g. extraordinary market fluctuations in the Relevant Underlying, exceptional situations on the local market of the Relevant Underlying, or extraordinary events affecting the quoting of a price for a Relevant Underlying), in exceptional market situations caused by serious economic or political disturbances (e.g. terrorist attacks or market crashes), or in the event that the Issuer and/or its Affiliates are not holding a sufficient number of Notes. In the latter case, only a "buy" price (and not a "sell" price) may be quoted.

Investors should not assume that other market participants other than the Issuer and/or its Affiliates will quote "buy" and "sell" prices for the Notes.

***Restricted secondary trading if the electronic trading system is unavailable***

Trading in the Notes may be conducted via one or more electronic trading systems so that "buy" and "sell" prices can be quoted for exchange and off-exchange trading. If an electronic trading system used by the Issuer and/or its Affiliates were to become partially or completely unavailable, such a development would have a corresponding effect on the ability of investors to trade the Notes.

***Risk associated with estimating the price of the Relevant Underlying if its domestic market is closed while secondary trading in the Notes is open***

If the Relevant Underlying is traded on its domestic market during the opening hours for secondary trading in the Notes by the Issuer or its Affiliates or any stock exchange on which the Notes are listed, the price of the Relevant Underlying is incorporated into the price calculation for the Notes. In certain cases, however, the price of the Relevant Underlying may need to be estimated if the Notes are traded at a time when the market for the Relevant Underlying is closed. In general, this problem could apply to the Notes irrespective of the time at which they are traded because the Issuer and/or its Affiliates currently offer off-exchange trading in the Notes at times when the Relevant Underlying is not traded on the local markets or stock exchanges. This problem applies in particular to a Relevant Underlying that is traded in time zones different from European time zones. The same problem arises if the Notes are traded on days on which the domestic market for the Relevant Underlying is closed because of a public holiday. If the Issuer and/or any of its Affiliates estimates the price of the Relevant Underlying when the domestic market is closed, its estimate may prove to be accurate, too high or too low within just a few hours of the domestic market re-opening for trade in the Relevant Underlying. Correspondingly, the prices used by the Issuer and/or any of its Affiliates for the Notes prior to the opening of business on the domestic market may subsequently prove to be too high or too low.

***Potential Conflicts of Interest between the Investor and the Determination Agent***

The Issuer and/or its Affiliates may deal with and engage generally in any kind of commercial or investment banking or other business with any issuer for any single security or basket security, the publisher of an underlying index, or any specified entity with respect to Credit-Linked Notes, their respective affiliates or any guarantor or any other person or entities having obligations relating to such issuer, publisher or specified entity or their respective affiliates or any guarantor on a regular basis as part of their general broker-dealer and other businesses, regardless of whether any such action might have an adverse effect on such issuer, publisher or specified entity of the Relevant Underlying, any of their respective affiliates or any guarantor.

The Issuer may from time to time be engaged in transactions (including, without limitation, hedging activities related to the Notes) involving the Relevant Underlying which may affect the market price, liquidity or value of the Notes and which could be deemed to be adverse to the interests of the Noteholders.

Potential conflicts of interest may arise between the Determination Agent and the Noteholders, including with respect to certain discretionary determinations and judgements that the Determination Agent may make pursuant to the Conditions of the Notes that may influence the amount receivable upon exercise of the Notes.

As determination agent for the Notes, Morgan Stanley & Co. International plc will determine the amount payable and/or assets deliverable to the investor on maturity. Morgan Stanley & Co. International plc and other Affiliates may also carry out hedging activities related to the Notes including trading in any Relevant Underlying as well as in other instruments related to any Relevant Underlying. Morgan Stanley & Co. International plc and some of Morgan Stanley's other subsidiaries may also trade in Relevant Underlying and other financial instruments related to the Relevant Underlying on a regular basis as part of their general broker-dealer and other businesses. Any of these activities could influence Morgan Stanley & Co. International plc's determination of adjustments made to the Notes and any such trading activity could potentially affect the price of the Relevant Underlying and, accordingly, could affect the value of an investor's return on the Notes.

***Provision of Information***

None of the Issuer or any of its Affiliates makes any representation as to the issuer for any single security or basket security, the publisher of an underlying index, or any specified entity with respect to Credit-Linked Notes. Any of such persons may have acquired, or during the term of the Notes may acquire, non-public information with respect to any such issuer, publisher or specified entity, their respective affiliates or any guarantors that is or may be material in the context of the Notes. The issue of Notes will not create any obligation on the part of any such persons to disclose to the Noteholders or any other party such information (whether or not confidential).

***Independent Review and Advice***

Each prospective investor must determine, based on its own independent review and such professional advice as it deems appropriate under the circumstances, that its acquisition of the Notes is (i) fully consistent with its (or if it is acquiring the Notes in a fiduciary capacity, the beneficiary's) financial needs, objectives and condition, (ii) complies and is fully consistent with all investment policies, guidelines and restrictions applicable to it (whether acquiring the Notes as principal or in a fiduciary capacity) and (iii) is a fit, proper and suitable investment for it (or if it is acquiring the Notes in a fiduciary capacity, for the beneficiary), notwithstanding the clear and substantial risks inherent in investing in or holding the Notes. The Issuer disclaims any responsibility to advise prospective investors of any matters arising under the law of the country in which they reside that may affect the purchase of, or holding of, or the receipt of payments or deliveries on the Notes.

***Risks Relating to the Relevant Underlying***

***Valuation of the Relevant Underlying***

An investment in the Notes involves risk regarding the value of the Relevant Underlying. The value of the Relevant Underlying may vary over time and may increase or decrease by reference to a variety of factors which may include corporate actions, macroeconomic factors and speculation. The historical value (if any) of the Relevant Underlying does not indicate the future performance of the Relevant Underlying. Changes in the value

of the Relevant Underlying will affect the trading price of the Notes, but it is impossible to predict whether the value of the Relevant Underlying will rise or fall. The basis of calculating the value of the Relevant Underlying may from time to time be subject to change, which may affect the market value of the Notes at any time and therefore the amount payable or the assets deliverable on settlement.

Fluctuations in the value of any one component of the Relevant Underlying may, where applicable, be offset or intensified by fluctuations in the value of other components. The historical value (if any) of the Relevant Underlying or the components of the Relevant Underlying does not indicate their future performance. Where the value of the components is determined in a different currency to the value of the Relevant Underlying, investors may be exposed to exchange rate risk.

### ***Disclosure***

Neither the issuer for any single security or basket security, the publisher of an underlying index, nor any specified entity with respect to Credit-Linked Notes has participated in the preparation of this document or in establishing the Conditions of the Notes and neither the Issuer nor any of its Affiliates will make any investigation or enquiry in connection with such offering with respect to any information concerning any such issuer, publisher or specified entity contained in this document or in the documents from which such information was extracted. Consequently, there can be no assurance that all events occurring prior to the issue date (including events that would affect the accuracy or completeness of any publicly available information described in this document) that would affect the trading price and/or level of the Relevant Underlying will have been publicly disclosed. Subsequent disclosure of any such events or the disclosure of or failure to disclose material future events concerning such an issuer, publisher or specified entity could affect the trading price and/or level of the Relevant Underlying and therefore the trading price of the Notes.

### ***No Affiliation with the Relevant Underlying***

The issuer for any single security or basket security, the publisher of any underlying index, or any specified entity with respect to Credit-Linked Notes, will not be an affiliate of the Issuer, unless otherwise specified in the applicable Final Terms. The Issuer or its Affiliates may presently or from time to time engage in business with such issuer, publisher or specified entity, including entering into loans with, or making equity investments in, such entity, or its affiliates or subsidiaries or providing investment advisory services to such entity, including merger and acquisition advisory services. Moreover, the Issuer does not have the ability to control or predict the actions of any such issuer, publisher or specified entity, including any actions or (where applicable) reconstitution of index components of the type that would require the Determination Agent to adjust the amount payable or deliverable (as the case may be) to the investor on maturity. No such issuer, publisher or specified entity is involved in the offering of the Notes in any way or has any obligation to consider the investor's interest as an owner of the Notes in taking any actions that might affect the value of the Notes. None of the money an investor pays for the Notes will go to any such issuer, publisher or specified entity (unless the issuer, publisher or specified entity is also a Selling Agent, who may receive certain fees in its capacity as a Selling Agent of Notes).

### ***Investors Have No Shareholder Rights***

The Notes convey no interest in the Relevant Underlying, including any voting rights or rights to receive dividends, interest or other distributions, as applicable, or any other rights with respect to the Relevant Underlying. The Issuer and/or its Affiliates may choose not to hold the Relevant Underlying or any derivatives contracts linked to the Relevant Underlying. Neither the Issuer nor its Affiliates is restricted from selling, pledging or otherwise conveying all right, title and interest in the Relevant Underlying or any derivatives contracts linked to the Relevant Underlying by virtue solely of it having issued the Notes.

### ***Notes Linked to the Credit of one or more Specified Entities entail Significant Risks not associated with Similar Investments in Conventional Debt Securities***

Because the payment of principal and interest on Credit-Linked Notes is contingent on the credit of one or more specified entities and such specified entities' satisfaction of their present and future financial obligations,

investors will take credit risk with respect to such specified entities in addition to credit risk with respect to the Issuer. If one or more of such specified entities becomes bankrupt or subject to other insolvency procedures or fails to make payments on, repudiates or restructures any of the debt or other obligations described in the applicable Final Terms, a credit event may occur.

If a credit event occurs, the maturity of the Credit-Linked Notes will be accelerated. Upon acceleration of the Credit-Linked Notes, the investor will receive the deliverable obligations, or a cash amount calculated by reference to the value of the certain obligations, each as described in the applicable Final Terms instead of the principal amount of the Credit-Linked Notes and, if so provided in the applicable Final Terms, interest payments on the Credit-Linked Notes will cease. The market value of those deliverable obligations following a credit event will probably be significantly less than the principal amount of the Credit-Linked Notes. Such obligations may even be worthless. Thus, if a credit event occurs, the investor may lose all of its investment in the Credit-Linked Notes.

Several factors, many of which are beyond the Issuer's control will influence the value of the Credit-Linked Notes and the possibility of early acceleration, including: (i) the creditworthiness of the specified entity or entities underlying the Credit-Linked Notes, (ii) the Issuer's creditworthiness and (iii) economic, financial and political events that affect the markets in which such specified entity or entities and the Issuer do business and the markets for the debt or other obligations of such specified entity or entities and of the Issuer.

#### ***Effect of the Liquidity of the Relevant Underlying on Note Pricing***

The Issuer's and/or its Affiliates' hedging costs tend to be higher the less liquidity the Relevant Underlying has or the greater the difference between the "buy" and "sell" prices for the Relevant Underlying or derivatives contracts referenced to the Relevant Underlying. When quoting prices for the Notes, the Issuer and/or its Affiliates will factor in such hedging costs and will pass them on to the Noteholders by incorporating them into the "buy" and "sell" prices. Thus, Noteholders selling their Notes on an exchange or on the over-the-counter market may be doing so at a price that is substantially lower than the actual value of the Notes at the time of sale.

#### ***Actions taken by the Determination Agent may affect the Relevant Underlying***

The Determination Agent may make such adjustments as it considers appropriate as a consequence of certain corporate actions affecting the Relevant Underlying. In making these adjustments the Determination Agent is entitled to exercise substantial discretion and may be subject to conflicts of interest in exercising this discretion. The Determination Agent is not required but has the discretion to make adjustments with respect to each and every corporate action.

### **Risks Relating to the Market Generally**

#### ***Expenses and Taxation***

When Notes are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the purchase or sale price of the Note. These incidental costs may significantly reduce or eliminate any profit from holding the Notes. Credit institutions as a rule charge commissions which are either fixed minimum commissions or pro-rata commissions, depending on the order value. To the extent that additional – domestic or foreign – parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, Noteholders may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

In addition to such costs directly related to the purchase of securities (direct costs), potential investors must also take into account any follow-up costs (such as custody fees). Potential investors should inform themselves about any additional costs incurred in connection with the purchase, custody or sale of the Notes before investing in the Notes.

A Noteholder subscribing, purchasing or exercising a Note is required to pay all applicable stamp duty, stamp duty reserve tax, estate, inheritance, gift, transfer, capital gains, corporation, income, property, withholding or other taxes and any duties, charges or expenses payable in connection with the subscription, issue, purchase or exercise of such Note and any payment and/or delivery as a result of such exercise.

The Issuer is not liable for or otherwise be obliged to pay any tax, duty, withholding or other payment which may arise as a result of the ownership, issue, transfer exercise, settlement or enforcement of any Notes and all payments made by the Issuer (or by any paying agent on its behalf) will be made subject to any tax, duty, withholding or other payment which may be required to be made, paid, withheld or deducted.

Prospective investors who are in doubt as to their tax position should consult their own independent tax advisers. In addition, prospective investors should be aware that tax regulations and their application by the relevant taxation authorities change from time to time. Accordingly, it is not possible to predict the precise tax treatment which will apply at any given time.

### ***Change of law***

The Conditions are based on English law in effect as at the date of this document. No assurance can be given as to the impact of any possible judicial decision or change to English law or in England administrative practice after the date of this document.

### ***The Notes may be redeemed prior to Maturity***

If in the case of any particular Tranche of Notes the relevant Final Terms specify that the Notes are redeemable at the Issuer's option in certain specified circumstances the Issuer may choose to redeem the Notes at times when prevailing interest rates may be relatively low. In such circumstances an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

In addition, an optional redemption feature in any particular Tranche of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

### ***Selling Agent Remuneration***

The Issuer may enter into distribution agreements with various financial institutions and other intermediaries as determined by the Issuer (each a "**Selling Agent**"). Each Selling Agent will agree, subject to the satisfaction of certain conditions, to subscribe for the Notes at a price equivalent to or below the Issue Price. Any difference between the price at which the Selling Agent subscribes the Notes and the price at which the Selling Agent sells the Notes to investors will be a remuneration of the Selling Agent. In addition, a periodic fee may also be payable to the Selling Agents in respect of all outstanding Notes up to and including the maturity date at a rate determined by the Issuer and which may vary from time to time. Any remuneration received by the Selling Agent including any periodic payments may influence the Selling Agents recommendation of the Notes to potential investors and may also increase the purchase price to be paid by the investor. Each Selling Agent will agree to comply with the selling restrictions set out in the document as amended and supplemented by the additional selling restrictions set out in the relevant distribution agreements.

### ***Subscription Periods***

The Issuer has the right to close the offering of the Notes prior to the end of the subscription period in case of adverse market conditions, as determined by the Issuer in its reasonable discretion, including but not limited to increased equity market volatility and increased currency exchange rate volatility.

### ***Settlement Risk***

If (with respect to any Notes that are physically settled) prior to the delivery of any specified asset(s), the Determination Agent for the Notes determines that a settlement disruption event (as defined in Condition 15, a "**Settlement Disruption Event**") is subsisting, then the obligation to deliver such asset(s) shall be postponed to the first following business day on which no Settlement Disruption Event is subsisting. Prospective investors should note that any such determination may affect the value of the Notes and/or may delay settlement in respect of the Notes.

Prospective investors should note that for so long as any delivery of any part of the specified asset(s) is not practicable by reason of a Settlement Disruption Event, then the Issuer may, in its sole and absolute discretion, satisfy its obligations to deliver such part of the specified asset(s) by payment of a disrupted cash settlement price. Prospective investors should note that the Disrupted Cash Settlement Price will reflect the fair market value of the Notes less the cost to the Issuer and/or any of its Affiliates of unwinding any Relevant Underlying related hedging arrangements and that any such determination may affect the value of the Notes.

***Market Disruption Event, Disrupted Day, Adjustments and Early Redemption of Notes***

The Determination Agent may determine that a Market Disruption Event or a failure to open of an Exchange or Related Exchange has occurred or exists on a relevant date of valuation, and any consequential postponement of such date of valuation may have an adverse effect on the value of the Notes.

In addition the Determination Agent may make adjustments to the Notes to account for relevant adjustments or events in relation to the Relevant Underlying including, but not limited to, determining a successor to the Relevant Underlying or its sponsor (in the case of an Index). In addition, in certain circumstances, the Issuer may redeem early the Notes following any such event. In this case, in relation to each Note, the Issuer will pay an amount, if any, determined as provided in the Conditions.

Prospective investors should review the Conditions to ascertain whether and how such provisions apply to the Notes and what constitutes a Market Disruption Event or relevant adjustment event.

***Exchange Rates and Exchange Controls May Affect the Notes' Value or Return***

*General Exchange Rate and Exchange Control Risks.* An investment in the Notes may involve significant risks. These risks include the possibility of significant changes in rates of exchange between an investor's home currency and the other relevant currencies and the possibility of the imposition or modification of exchange controls by the relevant governmental authorities. These risks generally depend on economic and political events over which the Issuer has no control.

*Exchange Rates Will Affect the Investor's Investment.* In recent years, rates of exchange between some currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of the Notes. Depreciation against the investor's home currency or the currency in which the Notes are payable would result in a decrease in the effective yield of the Notes and could result in an overall loss to an investor on the basis of the investor's home currency. In addition, depending on the specific terms of the Notes, changes in exchange rates relating to any of the relevant currencies could result in a decrease in its effective yield and in the investor's loss of all or a substantial portion of the value of the Notes.

*The Issuer Has No Control Over Exchange Rates.* Currency exchange rates can either float or be fixed. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank, the imposition of regulatory controls or taxes, or changes in interest rate to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders.

The Issuer will not make any adjustment or change in the terms of the Notes in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting any currency. Investors will bear those risks.

*Some Currencies May Become Unavailable.* Governments have imposed from time to time, and may in the future impose, exchange controls that could also affect the availability of the Settlement Currency. Even if there are no actual exchange controls, it is possible that the Settlement Currency for any the Notes would not be available when payments on such Notes are due.

*Currency Exchange Information.* The investor should not assume that any historic information concerning currency exchange rates will be representative of the range of, or trends in, fluctuations in currency exchange rates that may occur in the future.

***Issuer's Credit Ratings May Not Reflect All Risks***

One or more independent credit rating agencies may assign credit ratings to the Issuer. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.

***Legal Investment Considerations may restrict Certain Investments***

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

***Market Price Risk – Historic Performance***

The historic price of the Notes should not be taken as an indicator of future performance of the Notes. The Issuer gives no guarantee that the spread between "buy" and "sell" prices is within a certain range or remains constant.

**Representations and Acknowledgments by Noteholders**

*Representations and acknowledgments by Noteholders.* Each Noteholder shall be deemed to represent and acknowledge to the Issuer on acquiring any Note that:

- (a) neither the Issuer nor any Affiliate nor any of their agents is acting as a fiduciary for it or provides investment, tax, accounting, legal or other advice in respect of the Notes and that such Noteholder and its advisors are not relying on any communication (written or oral and including, without limitation, opinions of third party advisors) of the Issuer or any Affiliate as (a) legal, regulatory, tax, business, investment, financial, accounting or other advice, (b) a recommendation to invest in any Notes or (c) an assurance or guarantee as to the expected results of an investment in the Notes (it being understood that information and explanations related to the terms and conditions of the Notes shall not be considered to be any such advice, recommendation, assurance or guarantee and should be independently confirmed by the recipient and its advisors prior to making any such investment);
- (b) such Noteholder (a) has consulted with its own legal, regulatory, tax, business, investments, financial and accounting advisors to the extent that it has deemed necessary, and has made its own investment, hedging, and trading decisions based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer or any Affiliate or any of their agents and (b) is acquiring Notes with a full understanding of the terms, conditions and risks thereof and it is capable of and willing to assume those risks; and
- (c) the Issuer and/or any Affiliates may have banking or other commercial relationships with issuers of any securities to which the Notes relate and may engage in proprietary trading in any equity securities, indices or other property to which the Notes relate or options, futures, derivatives or other instruments relating thereto (including such trading as the Issuer and/or any Affiliate deem appropriate in their sole discretion to hedge the market risk on the Notes and other transactions between the Issuer and/or any Affiliates and any third parties), and that such trading (a) may affect the price or level thereof and consequently the amounts payable under the Notes and (b) may be effected at any time.

***Notes issued at a substantial discount or premium***

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

***Because the Global Notes (as defined below) will be held by or on behalf of Euroclear, Clearstream Luxembourg or Clearstream Frankfurt, investors will have to rely on their procedures for transfer, payment and communication with the Issuer.***

Notes issued under the Programme will be represented by one or more global notes (each, a "**Global Note**"). Such Global Notes will be deposited with a common depository for Euroclear and Clearstream Luxembourg or Clearstream Frankfurt. Investors will not be entitled to receive definitive Notes. Euroclear and Clearstream Luxembourg or Clearstream Frankfurt will maintain records of the beneficial interests in the Global Notes. While the Notes are represented by one or more Global Notes, investors will be able to trade their beneficial interests only through Euroclear, Clearstream Luxembourg or Clearstream Frankfurt.

While the Notes are represented by one or more Global Notes, the Issuer will discharge its payment obligations under the Notes by making payments through Euroclear, Clearstream Luxembourg or Clearstream Frankfurt for distribution to their account holders. A holder of a beneficial interest in a Global Note must rely on the procedures of Euroclear, Clearstream Luxembourg or Clearstream Frankfurt to receive payments under the relevant Notes. The Issuer has no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Notes.

Holders of beneficial interests in the Global Notes will not have a direct right to vote in respect of the relevant Notes. Instead, such holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream Luxembourg or Clearstream Frankfurt to appoint appropriate proxies.

***Modification and waiver***

The conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

## KEY FEATURES OF THE NOTES

The following summary describes the key features of the Notes that the Issuer is offering under the Programme in general terms only. Investors should read the summary together with the more detailed information that is contained in this Base Prospectus and in the applicable Final Terms.

<b>Issuer</b> .....	Morgan Stanley & Co. International plc
<b>Manager</b> .....	Morgan Stanley & Co. International plc, 25 Cabot Square, Canary Wharf, London E14 4QA. The Issuer may appoint one or more further Managers in respect of any Tranche of Notes issued under the Programme.
<b>Fiscal Agent</b> .....	The Bank of New York
<b>German Agent</b> .....	The Bank of New York, Filiale Frankfurt am Main
<b>Luxembourg Paying Agent</b> .....	The Bank of New York (Luxembourg) S.A.
<b>Programme Amount</b> .....	Up to €5,000,000,000 or the equivalent amount thereof in other currencies. The maximum aggregate amount of Notes permitted to be outstanding at any one time under this Programme may be increased from time to time.
<b>Issuance in Series</b> .....	Notes will be issued in series (each, a " <b>Series</b> "). Each Series may comprise one or more tranches (" <b>Tranches</b> " and each, a " <b>Tranche</b> ") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches and each Series may comprise Notes of different denominations. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
<b>Forms of Notes</b> .....	<p>The Issuer will issue Notes in global bearer form. Notes in definitive form will not be issued.</p> <p>Notes will be represented by a global note which the Issuer will deposit with a common depository for Euroclear and Clearstream Luxembourg, or a depository for Clearstream Frankfurt, and/or any other relevant clearing system.</p>
<b>Terms and Conditions</b> .....	<p>A Final Terms will be prepared in respect of each Tranche of Notes (each, a "<b>Final Terms</b>"). The terms and conditions applicable to each Tranche will be those set out herein under the heading "Terms and Conditions of the Notes", as supplemented, modified or replaced, in each case, by the applicable Final Terms.</p> <p>The Issuer may issue Notes that are Equity-Linked Notes, Commodity Notes, Currency Notes, or Credit-Linked Notes (each as defined in Condition 9 (<i>Equity-Linked, Commodity, Currency, and Credit-Linked Notes</i>) of "Terms and Conditions of the Notes") or</p>

Notes linked to interest rates, as specified in the applicable Final Terms.

<b>Specified Currency</b> .....	Notes may be denominated or payable in any currency as set out in the applicable Final Terms, subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements.
<b>Status</b> .....	Notes constitute senior, unsecured and unsubordinated obligations of the Issuer which rank <i>pari passu</i> among themselves.
<b>Issue Price</b> .....	Notes may be issued at any price, as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.
<b>Maturities</b> .....	Notes will have maturities as specified in the applicable Final Terms, subject to compliance with all applicable legal and regulatory requirements.  Where Notes have a maturity of less than one year and the issue proceeds are received by the Issuer in the United Kingdom, such Notes must: (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.
<b>Redemption</b> .....	Notes may be redeemed at par or at such other redemption amount (detailed in a formula or otherwise) or by delivery of securities of an issuer that is not affiliated with the Issuer, as may be specified in the applicable Final Terms.
<b>Early Redemption</b> .....	Early redemption will be permitted only to the extent specified in the applicable Final Terms.
<b>Interest</b> .....	Notes may be interest-bearing or non-interest-bearing. Interest (if any) may accrue at a fixed rate, which may be zero, or at a floating rate or at a rate which varies during the lifetime of the relevant Series.
<b>Denominations</b> .....	Notes will be issued in denominations of at least €1,000 per Note, and subject to such minimum and to compliance with all applicable legal and regulatory requirements, may be issued in such denominations as may be specified in the applicable Final Terms.
<b>Taxation</b> .....	Except as otherwise set out in the relevant Final Terms, all payments of principal and interest by the Issuer in respect of Notes shall be made free and clear of, and without withholding or deduction for, any

taxes, duties, assessments or governmental charges of whatsoever nature, unless such withholding or deduction is required by law. Neither the Issuer nor any Paying Agent nor any other person shall be required to make any additional payments on account of such withholding or deduction.

**Use of Proceeds** .....

The net proceeds from the sale of Notes will be used by the Issuer for general corporate purposes, in connection with hedging the Issuer's obligations under the Notes, or both.

**Listing and Admission to Trading** .....

Unless otherwise specified in the applicable Final Terms, application will be made to admit the Notes offered under the Programme to trading on the unofficial market of the Frankfurt Stock Exchange (the "**Freiverkehr**"). The applicable Final Terms will specify whether an issue of Notes will be admitted to trading on the Freiverkehr, or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system or will be unlisted. Unlisted Notes may also be issued.

**Clearing Systems** .....

Euroclear and Clearstream Luxembourg, or Clearstream Frankfurt and/or any other clearing system as may be specified in the applicable Final Terms.

**Governing Law** .....

Unless otherwise specified in the applicable Final Terms, the Notes will be governed by, and construed in accordance with, English law.

**Selling Restriction** .....

**The Notes may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account of U.S. Persons (as defined in Regulation S under the Securities Act).**

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as supplemented by the applicable Final Terms, will be attached to the Global Note representing the Notes issued by Morgan Stanley & Co. International plc under the Programme.*

### 1. INTRODUCTION

- 1.1 *Programme:* Morgan Stanley & Co. International plc (the "**Issuer**") has established a programme (the "**Programme**") for the issuance of up to €5,000,000,000 in aggregate principal amount of notes (the "**Notes**").
- 1.2 *Final Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a set of Final Terms (each, "**Final Terms**") which supplement these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented by the applicable Final Terms. In the event of any inconsistency between these Conditions and the applicable Final Terms, the applicable Final Terms shall prevail.
- 1.3 *Issue and Paying Agency Agreement:* The Notes are the subject of an issue and paying agency agreement dated on or about 22 August 2007 (as from time to time modified, the "**Issue and Paying Agency Agreement**") between the Issuer, The Bank of New York as fiscal agent (the "**Fiscal Agent**," which expression includes any successor fiscal agent appointed from time to time in connection with the Notes), The Bank of New York, Filiale Frankfurt am Main as German agent (the "**German Agent**") and The Bank of New York (Luxembourg) S.A. as paying agent in Luxembourg (together with the Fiscal Agent and any additional paying agents appointed pursuant thereto, the "**Agents**" or the "**Paying Agents**," which expression includes any successor paying agents appointed from time to time in connection with the Notes). The Fiscal Agent is also appointed as initial calculation agent.
- 1.4 *The Notes:* All subsequent references in these Conditions to "Notes" are to the Notes which are the subject of the applicable Final Terms. Copies of the applicable Final Terms are available for inspection by Noteholders during normal business hours at the Specified Office of the Fiscal Agent, the initial Specified Office of which is set out below.
- 1.5 *Summaries:* Certain provisions of these Conditions are summaries of the Issue and Paying Agency Agreement and are subject to its detailed provisions. The holders of the Notes are bound by, and are deemed to have notice of, all the provisions of the Issue and Paying Agency Agreement applicable to them. Copies of the Issue and Paying Agency Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below.

### 2. INTERPRETATION

- 2.1 *Definitions:* In these Conditions the following expressions have the following meanings:

"**Accrual Yield**" has the meaning given in the applicable Final Terms;

"**Additional Financial Centre(s)**" means the city or cities specified as such in the applicable Final Terms;

"**Business Day**" means any day, other than a Saturday or Sunday, (a) that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close (x) in London, or (y) for Notes denominated in a Specified Currency other than euro or Australian dollars, in the principal financial centre of the country of the Specified Currency, or (z) for Notes denominated in Australian dollars, in Sydney and (b) for Notes denominated in euro, a day that is also a TARGET Settlement Day;

**"Business Day Convention"**, in relation to any particular date, has the meaning given in the applicable Final Terms and, if so specified in the applicable Final Terms, may have different meanings in relation to different dates and, in this context, the following expressions shall have the following meanings:

- (i) **"Following Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day;
- (ii) **"Modified Following Business Day Convention"** or **"Modified Business Day Convention"** means that the relevant date shall be postponed to the first following day that is a Business Day unless that day falls in the next calendar month in which case that date will be the first preceding day that is a Business Day;
- (iii) **"Preceding Business Day Convention"** means that the relevant date shall be brought forward to the first preceding day that is a Business Day;
- (iv) **"FRN Convention"**, **"Floating Rate Convention"** or **"Eurodollar Convention"** means that each relevant date shall be the date which numerically corresponds to the preceding such date in the calendar month which is the number of months specified in the applicable Final Terms as the Specified Period after the calendar month in which the preceding such date occurred provided, however, that:
  - (a) if there is no such numerically corresponding day in the calendar month in which any such date should occur, then such date will be the last day which is a Business Day in that calendar month;
  - (b) if any such date would otherwise fall on a day which is not a Business Day, then such date will be the first following day which is a Business Day unless that day falls in the next calendar month, in which case it will be the first preceding day which is a Business Day; and
  - (c) if the preceding such date occurred on the last day in a calendar month which was a Business Day, then all subsequent such dates will be the last day which is a Business Day in the calendar month which is the specified number of months after the calendar month in which the preceding such date occurred; and

**"No Adjustment"** means that the relevant date shall not be adjusted in accordance with any Business Day Convention;

**"Calculation Agent"** means, in respect of any Notes, the Fiscal Agent or such other Person specified in the applicable Final Terms as the party responsible for calculating the Rate(s) of Interest and Interest Amount(s) and/or, if agreed between the Issuer and the Fiscal Agent, such other amount(s) as may be specified in the applicable Final Terms;

**"Cash Settlement Notes"** means Notes specified as being Notes to which Cash Settlement applies in the applicable Final Terms or Notes specified as being Notes to which either Physical Settlement or Cash Settlement applies in the applicable Final Terms and in respect of which the Noteholder or the Issuer, as the case may be, has not elected for Physical Settlement to apply;

**"Day Count Fraction"** means (subject as provided in Condition 5), in respect of the calculation of an amount for any period of time (the **"Calculation Period"**), such day count fraction as may be specified in these Conditions or the applicable Final Terms and:

- (i) if **"Actual/Actual"** is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if **"Actual/365 (Fixed)"** is so specified, means the actual number of days in the Calculation Period divided by 365;

- (iii) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (iv) if "**30/360**" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months (unless (i) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month, in which case the month that includes that last day shall not be considered to be shortened to a 30-day month, or (ii) the last day of the Calculation Period is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month));
- (v) if "**30E/360**" or "**Eurobond Basis**" is so specified, means the number of days in the Calculation Period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with 12 30-day months, without regard to the date of the first day or last day of the Calculation Period unless, in the case of the final Calculation Period, the date of final maturity is the last day of the month of February, in which case the month of February shall not be considered to be lengthened to a 30-day month); and
- (vi) if "**Actual/ISMA**" is so specified, means:
  - (a) where the Calculation Period is equal to or shorter than the Regular Period during which it falls, the actual number of days in the Calculation Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
  - (b) where the Calculation Period is longer than one Regular Period, the sum of:
    - (A) the actual number of days in such Calculation Period falling in the Regular Period in which it begins divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year; and
    - (B) the actual number of days in such Calculation Period falling in the next Regular Period divided by the product of (1) the actual number of days in such Regular Period and (2) the number of Regular Periods in any year.

For this purpose, "**Regular Period**" means each period from and including a Regular Date falling in any year to but excluding the next Regular Date, where "**Regular Date**" means the day and month (but not the year) on which any Interest Payment Date falls.

"**Determination Agent**" means the entity specified as such in the applicable Final Terms. The Determination Agent shall act as an expert and not as an agent for the Issuer or the Noteholders. All determinations, considerations and decisions made by the Determination Agent shall, in the absence of manifest error, wilful default or bad faith, be final and conclusive and the Determination Agent shall have no liability in relation to such determinations except in the case of its wilful default or bad faith;

"**Early Redemption Amount**" means, in respect of any Note, its principal amount or such other amount payable by the Issuer in respect of such Note on early redemption as may be specified in, or determined in accordance with, these Conditions or the applicable Final Terms;

"**Extraordinary Resolution**" has the meaning given in the Issue and Paying Agency Agreement;

"**Final Redemption Amount**" means, in respect of any Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms;

"**Fixed Coupon Amount**" has the meaning given in the applicable Final Terms;

"**Global Note**" has the meaning given in Condition 3;

"**Interest Amount**" means, in relation to a Note and an Interest Period, the amount of interest payable in respect of that Note for that Interest Period;

**"Interest Commencement Date"** means the Issue Date of the Notes or such other date as may be specified as the Interest Commencement Date in the applicable Final Terms;

**"Interest Determination Date"** has the meaning given in the applicable Final Terms;

**"Interest Payment Date"** means the date or dates specified as such in, or determined in accordance with the provisions of, the applicable Final Terms and, if a Business Day Convention is specified in the applicable Final Terms:

- (i) as the same may be adjusted in accordance with the relevant Business Day Convention; or
- (ii) if the Business Day Convention is the FRN Convention, Floating Rate Convention or Eurodollar Convention and an interval of a number of calendar months is specified in the applicable Final Terms as being the Specified Period, each of such dates as may occur in accordance with the FRN Convention, Floating Rate Convention or Eurodollar Convention at such Specified Period of calendar months following the Interest Commencement Date (in the case of the first Interest Payment Date) or the previous Interest Payment Date (in any other case);

**"Interest Period"** means, subject as otherwise provided in these Conditions or the applicable Final Terms, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date;

**"ISDA Definitions"** means the 2006 ISDA Definitions, as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series (as specified in the applicable Final Terms) as published by the International Swaps and Derivatives Association, Inc.;

**"Issue Date"** has the meaning given in the applicable Final Terms;

**"Margin"** has the meaning given in the applicable Final Terms;

**"Maturity Date"** has the meaning given in the applicable Final Terms;

**"Maximum Redemption Amount"** has the meaning given in the applicable Final Terms;

**"Minimum Redemption Amount"** has the meaning given in the applicable Final Terms;

**"Optional Redemption Amount (Call)"** means, in respect of any Cash Settlement Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms and, in respect of any Physical Settlement Note, the Physical Delivery Amount as may be specified in, or determined in accordance with, the applicable Final Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Cash Settlement Note, its principal amount or such other amount as may be specified in, or determined in accordance with, the applicable Final Terms and, in respect of any Physical Settlement Note, the Physical Delivery Amount as may be specified in, or determined in accordance with, the applicable Final Terms;

**"Optional Redemption Date (Call)"** has the meaning given in the applicable Final Terms;

**"Optional Redemption Date (Put)"** has the meaning given in the applicable Final Terms;

**"Participating Member State"** means a Member State of the European Communities which adopts the euro as its lawful currency in accordance with the Treaty;

**"Payment Business Day"** means:

- (i) if the currency of payment is euro, any day which is:
  - (a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and

- (b) in the case of payment by transfer to an account, a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or
- (ii) if the currency of payment is not euro, any day which is:
  - (c) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
  - (d) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre;

**"Person"** means any individual, company, corporation, firm, partnership, joint venture, association, organization, state or agency of a state or other entity, whether or not having separate legal personality;

**"Physical Settlement Notes"** means Notes specified as being Notes to which Physical Settlement applies, or Notes specified as being Notes to which either Physical Settlement or Cash Settlement applies in the applicable Final Terms and in respect of which the Noteholder or the Issuer, as the case may be, has not elected for Cash Settlement to apply;

**"Principal Financial Centre"** means, in relation to any currency, the principal financial centre for that currency provided, however, that:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means Sydney and Melbourne and, in relation to New Zealand dollars, it means Wellington and Auckland;

**"Put Option Notice"** means a notice which must be delivered to a Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Put Option Receipt"** means a receipt issued by a Paying Agent to a depositing Noteholder upon deposit of a Note with such Paying Agent by any Noteholder wanting to exercise a right to redeem a Note at the option of the Noteholder;

**"Rate of Interest"** means the rate or rates (expressed as a percentage per annum) of interest payable in respect of the Notes specified in applicable Final Terms or calculated or determined in accordance with the provisions of these Conditions and/or the applicable Final Terms;

**"Redemption Amount"** means, as appropriate, the Final Redemption Amount, the Optional Redemption Amount (Call), the Optional Redemption Amount (Put), the Early Redemption Amount, Physical Delivery Amount or such other amount in the nature of a redemption amount as may be specified in, or determined in accordance with the provisions of, the applicable Final Terms;

**"Redemption Expenses"** means, in respect of any Note or Notes, any expenses (other than in relation to Taxes) payable on or in respect of or in connection with the redemption of such Note or Notes;

**"Reference Asset"** means in respect of any Note, any Underlying Share or other non-cash asset, the price or level of which determines the Redemption Amount of such Note;

**"Reference Banks"** has the meaning given in the applicable Final Terms or, if none, four major banks selected by the Calculation Agent in the market that is most closely connected with the Reference Rate;

**"Reference Price"** has the meaning given in the applicable Final Terms;

**"Reference Rate"** has the meaning given in the applicable Final Terms;

**"Relevant Clearing System"** means, as appropriate, Euroclear S.A./N.V. ("**Euroclear**"), Clearstream, Luxembourg, société anonyme ("**Clearstream Luxembourg**"), Clearstream Banking AG, Frankfurt ("**Clearstream Frankfurt**") and/or such other relevant clearing system, as the case may be, through which interests in Notes are to be held and through an account at which the Notes are to be cleared, as specified in the applicable Final Terms and which terms will include any depositary holding the Global Note on behalf of the Relevant Clearing System;

**"Relevant Date"** means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Fiscal Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Noteholders;

**"Relevant Financial Centre"** has the meaning given in the applicable Final Terms;

**"Relevant Screen Page"** means the page, section or other part of a particular information service (including, without limitation, the Reuters Money 3000 Service and the Reuters Telerate Service) specified as the Relevant Screen Page in the applicable Final Terms, or such other page, section or other part as may replace it on that information service or such other information service, in each case, as may be nominated by the Person providing or sponsoring the information appearing there for the purpose of displaying rates or prices comparable to the Reference Rate;

**"Relevant Time"** has the meaning given in the applicable Final Terms;

**"Reserved Matter"** means any proposal to change any date fixed for payment of principal or interest in respect of the Notes, to reduce the amount of principal or interest payable on any date in respect of the Notes, to alter the method of calculating the amount of any payment in respect of the Notes or the date for any such payment, to change the currency of any payment under the Notes or to change the quorum requirements relating to meetings or the majority required to pass an Extraordinary Resolution;

**"Specified Currency"** has the meaning given in the applicable Final Terms;

**"Specified Denomination(s)"** has the meaning given in the applicable Final Terms;

**"Specified Office"** has the meaning given in the Issue and Paying Agency Agreement;

**"Specified Period"** has the meaning given in the applicable Final Terms;

**"Subsidiary"** means, in relation to any Person (the "**first Person**") at any particular time, any other Person (the "**second Person**");

- (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract, the power to appoint or remove members of the governing body of the second Person or otherwise; or
- (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first Person;

**"TARGET Settlement Day"** means any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open;

**"Taxes"** means any tax, duty, impost, levy, charge or contribution in the nature of taxation or any withholding or deduction for or on account thereof, including (but not limited to) any applicable stock exchange tax, turnover tax, stamp duty, stamp duty reserve tax and/or other taxes chargeable or payable in connection with any redemption of a Note and/or payment of the Redemption Amount and/or delivery of the Physical Delivery Amount and/or the transfer or delivery of Underlying Shares and/or the relevant Transfer Documentation;

**"Trade Date"** means in relation to any series of Notes, the date specified as such in the applicable Final Terms;

**"Transfer Documentation"** means, for each Series of Notes, such documentation as is generally acceptable for settlement of transfer of Underlying Shares on the relevant Exchange or through the clearing system;

**"Treaty"** means the Treaty establishing the European Community, as amended; and

**"Zero Coupon Note"** means a Note specified as such in the applicable Final Terms.

2.2 *Interpretation:* In these Conditions:

- (i) any reference to principal shall be deemed to include the Redemption Amount, any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (ii) references to Notes being "outstanding" shall be construed in accordance with the Issue and Paying Agency Agreement; and
- (iii) if an expression is stated in Condition 2.1 to have the meaning given in the applicable Final Terms, but the applicable Final Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes.

3. **FORM, DENOMINATION AND TITLE**

3.1 The Notes are represented by a global note (the **"Global Note"**). The Global Note will be deposited with a common depositary for the Relevant Clearing System(s). No definitive Notes will be issued.

3.2 Each Note will be issued with a Specified Denomination of at least EUR 1,000 (or its equivalent in the currency in which such Note is denominated). Title to the Notes will pass by delivery. The Issuer and the Agents will (except as otherwise required by law) deem and treat the bearer of the Global Note as the absolute owner thereof (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) for all purposes but without prejudice to the provisions set out in the next succeeding sentence. Each person (other than another Relevant Clearing System) who is for the time being shown in the records of the Relevant Clearing System as the holder of a particular number of Notes (in which regard any certificate or other document issued by the Relevant Clearing System as to the number of Notes standing to the account of any person shall be conclusive and binding for all purposes except in the case of manifest error) shall be treated as its absolute owner for all purposes other than in respect of payments in respect of such Notes, for which purpose the bearer of the Global Note shall be treated by the Issuer and the Agents as the holder of such number of Notes in accordance with and subject to the terms of the Global Note (and the terms **"Noteholder"** and **"holder of Notes"** and related expressions shall be construed accordingly) for all purposes.

3.3 The Notes are transferable in accordance with applicable law and any rules and procedures for the time being of any Relevant Clearing System through whose books any of the Notes are transferred.

4. **STATUS**

The Notes constitute direct and general obligations of the Issuer which rank *pari passu* among themselves.

5. **FIXED RATE NOTE PROVISIONS**

5.1 *Application:* This Condition 5 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the applicable Final Terms as being applicable.

5.2 *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 14 (Payments). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 5 (as well after as before judgment)

until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

- 5.3 *Fixed Coupon Amount:* The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount.
- 5.4 *Regular Interest Periods:* If all of the Interest Payment Dates fall at regular intervals between the Issue Date and the Maturity Date, then:
- 5.4.1 the Notes shall for the purposes of this Condition 5 be "**Regular Interest Period Notes**";
- 5.4.2 the day and month (but not the year) on which any Interest Payment Date falls shall for the purposes of this Condition 5 be a "**Regular Date**"; and
- 5.4.3 each period from and including a Regular Date falling in any year to but excluding the next succeeding Regular Date shall for the purposes of this Condition 5 be a "**Regular Period**".
- 5.5 *Irregular first or last Interest Periods:* If the Notes would be Regular Interest Period Notes but for the fact that either or both of:
- 5.5.1 the interval between the Issue Date and the first Interest Payment Date; and
- 5.5.2 the interval between the Maturity Date and the immediately preceding Interest Payment Date is longer or shorter than a Regular Period, then the Notes shall nevertheless be deemed to be Regular Interest Period Notes provided, however, that if the interval between the Maturity Date and the immediately preceding Interest Payment Date is longer or shorter than a Regular Period, the day and month on which the Maturity Date falls shall not be a "Regular Date".
- 5.6 *Irregular Interest Amount:* If the Notes are Regular Interest Period Notes, the amount of interest payable in respect of each Note for any period which is not a Regular Period shall be calculated by applying the Rate of Interest to the principal amount of such Note, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "sub-unit" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- 5.7 *Day Count Fraction:* In respect of any period which is not a Regular Period the relevant day count fraction (the "**Day Count Fraction**") shall be determined in accordance with the following provisions:
- 5.7.1 if the Day Count Fraction is specified in the applicable Final Terms as being 30/360, the relevant Day Count Fraction will be the number of days in the relevant period (calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) divided by 360;
- 5.7.2 if the Day Count Fraction is specified in the applicable Final Terms as being Actual/Actual (Bond) and the relevant period falls during a Regular Period, the relevant Day Count Fraction will be the number of days in the relevant period divided by the product of (A) the number of days in the Regular Period in which the relevant period falls and (B) the number of Regular Periods in any period of one year; and
- 5.7.3 the Day Count Fraction is specified in the applicable Final Terms as being Actual/Actual (Bond) and the relevant period begins in one Regular Period and ends in the next succeeding Regular Period, interest will be calculated on the basis of the sum of:
- (a) the number of days in the relevant period falling within the first such Regular Period divided by the product of (1) the number of days in the first such Regular Period and (2) the number of Regular Periods in any period of one year; and

- (b) the number of days in the relevant period falling within the second such Regular Period divided by the product of (1) the number of days in the second such Regular Period and (2) the number of Regular Periods in any period of one year.

5.8 *Number of days:* For the purposes of this Condition 5, unless the Day Count Fraction is specified in the applicable Final Terms as being 30/360 (in which case the provisions of paragraph 5.7.1 above shall apply), the number of days in any period shall be calculated on the basis of actual calendar days from and including the first day of the relevant period to but excluding the last day of the relevant period.

5.6 *Irregular Interest Periods:* If the Notes are not Regular Interest Period Notes and interest is required to be calculated for any period other than an Interest Period, interest shall be calculated on such basis as is described in the applicable Final Terms.

## 6. **FLOATING RATE NOTE AND INDEX-LINKED INTEREST NOTE PROVISIONS**

6.1 *Application:* This Condition 6 (*Floating Rate Note and Index-Linked Interest Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions or the Index-Linked Interest Note Provisions are specified in the applicable Final Terms as being applicable.

6.2 *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Condition 14 (*Payments*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment). The Rate of Interest in respect of all or any Interest Periods shall if so specified in the applicable Final Terms be zero.

6.3 *Screen Rate Determination:* If Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be determined by the Calculation Agent on the following basis:

6.3.1 if the Reference Rate is a composite quotation or customarily supplied by one entity, the Calculation Agent will determine the Reference Rate which appears on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

6.3.2 in any other case, the Calculation Agent will determine the arithmetic mean of the Reference Rates which appear on the Relevant Screen Page as of the Relevant Time on the relevant Interest Determination Date;

6.3.3 if, in the case of 6.3.1 above, such rate does not appear on that page or, in the case of 6.3.2 above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

- (a) request the principal Relevant Financial Centre office of each the Reference Banks to provide a quotation of the Reference Rate at approximately the Relevant Time on the Interest Determination Date to prime banks in the Relevant Financial Centre interbank market in an amount that is representative for a single transaction in that market at that time; and

- (b) determine the arithmetic mean of such quotations; and

6.3.4 if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the

relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

and the Rate of Interest for such Interest Period shall be the sum of the Margin and the rate or (as the case may be) the arithmetic mean so determined; provided, however, that if the Calculation Agent is unable to determine a rate or (as the case may be) an arithmetic mean in accordance with the above provisions in relation to any Interest Period, the Rate of Interest applicable to the Notes during such Interest Period will be the sum of the Margin and the rate (or as the case may be) the arithmetic mean last determined in relation to the Notes in respect of a preceding Interest Period.

- 6.4 *ISDA Determination:* If ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as Calculation Agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:
- 6.4.1 the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the applicable Final Terms;
  - 6.4.2 the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable Final Terms; and
  - 6.4.3 the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the applicable Final Terms.
- 6.5 *Index-Linked Interest:* If the Index-Linked Interest Note Provisions are specified in the applicable Final Terms as being applicable, the Rate(s) of Interest applicable to the Notes for each Interest Period will be determined in the manner specified in the applicable Final Terms.
- 6.6 *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the applicable Final Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- 6.7 *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the principal amount of such Note during such Interest Period and multiplying the product by the relevant Day Count Fraction.
- 6.8 *Calculation of other amounts:* If the applicable Final Terms specifies that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the applicable Final Terms.
- 6.9 *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period.

- 6.10 *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents and the Noteholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.

## 7. **ZERO COUPON NOTE PROVISIONS**

- 7.1 *Application:* This Condition 7 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the applicable Final Terms as being applicable.

- 7.2 *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:

7.2.1 the Reference Price; and

7.2.2 the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Fiscal Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

## 8. **DUAL CURRENCY NOTE PROVISIONS**

- 8.1 *Application:* This Condition 8 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the applicable Final Terms as being applicable.

- 8.2 *Rate of Interest:* If the rate or amount of interest falls to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Final Terms.

## 9. **EQUITY-LINKED, COMMODITY, CURRENCY AND CREDIT-LINKED NOTES**

- 9.1 The Issuer may issue Notes:

9.1.1 the payment of principal of which and/or interest on which are linked to the shares of an entity or a basket of shares of entities not affiliated with the Issuer and/or to a single index or indices of shares (respectively, "**Single Share Notes**", "**Share Basket Notes**", "**Single Index Notes**" and "**Index Basket Notes**", and together, "**Equity-Linked Notes**");

9.1.2 the payment of principal of which and/or interest on which are to be determined by reference to one or more commodity prices ("**Commodity Notes**");

9.1.3 the payment of principal of which and/or interest on which are to be determined by reference to one or more currencies as compared to the value of one or more other currencies ("**Currency Notes**"); or

9.1.4 the payment of principal of which and/or interest on which are linked to the credit of one or more specified entities ("**Credit-Linked Notes**");

9.1.5 upon any other terms and conditions,

in each case, in accordance with the Conditions herein which are specified as applicable to Equity-Linked Notes, Commodity Notes, Currency Notes or Credit-Linked Notes, as the case may be, and the detailed terms and conditions set out in the applicable Final Terms.

10. **PROVISIONS RELATING TO EQUITY-LINKED NOTES**

This Condition 10 is applicable only in relation to Notes specified in the relevant Final Terms as being Single Share Notes, Share Basket Notes, Single Index Notes or Index Basket Notes.

10.1 *Valuation, Market Disruption and Averaging Dates:*

10.1.1 **"Valuation Date"** means each date specified as such in the applicable Final Terms or, if no date is specified, each date specified as an Observation Date or a Determination Date in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day), subject to the provisions of Condition 10.1.2. If any Valuation Date is a Disrupted Day, then:

- (a) in the case of a Single Index Note or Single Share Note, the Valuation Date shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date (and, as the case may be, the relevant Observation Date or Determination Date) is a Disrupted Day. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine in its sole and absolute discretion:
  - (i) in respect of a Single Index Note, the level of the Index as of the Determination Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating the Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Determination Time on that eighth Scheduled Trading Day of each security or other property comprised in the Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Determination Time on that eighth Scheduled Trading Day); and
  - (ii) in respect of a Single Share Note, its good faith estimate of the value for the Underlying Share as of the Determination Time on that eighth Scheduled Trading Day;
- (b) in the case of an Index Basket Note, the Valuation Date for each Index not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and for each Index affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Index, unless each of the eight Scheduled Trading Days immediately following the Scheduled Valuation Date is a Disrupted Day relating to that Index. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Index, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine, in its sole and absolute discretion, the level of that Index as of the Determination Time on that eighth Scheduled Trading Day in accordance with the formula for and method of calculating that Index last in effect prior to the occurrence of the first Disrupted Day using the Exchange traded or quoted price as of the Determination Time on that eighth Scheduled Trading Day of each security comprised in that Index (or, if an event giving rise to a Disrupted Day has occurred in respect of the relevant security on that eighth Scheduled Trading Day, its good faith estimate of the value for the relevant security as of the Determination Time on that eighth Scheduled Trading Day); and
- (c) in the case of a Share Basket Note, the Valuation Date for each Underlying Share not affected by the occurrence of a Disrupted Day shall be the Scheduled Valuation Date, and for each Underlying Share affected by the occurrence of a Disrupted Day shall be the first succeeding Scheduled Trading Day that is not a Disrupted Day relating to that Underlying Share, unless each of the eight Scheduled Trading Days immediately

following the Scheduled Valuation Date is a Disrupted Day relating to that Underlying Share. In that case, (1) that eighth Scheduled Trading Day shall be deemed to be the Valuation Date for the relevant Underlying Share, notwithstanding the fact that such day is a Disrupted Day, and (2) the Determination Agent shall determine, in its sole and absolute discretion, its good faith estimate of the value for that Underlying Share as of the Determination Time on that eighth Scheduled Trading Day.

10.1.2 For the purposes hereof:

**"Scheduled Valuation Date"** means any original date that, but for the occurrence of an event causing a Disrupted Day, would have been a Valuation Date.

10.1.3 If Averaging Dates are specified in the applicable Final Terms as being applicable, then, notwithstanding any other provisions of these Conditions, the following provisions will apply to the valuation of the relevant Index, Underlying Share, Basket of Indices or Basket of Shares in relation to a Valuation Date:

- (a) **"Averaging Date"** means, in respect of each Valuation Date, each date specified or otherwise determined as provided in the applicable Final Terms (or, if such date is not a Scheduled Trading Day, the next following Scheduled Trading Day).
- (b) For purposes of determining the Settlement Price in relation to a Valuation Date, the Settlement Price will be:
  - (i) in respect of a Single Index Note or a Single Share Note, the arithmetic mean of the Relevant Prices of the Index or the Underlying Shares on each Averaging Date;
  - (ii) in respect of an Index Basket Note, the arithmetic mean of the amounts for the Basket of Indices determined by the Determination Agent in its sole and absolute discretion as provided in the applicable Final Terms as of the relevant Determination Time(s) on each Averaging Date or, if no means for determining the Settlement Price are so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the Relevant Prices of each Index comprised in the Basket (weighted or adjusted in relation to each Index as provided in the applicable Final Terms); and
  - (iii) in respect of a Share Basket Note, the arithmetic mean of the amounts for the Basket of Shares determined by the Determination Agent in its sole and absolute discretion as provided in the applicable Final Terms as of the relevant Determination Time(s) on each Averaging Date or, if no means for determining the Settlement Price is so provided, the arithmetic mean of the amounts for the Basket calculated on each Averaging Date as the sum of the values calculated for the Underlying Shares of each Underlying Share Issuer as the product of (1) the Relevant Price of such Underlying Share and (2) the number of such Underlying Shares comprised in the Basket.
- (c) If an Averaging Date is a Disrupted Day, then if, in relation to **"Averaging Date Disruption"**, the consequence specified in the relevant Final Terms is:
  - (i) **"Omission"**, then such Averaging Date will be deemed not to be a relevant Averaging Date for the purposes of determining the relevant Settlement Price provided that, if through the operation of this provision no Averaging Date would occur with respect to the relevant Valuation Date, then Condition 10.1.1 will apply for purposes of determining the relevant level, price or amount on the final Averaging Date in respect of that Valuation Date as if such final Averaging Date were a Valuation Date that was a Disrupted Day;

- (ii) **"Postponement"**, then Condition 10.1.1 will apply for the purposes of determining the relevant level, price or amount on that Averaging Date as if such Averaging Date were a Valuation Date that was a Disrupted Day irrespective of whether, pursuant to such determination, that deferred Averaging Date would fall on a day that already is or is deemed to be an Averaging Date for the relevant Notes; or
- (iii) **"Modified Postponement"**, then:
  - (1) in the case of a Single Index Note or a Single Share Note, the Averaging Date shall be the first succeeding Valid Date. If the first succeeding Valid Date has not occurred as of the Determination Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date), and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or price for that Averaging Date in accordance with (x) in the case of a Single Index Note, Condition 10.1.1(a)(i) and (y) in the case of a Single Share Note, Condition 10.1.1(a)(ii);
  - (2) in the case of an Index Basket Note or a Share Basket Note, the Averaging Date for each Underlying Share or Index not affected by the occurrence of a Disrupted Day shall be the date specified in the applicable Final Terms as an Averaging Date in relation to the relevant Valuation Date, and the Averaging Date for an Underlying Share or Index affected by the occurrence of a Disrupted Day shall be the first succeeding Valid Date in relation to such Underlying Share or Index. If the first succeeding Valid Date in relation to such Underlying Share or Index has not occurred as of the Determination Time on the eighth Scheduled Trading Day immediately following the original date that, but for the occurrence of another Averaging Date or Disrupted Day, would have been the final Averaging Date in relation to the relevant Scheduled Valuation Date, then (A) that eighth Scheduled Trading Day shall be deemed to be the Averaging Date (irrespective of whether that eighth Scheduled Trading Day is already an Averaging Date) in relation to such Underlying Share or Index, and (B) the Determination Agent shall determine, in its sole and absolute discretion, the relevant level or amount for that Averaging Date in accordance with (x) in the case of an Index Basket Note, Condition 10.1.1(b) and (y) in the case of a Share Basket Note, Condition 10.1.1(c); and
  - (3) **"Valid Date"** shall mean a Scheduled Trading Day that is not a Disrupted Day and on which another Averaging Date in respect of the relevant Valuation Date does not, or is not deemed to, occur.
- (d) If any Averaging Dates in relation to a Valuation Date occur after that Valuation Date as a result of the occurrence of a Disrupted Day, then (i) the relevant Maturity Date or, as the case may be, the relevant Physical Settlement Date or (ii) the occurrence of an Extraordinary Event or a Potential Adjustment Event shall be determined by reference to the last such Averaging Date as though it were that Valuation Date.

## 10.2 *Adjustments to Indices:*

This Condition 10.2 is applicable only in relation to Notes specified in the relevant Final Terms as being Single Index Notes or Index Basket Notes.

### 10.2.1 *Successor Index:*

If a relevant Index is (a) not calculated and announced by the Index Sponsor, but is calculated and announced by a successor sponsor acceptable to the Determination Agent in its sole and absolute discretion or (b) replaced by a successor index using, in the determination of the Determination Agent (such determination to be at the Determination Agent's sole and absolute discretion), the same or a substantially similar formula for and method of calculation as used in the calculation of that Index, then in each case that index (the "**Successor Index**") will be deemed to be the Index.

### 10.2.2 *Index Adjustment Events:*

If (i) on or prior to any Valuation Date, or any Averaging Date, a relevant Index Sponsor announces that it will make a material change in the formula for or the method of calculating that Index or in any other way materially modifies that Index (other than a modification prescribed in that formula or method to maintain that Index in the event of changes in constituent securities and capitalisation and other routine events) (an "**Index Modification**") or permanently cancels the Index and no Successor Index exists (an "**Index Cancellation**") or (ii) on any Valuation Date, or any Averaging Date, the Index Sponsor fails to calculate and announce a relevant Index (an "**Index Disruption**" and together with an Index Modification and an Index Cancellation, each an "**Index Adjustment Event**"), then (A) in the case of an Index Modification or an Index Disruption, the Determination Agent shall determine if such Index Adjustment Event has a material effect on the Notes and, if so, shall calculate in its sole and absolute discretion the relevant Settlement Price using, in lieu of a published level for that Index, the level for that Index as at that Valuation Date or, as the case may be, that Averaging Date as determined by the Determination Agent in its sole and absolute discretion in accordance with the formula for and method of calculating that Index last in effect prior to that change, failure or cancellation, but using only those securities that comprised that Index immediately prior to that Index Adjustment Event and (B) in the case of an Index Cancellation, the Issuer may, at any time thereafter and in its sole and absolute discretion, determine that the Notes shall be redeemed as of any later date. If the Issuer so determines that the Notes shall be redeemed, then the Issuer shall give not less than five Business Days' notice to the Noteholders to redeem the Notes and upon redemption the Issuer will pay in respect of each Note an amount which the Determination Agent, in its sole and absolute discretion, determines is equal to the fair value of a Note less the proportion attributable to that Note of the reasonable cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion. The Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount. If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the formula for the Final Redemption Amount or the Settlement Price set out in the applicable Final Terms and any other variable relevant to the settlement or payment terms of the Notes, which change or adjustment shall be effective on such date as the Determination Agent shall determine.

### 10.2.3 *Correction of Index Levels:*

If the level of an Index published by the Index Sponsor and which is utilised by the Determination Agent for any calculation or determination (the "**Original Determination**") under the Notes is subsequently corrected and the correction (the "**Corrected Value**") is published by the Index Sponsor by such time as may be specified in the relevant Final Terms (or, if none is so specified, within one Settlement Cycle after the original publication and prior to the Maturity Date), then the Determination Agent will notify the Issuer and the Fiscal Agent of the Corrected Value as soon as reasonably practicable and shall determine the relevant value

(the "**Replacement Determination**") using the Corrected Value. If the result of the Replacement Determination is different from the result of the Original Determination, to the extent that it determines to be necessary and practicable, the Determination Agent may adjust any relevant terms accordingly.

#### 10.2.4 *Currency Inconvertibility*

If the Issuer in good faith determines that a Currency Inconvertibility Event has occurred, it may at any time thereafter, in its sole discretion give notice to the holders stating whether the Issuer's obligations under the Notes will be suspended or terminated (any election to suspend shall not preclude the Issuer at any time thereafter giving notice to redeem the Notes), all as more fully set out in Condition 24 (Notices). If the Issuer elects to redeem the Notes the Issuer shall give not less than five Business Days' notice to the Noteholders to redeem the Notes and upon redemption the Issuer will pay in respect of each Note an amount which the Determination Agent, in its sole and absolute discretion, determines is equal to the fair value of a Note, less the cost to the Issuer of, or loss realised by the Issuer as, including any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion. The Issuer's obligations under the Notes shall be satisfied in full upon payment of such amount. Upon the occurrence of any event that constitutes both a Currency Inconvertibility Event and a Market Disruption Event or an event causing a Disrupted Day, it will be deemed to be a Market Disruption Event or an event causing a Disrupted Day and will not constitute a Currency Inconvertibility Event.

#### 10.3 *Adjustments affecting Underlying Shares:*

This Condition 10.3 is applicable only in relation to Single Share Notes or Share Basket Notes.

##### 10.3.1 *Adjustments for Potential Adjustment Events:*

Following the declaration by the Underlying Issuer of the terms of a Potential Adjustment Event, the Determination Agent will determine whether such Potential Adjustment Event has a diluting or concentrative effect on the theoretical value of the relevant Underlying Shares and, if so, will (i) make such adjustment as it in its sole and absolute discretion considers appropriate, if any, to the formula for the Final Redemption Amount and/or the Settlement Price set out in the relevant Final Terms, the number of Underlying Shares to which each Note relates, the number of Underlying Shares comprised in a Basket of Shares, the amount, the number of or type of shares or other securities which may be delivered in respect of such Notes and/or any other adjustment and, in any case, any other variable relevant to the exercise, settlement, payment or other terms of the relevant Notes as the Determination Agent determines, in its sole and absolute discretion, to be appropriate to account for that diluting or concentrative effect and (ii) determine, in its sole and absolute discretion, the effective date(s) of such adjustment(s).

##### 10.3.2 *Correction of Underlying Share Prices:*

If any price published on the Exchange and which is utilised by the Determination Agent for any calculation or determination (the "**Original Determination**") under the Notes is subsequently corrected and the correction (the "**Corrected Value**") is published by the Exchange by such time as may be specified in the relevant Final Terms (or, if none is so specified, within one Settlement Cycle after the original publication and prior to the Maturity Date), then the Determination Agent will notify the Issuer and the Fiscal Agent of the Corrected Value as soon as reasonably practicable and shall determine the relevant value (the "**Replacement Determination**") using the Corrected Value. If the result of the Replacement Determination is different from the result of the Original Determination, to the extent that it determines to be necessary and practicable, the Determination Agent may adjust any relevant terms accordingly.

10.4 *Extraordinary Events:*

This Condition 10.4 is applicable only in relation to Notes specified in the relevant Final Terms as being Single Share Notes or Share Basket Notes.

10.4.1 *Merger Event or Tender Offer:*

- (a) Following the occurrence of any Merger Event or Tender Offer, the Issuer will, in its sole and absolute discretion, determine whether the relevant Notes shall continue or shall be redeemed early.
- (b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the formula for the Final Redemption Amount and/or the Settlement Price set out in the applicable Final Terms, the number of Underlying Shares to which each Note relates, the number of Underlying Shares comprised in a Basket of Shares, the amount, the number of or type of shares or other securities which may be delivered under such Notes and, in any case, any other variable relevant to the exercise, settlement, or payment terms of the relevant Notes and/or any other adjustment (including without limitation, in relation to Share Basket Notes, the cancellation of terms applicable in respect of Underlying Shares affected by the relevant Merger Event or Tender Offer) which adjustment shall be effective on such date as the Determination Agent shall determine.
- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to the Noteholders to redeem the Notes and the Issuer's obligations under the Notes shall be satisfied in full upon payment of the Merger Event Settlement Amount (as defined below) (in the case of a Merger Event) or Tender Offer Settlement Amount (in the case of a Tender Offer).
- (d) For the purposes hereof:

**"Merger Event"** means, in respect of any relevant Underlying Shares, as determined by the Determination Agent, acting in a commercially reasonable manner, any: (i) reclassification or change of such Underlying Shares that results in a transfer of or an irrevocable commitment to transfer all of such Underlying Shares outstanding to another entity or person, (ii) consolidation, amalgamation, merger or binding share exchange of the Underlying Issuer with or into another entity or person (other than a consolidation, amalgamation, merger or binding share exchange in which such Underlying Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares outstanding), (iii) takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person to purchase or otherwise obtain 100% of the outstanding Underlying Shares of the Underlying Issuer that results in a transfer of or an irrevocable commitment to transfer all such Underlying Shares (other than such Underlying Shares owned or controlled by such other entity or person), or (iv) consolidation, amalgamation, merger or binding share exchange of the Underlying Issuer or its subsidiaries with or into another entity in which the Underlying Issuer is the continuing entity and which does not result in a reclassification or change of all such Underlying Shares outstanding but results in the outstanding Underlying Shares (other than Underlying Shares owned or controlled by such other entity) immediately prior to such event collectively representing less than 50% of the outstanding Underlying Shares immediately following such event (a **"Reverse Merger"**), in each case if the Merger Date is on or before, (A) in respect of Physical Settlement Notes, the later to occur of the Maturity Date and the Physical Settlement Date or, (B) in any other case, the final Valuation Date.

**"Merger Event Settlement Amount"** means in respect of each Note, an amount equal to the fair value of such Note, on such day as is selected by the Determination

Agent in its sole and absolute discretion, less the proportion attributable to that Note of the reasonable cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion.

**"Tender Offer"** means, in respect of any Underlying Shares, as determined by the Determination Agent, acting in a commercially reasonable manner, a takeover offer, tender offer, exchange offer, solicitation, proposal or other event by any entity or person that results in such entity or person purchasing, or otherwise obtaining or having the right to obtain, by conversion or other means, greater than 10% and less than 100% of the outstanding voting shares of the Underlying Issuer, as determined by the Determination Agent, based upon the making of filings with governmental or self regulatory agencies or such other information as the Determination Agent deems relevant.

**"Tender Offer Date"** means, in respect of a Tender Offer, the date on which voting shares in the amount of the applicable percentage threshold are actually purchased or otherwise obtained, as determined by the Determination Agent in its sole and absolute discretion.

**"Tender Offer Settlement Amount"** means in respect of each Note, an amount equal to the fair value of such Note, on such day as is selected by the Determination Agent in its sole and absolute discretion, less the proportion attributable to that Note of the reasonable cost to the Issuer of unwinding, or the loss realised by the Issuer on, any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion.

10.4.2 *Nationalisation, Insolvency and Delisting:*

- (a) If in the determination of the Determination Agent, acting in a commercially reasonable manner:
- (A) all the Underlying Shares or all or substantially all the assets of an Underlying Issuer are nationalised, expropriated or are otherwise required to be transferred to any governmental agency, authority, entity or instrumentality thereof ("**Nationalisation**"); or
  - (B) by reason of the voluntary or involuntary liquidation, bankruptcy, insolvency, dissolution or winding-up of or any analogous proceeding affecting an Underlying Issuer, (1) all the Underlying Shares of that Underlying Issuer are required to be transferred to a trustee, liquidator or other similar official or (2) holders of the Underlying Shares of that Underlying Issuer become legally prohibited from transferring them ("**Insolvency**"); or
  - (C) the Exchange announces that pursuant to the rules of such Exchange, the Underlying Shares cease (or will cease) to be listed, traded or publicly quoted on the Exchange for any reason (other than a Merger Event or Tender Offer) and are not immediately re-listed, re-traded or re-quoted on an exchange or quotation system located in the same country as the Exchange (or, where the Exchange is within the European Union, in any member state of the European Union) ("**Delisting**"),
- then the Issuer will, in its sole and absolute discretion, determine whether or not the Notes shall continue.
- (b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute

discretion, considers appropriate, if any, to the formula for the Final Redemption Amount and/or the Settlement Price set out in the applicable Final Terms, the number of Underlying Shares to which each Note relates, the number of Underlying Shares comprised in a Basket of Shares, the amount, the number of or type of shares or other securities which may be delivered under such Notes and, in any case, any other variable relevant to the settlement or payment terms of the relevant Notes and/or any other adjustment (including without limitation, in relation to Share Basket Notes, the cancellation of terms applicable in respect of Underlying Shares affected by the relevant Extraordinary Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.

- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to redeem the Notes. The Issuer's obligations under the Notes shall be satisfied in full upon payment of, in respect of each Note, an amount equal to the fair value of such Note, on such day as is selected by the Determination Agent in its sole and absolute discretion, less the proportion attributable to that Note of the reasonable cost to the Issuer of unwinding, or the loss realised by the Issuer on, any related hedging arrangements, all as calculated by the Determination Agent in its sole and absolute discretion.

#### 10.5 *Additional Disruption Events*

- (a) Following the occurrence of an Additional Disruption Event, the Issuer will, in its sole and absolute discretion, determine whether or not the relevant Notes shall continue or be redeemed early.
- (b) If the Issuer determines that the relevant Notes shall continue, the Determination Agent may make such adjustment as the Determination Agent, in its sole and absolute discretion, considers appropriate, if any, to the formula for the Final Redemption Amount and/or the Settlement Price set out in the relevant Final Terms, the number of Underlying Shares to which each Note relates, the number of Underlying Shares comprised in a Basket, the amount, the number of or type of shares or other securities which may be delivered under such Notes and, in any case, any other variable relevant to the redemption, settlement, or payment terms of the relevant Notes and/or any other adjustment (including without limitation, in relation to Share Basket Notes or Index Basket Notes, the cancellation of terms applicable in respect of any Underlying Shares or Index, as the case may be, affected by the relevant Additional Disruption Event) which change or adjustment shall be effective on such date as the Determination Agent shall determine.
- (c) If the Issuer determines that the relevant Notes shall be redeemed early, then the Issuer shall give not less than five Business Days' notice to redeem the Notes and the Issuer's obligations under the Notes shall be satisfied in full upon payment in respect of each Note of an amount which the Determination Agent, in its sole and absolute discretion, determines is equal to the fair value of a Note less the proportion attributable to that Note of the reasonable cost to the Issuer of, or the loss realised by the Issuer on, unwinding any related underlying hedging arrangements, the amount of such cost or loss being as determined by the Determination Agent in its sole and absolute discretion.
- (d) The Issuer shall as soon as reasonably practicable under the circumstances notify the Fiscal Agent and the Determination Agent of the occurrence of an Additional Disruption Event.
- (e) For the purposes hereof:

**"Additional Disruption Event"** means with respect to any Series of Notes (unless otherwise specified in the applicable Final Terms) a Change in Law, Hedging Disruption, Increased Cost of Hedging and Loss of Stock Borrow, and any further

event or events as may be specified in the applicable Final Terms as an Additional Disruption Event with respect to such Notes.

#### 10.6 *Definitions applicable to Equity-Linked Notes*

In relation to Equity-Linked Notes, the following expressions have the meanings set out below:

**"Basket"** means in relation to any Share Basket Notes, the Underlying Shares specified in the applicable Final Terms as comprising the Basket, and in relation to Index Basket Notes, the Indices specified in the applicable Final Terms as comprising the Basket, in each case in the relative proportions specified in such Final Terms;

**"Basket of Indices"** means, in relation to a particular Series, a basket comprising the Indices specified in the applicable Final Terms in the relative proportions specified in such Final Terms;

**"Basket of Shares"** means, in relation to a particular Series, a basket comprising Underlying Shares of each Underlying Issuer specified in the applicable Final Terms in the relative proportion or number of Underlying Shares of each Underlying Issuer specified in such Final Terms;

**"Change in Law"** means that, on or after the Trade Date (A) due to the adoption of or any change in any applicable law or regulation (including, without limitation, any tax law), or (B) due to the promulgation of or any change in the interpretation by any court, tribunal or regulatory authority with competent jurisdiction of any applicable law or regulation (including any action taken by a taxing authority), the Issuer determines that (x), in the case of Single Share Notes or Basket of Shares Notes, it has become illegal to hold, acquire or dispose of any relevant Underlying Shares, or (y) it will incur a materially increased cost in performing its obligations with respect to the Notes (including, without limitation, due to any increase in tax liability, decrease in tax benefit or other adverse effect on its tax position);

**"Component"** means in relation to an Index, any security which comprises such Index;

**"Currency Inconvertibility Event"** means it has become impracticable, illegal or impossible: (i) for the Determination Agent to determine a rate at which any Local Currency (defined below) can be lawfully exchanged for U.S. dollars; or (ii) to convert the currency in which any of the securities which comprise the Index is denominated (a "Local Currency") into U.S. dollars; or (iii) to exchange or repatriate any funds outside of any jurisdiction in which any of the securities which comprise the Index is issued due to the adoption of or any change in any applicable law, regulation, directive or decree of any Governmental Authority or otherwise; or (iv) for the Issuer or any of its affiliates to hold, purchase, sell or otherwise deal in any Notes or any other property in order for the Issuer or any of its affiliates to perform, or for the purposes of the Issuer or any affiliate of the Issuer performing its obligations in respect of any Notes or in respect of any related hedging arrangements. For the purposes hereof, **"Governmental Authority"** means any governmental, administrative, legislative or judicial authority or power;

**"Determination Time"** means the time specified as such in the applicable Final Terms, or if no such time is specified, (a) save with respect to a Multi-exchange Index, the Scheduled Closing Time on the relevant Exchange in relation to each Index or Underlying Share to be valued. If the relevant Exchange closes prior to its Scheduled Closing Time and the specified Determination Time is after the actual closing time for its regular trading session, then the Determination Time shall be such actual closing time; and (b) with respect to any Multi-exchange Index, (i) for the purposes of determining whether a Market Disruption Event has occurred: (x) in respect of any Component, the Scheduled Closing Time on the Exchange in respect of such Component and (y) in respect of any option contracts or futures contracts on the Index, the close of trading on the Related Exchange; and (ii) in all other circumstances, the time at which the official closing level of the Index is calculated and published by the Index Sponsor;

**"Disrupted Day"** means (a) except with respect to a Multi-exchange Index, any Scheduled Trading Day on which a relevant Exchange or any Related Exchange fails to open for trading during its regular trading session or on which a Market Disruption Event has occurred, and (b) with respect to any Multi-

exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor fails to publish the level of the Index; (ii) the Related Exchange fails to open for trading during its regular trading session or (iii) a Market Disruption Event has occurred;

**"Early Closure"** means (a) except with respect to a Multi-exchange Index, the closure on any Exchange Business Day of the relevant Exchange (or in the case of a Single Index Note or Index Basket Note, any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index) or any Related Exchange(s) prior to its Scheduled Closing Time unless such earlier closing time is announced by such Exchange(s) or Related Exchange(s) at least one hour prior to the earlier of (i) the actual closing time for the regular trading session on such Exchange(s) or Related Exchange(s) on such Exchange Business Day and (ii) the submission deadline for orders to be entered into the Exchange or Related Exchange system for execution at the Determination Time on such Exchange Business Day and (b) with respect to any Multi-exchange Index, the closure on any Exchange Business Day of the Exchange in respect of any Component or the Related Exchange prior to its Scheduled Closing Time unless such earlier closing is announced by such Exchange or Related Exchange (as the case may be) at least one hour prior to the earlier of: (i) the actual closing time for the regular trading session on such Exchange or Related Exchange (as the case may be) on such Exchange Business Day; and (ii) the submission deadline for orders to be entered into such Exchange or Related Exchange system for execution at the relevant Determination Time on such Exchange Business Day;

**"Exchange"** means:

- (a) (i) in respect of an Index relating to Single Index Notes or Index Basket Notes other than a Multi-exchange Index, each exchange or quotation system specified as such for such Index in the applicable Final Terms or, if none is specified, the principal exchange or quotation system for trading in such Index, as determined by the Determination Agent, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in the shares underlying such Index has temporarily relocated, provided that the Determination Agent has determined that there is comparable liquidity relative to the shares underlying such Index on such temporary substitute exchange or quotation system as on the original Exchange, and (ii) with respect to any Multi-exchange Index, and in respect of each Component, the principal stock exchange on which such Component is principally traded, as determined by the Determination Agent; and
- (b) in respect of an Underlying Share relating to Single Share Notes or Share Basket Notes, each exchange or quotation system specified as such for such Underlying Share in the applicable Final Terms or, if none is specified, the principal exchange or quotation system for trading in such Underlying Share, as determined by the Determination Agent, any successor to such Exchange or quotation system or any substitute exchange or quotation system to which trading in the Underlying Share has temporarily relocated, provided that the Determination Agent has determined that there is comparable liquidity relative to such Underlying Share on such temporary substitute exchange or quotation system as on the original Exchange.

**"Exchange Business Day"** means (a) except with respect to a Multi-exchange Index, any Scheduled Trading Day on which each Exchange and Related Exchange are open for trading during their respective regular trading sessions, notwithstanding any such Exchange or Related Exchange closing prior to its Scheduled Closing Time and (b) with respect to any Multi-exchange Index, any Scheduled Trading Day on which (i) the Index Sponsor publishes the level of the Index and (ii) the Related Exchange is open for trading during its regular trading session, notwithstanding any Exchange or the Related Exchange closing prior to its Scheduled Closing Time;

**"Exchange Disruption"** means (a) except with respect to a Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general (i) to effect transactions in, or obtain market values for, the Underlying Shares on the Exchange (or in the case of Single Index Notes or

Index Basket Notes, on any relevant Exchange(s) relating to securities that comprise 20 percent or more of the level of the relevant Index), or (ii) to effect transactions in, or obtain market values for, futures or options contracts relating to the Underlying Shares or the relevant Index on any relevant Related Exchange and (b) with respect to any Multi-exchange Index, any event (other than an Early Closure) that disrupts or impairs (as determined by the Determination Agent) the ability of market participants in general to effect transactions in, or obtain market values for, (i) any Component on the Exchange in respect of such Component; or (ii) futures or options contracts relating to the Index on the Related Exchange;

**"Extraordinary Dividend"** means the dividend per Underlying Share, or portion thereof, to be characterised as an Extraordinary Dividend as determined by the Determination Agent.

**"Extraordinary Event"** means a Merger Event, Tender Offer, Nationalisation, Insolvency or Delisting.

**"Hedging Disruption"** means that the Issuer is unable, after using commercially reasonable efforts, to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations under the Notes, or (B) realise, recover or remit the proceeds of any such transactions or asset(s);

**"Increased Cost of Hedging"** means that the Issuer would incur a materially increased (as compared with circumstances existing on the Trade Date) amount of tax, duty, expense or fee (other than brokerage commissions) to (A) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the Notes or (B) realise, recover or remit the proceeds of any such transaction(s) or asset(s) provided that any such materially increased amount that is incurred solely due to the deterioration of the creditworthiness of the Issuer shall not be deemed an Increased Cost of Hedging;

**"Index"** means any index specified as such in the applicable Final Terms, subject to Condition 10.2 (*Adjustments to Indices*);

**"Index Sponsor"** means, in respect of an Index, the corporation or other entity that (a) is responsible for setting and reviewing the rules and procedures and methods of calculation and adjustments, if any, related to the relevant Index and (b) announces (directly or through an agent) the level of the relevant Index on a regular basis during each Scheduled Trading Day;

**"Loss of Stock Borrow"** means that the Issuer is unable, after using commercially reasonable efforts, to borrow (or maintain a borrowing of) the Underlying Shares with respect to the Notes in an amount which the Issuer deems necessary to hedge the risk of entering into and performing its obligations with respect to the Notes (not to exceed the number of shares underlying the Notes) at a rate determined by the Issuer;

**"Market Disruption Event"** means (a) in respect of an Underlying Share or an Index other than a Multi-exchange Index, the occurrence or existence of (i) a Trading Disruption, (ii) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one-hour period that ends at the relevant Determination Time, or (iii) an Early Closure. For the purpose of determining whether a Market Disruption Event exists in respect of an Index at any time, if a Market Disruption Event occurs in respect of a security included in the Index at any time, then the relevant percentage contribution of that security to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that security and (y) the overall level of the Index, in each case immediately before the Market Disruption Event occurred; and (b) with respect to any Multi-exchange Index either (i)(A) the occurrence or existence, in respect of any Component, of (1) a Trading Disruption, (2) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Determination Time in respect of the Exchange on which such Component is principally traded, OR (3) an Early Closure; AND (B) the aggregate of all Components in respect of which

a Trading Disruption, an Exchange Disruption or an Early Closure occurs or exists comprises 20 per cent. or more of the level of the Index; OR (ii) the occurrence or existence, in respect of futures or options contracts relating to the Index, of: (A) a Trading Disruption, (B) an Exchange Disruption, which in either case the Determination Agent determines is material, at any time during the one hour period that ends at the relevant Determination Time in respect of the Related Exchange; or (c) an Early Closure;

For the purposes of determining whether a Market Disruption Event exists in respect of a Component at any time, if a Market Disruption Event occurs in respect of such Component at that time, then the relevant percentage contribution of that Component to the level of the Index shall be based on a comparison of (x) the portion of the level of the Index attributable to that Component to (y) the overall level of the Index, in each case using the official opening weightings as published by the Index Sponsor as part of the market "opening data";

**"Multi-exchange Index"** means any Index specified as such in the relevant Final Terms;

**"Potential Adjustment Event"** means, in respect of Single Share Notes or Share Basket Notes:

- (i) a subdivision, consolidation or reclassification of an Underlying Share (unless resulting in a Merger Event), or a free distribution or dividend of Underlying Shares to existing holders by way of bonus, capitalisation or similar issue;
- (ii) a distribution, issue or dividend to existing holders of relevant Underlying Shares of (A) such Underlying Shares, or (B) other share capital or securities granting the right to payment of dividends and/or the proceeds of liquidation of the Underlying Issuer equally or proportionately with such payments to holders of such an Underlying Shares, or (C) share capital or other securities of another issuer acquired or owned (directly or indirectly) by the Underlying Issuer as a result of a spin-off or other similar transaction, or (D) any other type of securities, rights or warrants or other assets, in any case for payment (cash or other consideration) at less than the prevailing market price as determined by the Determination Agent;
- (iii) an Extraordinary Dividend;
- (iv) a call by the Underlying Issuer in respect of relevant Underlying Shares that are not fully paid;
- (v) a repurchase by an Underlying Issuer or any of its subsidiaries of Underlying Shares, whether out of profits or capital and whether the consideration for such repurchase is cash, securities or otherwise;
- (vi) in respect of an Underlying Issuer, an event that results in any shareholder rights being distributed or becoming separated from shares of common stock or other shares of the capital stock of the Underlying Issuer pursuant to a shareholder rights plan or arrangement directed against hostile takeovers that provides, upon the occurrence of certain events, for a distribution of preferred stock, warrants, debt instruments or stock rights at a price below their market value, as determined by the Determination Agent, provided that any adjustment effected as a result of such an event shall be readjusted upon any redemption of such rights; or
- (vii) any other event that may have a diluting or concentrative effect on the theoretical value of the relevant Underlying Shares.

**"Related Exchange"**, in respect of an Index relating to Single Index Notes or Index Basket Notes or an Underlying Share relating to Single Share Notes or Share Basket Notes, means the Exchange specified as the Relevant Exchange in the applicable Final Terms, any successor to such exchange or quotation system or any substitute exchange or quotation system to which trading in futures and options contracts relating to such Index or Underlying Shares has

temporarily relocated (provided that the Determination Agent has determined that there is comparable liquidity relative to the futures or options contracts relating to such Index or Underlying Shares on such temporary substitute exchange or quotation system as on the original Related Exchange) or, if none is specified, each exchange or quotation system where trading has a material effect (as determined by the Determination Agent) on the overall market for futures or options contracts relating to such Index or Underlying Shares, as the case may be;

**"Relevant Price"** on any day means:

- (i) in respect of an Underlying Share to which a Single Share Note or a Share Basket Note relates, the price per Underlying Share determined by the Determination Agent in the manner provided in the applicable Final Terms as of the Determination Time on the relevant day, or, if no means for determining the Relevant Price are so provided:
  - (a) in respect of any Underlying Share for which the Exchange is an auction or "open outcry" exchange that has a price as of the Determination Time at which any trade can be submitted for execution, the Relevant Price shall be the price per Underlying Share as of the Determination Time on the relevant day, as reported in the official real-time price dissemination mechanism for such Exchange; and
  - (b) in respect of any Underlying Share for which the Exchange is a dealer exchange or dealer quotation system, the Relevant Price shall be the mid-point of the highest bid and lowest ask prices quoted as of the Determination Time on the relevant day (or the last such prices quoted immediately before the Determination Time) without regard to quotations that "lock" or "cross" the dealer exchange or dealer quotation system; and
- (ii) in respect of an Index to which a Single Index Note or an Index Basket Note relates, the level of such Index determined by the Determination Agent as provided in the relevant Final Terms as of the Determination Time on the relevant day or, if no method for determining the Relevant Price is so provided, the level of the Index as of the Determination Time on the relevant day;

**"Scheduled Closing Time"** means in respect of an Exchange or Related Exchange and a Scheduled Trading Day, the scheduled weekday closing time of such Exchange or Related Exchange on such Scheduled Trading Day, without regard to after-hours or any other trading outside of regular trading session hours;

**"Scheduled Trading Day"** means (a) except with respect to a Multi-exchange Index, any day on which each Exchange and each Related Exchange are scheduled to be open for trading for their respective regular trading session, and (b) with respect to any Multi-exchange Index, any day on which (i) the Index Sponsor is scheduled to publish the level of the Index and (ii) the Related Exchange is scheduled to be open for trading for its regular trading session;

**"Settlement Cycle"** means, in respect of an Underlying Share or Index, the period of Settlement Cycle Days following a trade in such Underlying Share or the securities underlying such Index, as the case may be, on the Exchange in which settlement will customarily occur according to the rules of such exchange (or, in respect of any Multi-Exchange Index, the longest such period) and for this purpose "Settlement Cycle Day" means, in relation to a clearing system any day on which such clearing system is (or but for the occurrence of a Settlement Disruption Event would have been) open for acceptance and executions of settlement instructions;

**"Settlement Price"** means in respect of a Single Share Note, a Share Basket Note, an Index Note or an Index Basket Note, the price, level or amount as determined by the Determination Agent, in its sole and absolute discretion, in accordance with the relevant Final Terms;

**"Trading Disruption"** means (a) except with respect to a Multi-exchange Index, any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange, Related Exchange or otherwise (i) relating to the Underlying Share on the

Exchange, or, in the case of a Single Index Note or Index Basket Note, on any relevant Exchange(s) relating to securities that comprise 20 per cent or more of the level of the relevant Index or (ii) in futures or options contracts relating to the Underlying Share or the relevant Index or Indices on any relevant Related Exchange, and (b) with respect to any Multi-exchange Index, any suspension of or limitation imposed on trading by the Exchange or Related Exchange or otherwise and whether by reason of movements in price exceeding limits permitted by the Exchange or Related Exchange or otherwise (i) relating to any Component on the Exchange in respect of such Component; or (ii) in futures or options contracts relating to the Index on the Related Exchange;

**"Underlying Issuer"** means the entity that is the issuer of the Underlying Share specified in the applicable Final Terms; and

**"Underlying Share"** means, in relation to a particular Series of Notes, a share specified as such in the applicable Final Terms, or, in the case of a Share Basket Note, a share forming part of a basket of shares to which such Note relates.

## 11. PROVISIONS RELATING TO COMMODITY NOTES

This Condition 11 is applicable only in relation to Notes specified in the relevant Final Terms as being Commodity Notes.

11.1 *Corrections to published prices:* For the purposes of determining the Relevant Price for any Pricing Date, if applicable, as specified in the relevant Final Terms for the purposes of calculating the Final Redemption Amount or any other amount in respect of a Commodity Note, if the price published or announced on a given day and used or to be used by the Determination Agent to determine such Relevant Price is subsequently corrected and the correction is published or announced by the person responsible for that publication or announcement by such time as may be specified in the relevant Final Terms (or, if none is so specified, within thirty calendar days after the original publication or announcement) and in any event prior to the Maturity Date for the relevant Notes the Determination Agent shall determine (in its sole and absolute discretion) the adjustment to the Relevant Price so calculated and will adjust the terms of the relevant Notes to account for such correction to the extent that it determines to be necessary and practicable.

11.2 *Commodity Disruption Events:*

11.2.1 If so specified in the Final Terms relating to any Series of Commodity Notes, the following shall constitute "Commodity Disruption Events" for the purposes of such Series:

- (a) **"Price Source Disruption"**, which means (i) the failure of the Price Source to announce or publish the Specified Price (or the information necessary for determining the Specified Price) for the relevant Commodity Reference Price, (ii) the temporary or permanent discontinuance or unavailability of the Price Source, (iii) if the Commodity Reference Price is "Commodity-Reference Dealers," the failure to obtain at least three quotations from the relevant Reference Dealers or (iv) if Price Materiality Percentage is specified in the applicable Final Terms, the Specified Price for the relevant Commodity Reference Price differs from the Specified Price determined in accordance with the Commodity Reference Price "Commodity-Reference Dealers" by such Price Materiality Percentage;
- (b) **"Trading Disruption"**, which means the material suspension of, or the material limitation imposed on, trading in the Futures Contract or the Commodity on the Exchange or in any additional futures contract, options contract or commodity on any Exchange as specified in the applicable Final Terms. The determination of whether a suspension of or limitation on trading is material shall be made by the Determination Agent in its sole and absolute discretion;
- (c) **"Disappearance of Commodity Reference Price"**, which means (i) the permanent discontinuation of trading in the relevant Futures Contract on the relevant Exchange or

- (ii) the disappearance of, or of trading in, the relevant Commodity or (iii) the disappearance or permanent discontinuance or unavailability of a Commodity Reference Price, notwithstanding the availability of the related Price Source or the status of trading in the relevant Futures Contract or the relevant Commodity;
- (d) **"Material Change in Formula"** means the occurrence since the Trade Date of a material change in the formula for or method of calculating the relevant Commodity Reference Price;
- (e) **"Material Change in Content"**, which means the occurrence since the Trade Date of a material change in the content, composition or constitution of the relevant Commodity or relevant Futures Contract;
- (f) **"Tax Disruption"**, which means the imposition of, change in or removal of an excise, severance, sales, use, value-added, transfer, stamp, documentary, recording or similar tax on, or measured by reference to, the relevant Commodity (other than a tax on, or measured by reference to, overall gross or net income) by any government or taxation authority after the Trade Date, if the direct effect of such imposition, change or removal is to raise or lower the Relevant Price on the day that would otherwise be a Pricing Date from what it would have been without that imposition, change or removal;
- (g) **"Trading Limitation"** which means the material limitation imposed on trading in the Futures Contract or Commodity on the Exchange or in any additional futures contract, options contract or commodity on any exchange or principal trading market as specified in the applicable Final Terms; and
- (h) any other (if any) Commodity Disruption Event specified in the relevant Final Terms.

11.2.2 If the applicable Final Terms for a Series of Commodity Notes specifies that any Commodity Disruption Event shall be applicable to such Series, then, where the Determination Agent determines, acting in a commercially reasonable manner, that such Commodity Disruption Event has occurred and is continuing in respect of such Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the relevant Final Terms, then the Relevant Price will be determined in accordance with the terms of the Commodity Disruption Fallback applicable pursuant to Condition 11.3 (Commodity Disruption Fallbacks).

### 11.3 *Commodity Disruption Fallbacks:*

Where one or more Commodity Disruption Event occurs or exists, then, unless the applicable Final Terms specifies that any other Commodity Disruption Fallback shall apply in respect of any such Commodity Disruption Event, "Determination Agent Determination" shall apply.

**"Determination Agent Determination"** means that the Determination Agent will determine, in its sole and absolute discretion, the Relevant Price (or a method for determining the Relevant Price), taking into consideration the latest available quotation for the relevant Commodity Reference Price and any other information that it deems relevant.

### 11.4 *Common Pricing:*

With respect to Notes relating to a basket of Commodities, if "Common Pricing" has been selected in the applicable Final Terms as:

- (i) "Applicable", then no date will be a Pricing Date unless such date is a day on which all referenced Commodity Reference Prices (for which such date would otherwise be a Pricing Date) are scheduled to be published or announced, as determined as of the time of issue of the Notes.

- (ii) "Inapplicable", then if the Determination Agent determines that a Commodity Disruption Event has occurred or exists on the Pricing Date in respect of any Commodity in the basket (the "**Affected Commodity**"), the Relevant Price of each Commodity within the basket which is not affected by the occurrence of a Commodity Disruption Event shall be determined on its scheduled Pricing Date and the Relevant Price for the Affected Commodity shall be determined in accordance with the first applicable Commodity Disruption Fallback that provides a Commodity Reference Price.

11.5 *Commodity Index Disruption Events:*

11.5.1 The following shall constitute "**Commodity Index Disruption Events**" for the purposes of any Series of Notes with respect to a Commodity Index:

- (a) a temporary or permanent failure by the applicable exchange or other price source to announce or publish the final settlement price for the relevant Commodity Index; or
- (b) the occurrence in respect of any Component of the relevant Commodity Index of a Commodity Disruption Event (as defined in Condition 11.2.1).

11.5.2 Where the Determination Agent determines, acting in a commercially reasonable manner, that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series (or, if different, the day on which prices for that Pricing Date would, in the ordinary course, be published or announced by the Price Source), or on any other day as may be specified for this purpose in the applicable Final Terms, then (unless Condition 11.5.3 (Physical Hedging Fallback) applies) the following provisions shall apply:

- (a) with respect to each Component which is not affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Determination Agent based on the closing prices of each such Component on the applicable Pricing Date;
- (b) with respect to each Component which is affected by the Commodity Index Disruption Event, the Relevant Price will be determined by the Determination Agent (in the case of any Dow Jones-AIG Commodity Index) as set out in the DJ-AIGCI Manual or (in the case of any S&P Commodity Index) as set out in the Index Methodology, and in respect of any other Commodity Index as set out in the applicable Final Terms, in each case based on the closing prices of each such Component on the first day following the applicable Pricing Date on which no Commodity Index Disruption Event occurs with respect to such Component;
- (c) subject to (d) below, the Determination Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the relevant Commodity Index; and
- (d) where a Commodity Index Disruption Event with respect to one or more Components continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Determination Agent shall determine the Relevant Price acting in good faith and in a commercially reasonable manner. In calculating the Relevant Price as set out in this paragraph, the Determination Agent shall use the formula for calculating the relevant Commodity Index last in effect prior to the Commodity Index Disruption Event. For the purposes of this paragraph (d), "**Trading Day**" shall mean a day when the exchanges for all Components included in the relevant Commodity Index are scheduled to be open for trading.

11.5.3 **Physical Hedging Fallback.** Where the Determination Agent determines that a Commodity Index Disruption Event has occurred and is continuing in respect of a Series on the Pricing Date in respect of such Series and "Physical Hedging Fallback" is specified as applicable in the relevant Final Terms, then the following provisions shall apply;

- (a) with respect to each Component included in the Commodity Index which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such Component on the applicable determination date;
- (b) with respect to each Component included in the Commodity Index which is affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing price of each such Component on the first day following the applicable determination date on which no Commodity Index Disruption Event occurs with respect to such Component;
- (c) subject to (d) below, the Determination Agent shall determine the Relevant Price by reference to the closing prices determined in (a) and (b) above using the then-current method for calculating the Relevant Price; and
- (d) where a Commodity Index Disruption Event with respect to one or more Components included in the Commodity Index continues to exist (measured from and including the first day following the applicable determination date) for five consecutive Trading Days, the Determination Agent shall determine the Relevant Price in good faith and in a commercially reasonable manner. For the purposes of this paragraph (d), "**Trading Day**" shall mean a day when the exchanges for all Components included in the relevant Commodity Index are scheduled to be open for trading with respect to each Component included in the Commodity Index which is not affected by the Commodity Index Disruption Event, the Relevant Price will be based on the closing prices of each such Component on the applicable determination date.

#### 11.6 *Adjustments to Commodity Index:*

- 11.6.1 If a Commodity Index with respect to a Commodity Reference Price is permanently cancelled or is not calculated and announced by the sponsor of such Commodity Index or any of its affiliates (together the "**Sponsor**") but (i) is calculated and announced by a successor sponsor (the "**Successor Sponsor**") acceptable to the Determination Agent, or (ii) replaced by a successor index (the "**Successor Index**") using, in the determination of the Determination Agent, the same or a substantially similar formula for and method of calculation as used in the calculation of such Commodity Index, then the Commodity Reference Price will be determined by reference to the Index so calculated and announced by that Successor Sponsor or that Successor Index, as the case may be.
- 11.6.2 If, for a Commodity Index with respect to a Commodity Reference Price, on or prior to the Maturity Date or Early Redemption Date, (i) the Sponsor makes a material change in the formula for or the method of calculating such Commodity Index or in any other way materially modifies such Commodity Index (other than a modification prescribed in that formula or method to maintain the Commodity Index in the event of changes in constituent commodities and weightings and other routine events), or (ii) the Sponsor permanently cancels the Commodity Index or (iii) the Sponsor fails to calculate and announce the Commodity Index for a continuous period of three Trading Days and the Determination Agent determines that there is no Successor Sponsor or Successor Index, then the Determination Agent may at its option (in the case of (i)) and shall (in the case of (ii) and (iii)) (such events (i) (ii) & (iii) to be collectively referred to as "**Index Adjustment Events**") calculate the Relevant Price using in lieu of the published level for that Commodity Index (if any), the level for that Commodity Index as at the relevant determination date as determined by the Determination Agent in accordance with the formula for and method of calculating that Commodity Index last in effect prior to the relevant Index Adjustment Event (as the case may be), but using only those Futures Contracts that comprised that Index immediately prior to the relevant Index Adjustment Event (as the case may be) (other than those futures contracts that have ceased to be listed on any relevant exchange).

11.7 *Definitions applicable to Commodity Notes*

In relation to Commodity Notes, the following expressions have the meanings set out below:

**"Commodity"** means each commodity specified as such in the applicable Final Terms;

**"Commodity Business Day"** means:

- (i) in the case where the Commodity Reference Price is a price announced or published by an Exchange, a day that is (or, but for the occurrence of a Commodity Disruption Event, would have been) a day on that Exchange is open for trading during its regular trading session, notwithstanding any such Exchange closing prior to its scheduled closing time; and
- (ii) in the case where the Commodity Reference Price is not a price announced or published by an Exchange, a day in respect of which the relevant Price Source published (or, but for the occurrence of a Commodity Disruption Event, would have published) a price.

**"Commodity Index"** means an index comprising commodities specified as such in the relevant Final Terms;

**"Commodity Reference Price"** means the commodity reference price(s) specified as such in the applicable Final Terms;

**"Component"** means in relation to a Commodity Index, any commodity or Futures Contract the price of which is included in such Commodity Index;

**"Delivery Date"** means the relevant date or month for delivery of the underlying Commodity (which must be a date or month reported or capable of being determined from information reported in or by the relevant Price Source) specified as such in, or determined in accordance with the provisions in, the applicable Final Terms. In relation to any underlying Commodity which is specified in the applicable Final Terms to be a "Non Metal" and each Pricing Date, the relevant Delivery Date shall be the month of expiration of the first Futures Contract to expire following such Pricing Date. In relation to any underlying Commodity which is specified in the applicable Final Terms to be a "Base Metal" or a "Precious Metal" and each Pricing Date, the Delivery Date shall be such Pricing Date;

**"DJ-AIG Commodity Index"** means the Dow Jones-AIG Commodity Index and any other Commodity Index, in each case which is calculated and sponsored by Dow Jones Inc, or any successor to such sponsor;

**"DJ-AIGCI Manual"** means the manual or handbook in respect of a DJ-AIG Commodity Index published by the sponsor of the relevant Commodity Index and in effect from time to time;

**"Exchange"** means each exchange or principal trading market specified as such in relation to a Commodity in the applicable Final Terms or in the applicable Commodity Reference Price;

**"Futures Contract"** means either (a) the contract for future delivery in respect of the relevant Delivery Date relating to the relevant Commodity referred to in the relevant Commodity Reference Price or (b) each futures contract underlying or included in a Commodity Index;

**"Index Methodology"** means the manual or handbook in respect of an S&P Commodity Index published by the sponsor of the relevant Commodity Index and in effect from time to time;

**"Price Source"** means the publication (or such other origin of reference, including an Exchange) containing (or reporting) the Specified Price (or prices from which the Specified Price is calculated) specified as such in the applicable Final Terms;

**"Pricing Date"** means, subject as provided in this Condition 11 each date specified as such (or determined pursuant to a method specified for such purpose) in the applicable Final Terms;

**"Relevant Price"** on any day means in respect of a unit of measure of the Commodity to which a Commodity Note relates, the price, expressed as a price per unit, determined by the Determination Agent as provided in the applicable Final Terms with respect to such day for the applicable Commodity Reference Price;

**"S&P Commodity Index"** means the S&P GSCI Commodity Index and any other Commodity Index, in each case which is calculated and sponsored by Standard & Poor's, or any successor to such sponsor; and

**"Specified Price"** means any of the following prices of a Commodity or Commodities or levels of a Commodity Index (which must be a price reported or capable of being determined from information reported in or by the relevant Price Source), as specified in the applicable Final Terms (and, if applicable, as of the time so specified) (a) the high price (b) the low price (c) the average of the high price and the low price (d) the closing price (e) the opening price (f) the bid price (g) the asked price (h) the average of the bid price and the asked price (i) the settlement price (j) the official settlement price (which shall be the Specified Price for any Commodity Index, and for any Commodity specified in the applicable Final Terms as a "Non Metal") (k) the official price (l) the morning fixing (m) the afternoon fixing (which shall be the Specified Price in respect of any Commodity specified in the applicable Final Terms as a "Precious Metal") (n) the spot price or (o) any other price specified in the applicable Final Terms. The Specified Price for any Commodity specified in the applicable Final Terms as a "Precious Metal" shall be the official cash bid price.

## 12. PROVISIONS RELATING TO CURRENCY NOTES

This Condition 12 is applicable only in relation to Notes specified in the relevant Final Terms as being Currency Notes.

12.1 *Valuation Date:* **"Valuation Date"** means, in respect of any Series of Currency Notes, the date(s) specified as such or otherwise determined as provided in the applicable Final Terms provided that where the Valuation Date is not a Currency Business Day then the Valuation Date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms. Unless otherwise specified in the relevant Final Terms and subject to Condition 12.2 (*Averaging*), the Valuation Date will be the date falling two Currency Business Days prior to the Maturity Date.

12.2 *Averaging:* If Averaging Dates are specified in the relevant Final Terms, then notwithstanding any other provisions of these Conditions, the following provisions will apply to the determination of the Settlement Rate in relation to a Valuation Date:

12.2.1 **"Averaging Date"** means, in respect of a Valuation Date, each date specified as such or otherwise determined as provided in the applicable Final Terms, provided that if any such date is not a Currency Business Day, such date shall be the first preceding day that is a Currency Business Day, unless otherwise specified in the relevant Final Terms.

12.2.2 For purposes of determining the Settlement Rate in relation to a Valuation Date, the Settlement Rate will be the arithmetic mean of the Spot Rates on each Averaging Date (or, if different, the day on which rates for each Averaging Date would, in the ordinary course, be published or announced by the relevant price source).

12.2.3 Unless otherwise specified in the applicable Final Terms, in the case where it becomes impossible to obtain the Spot Rate on an Averaging Date (or, if different, the day on which rates for that Averaging Date would, in the ordinary course, be published or announced by the relevant price source), such Averaging Date will be deemed not to be a relevant Averaging Date for purposes of determining the relevant Settlement Rate. If through the operation of this Condition 12.2.3, there would not be an Averaging Date with respect to the relevant Valuation Date, the provisions of Conditions 12.3 (Currency Disruption Events) and 12.4 (Currency Disruption Fallbacks) shall apply for purposes of determining the relevant Spot Rate on the final Averaging Date with respect to that Valuation Date as if such Averaging Date were a Valuation Date on which a Price Source Disruption had occurred.

12.3 *Currency Disruption Events:*

12.3.1 If so specified in the Final Terms relating to any Series of Notes, the following shall constitute "Currency Disruption Events" for the purposes of such Series:

- (a) **"Price Source Disruption"**, which means it becomes impossible, as determined by the Determination Agent, acting in a commercially reasonable manner, to determine the Settlement Rate on the Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the applicable price source in accordance with the relevant price source); and
- (b) any other (if any) currency disruption event specified in the applicable Final Terms.

12.3.2 If the applicable Final Terms specifies that any Currency Disruption Event shall be applicable to such Series, then, where the Determination Agent determines, acting in a commercially reasonable manner, that such Currency Disruption Event has occurred and is continuing in respect of such Series:

- (a) in the case of Price Source Disruption, on the day that is the Valuation Date in respect of such Series (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced by the relevant price source); and
- (b) in the case of any other Currency Disruption Event, on such day as may be specified for this purpose in the relevant Final Terms,

then the Settlement Rate for such Series will be determined in accordance with the terms of the Currency Disruption Fallback first applicable pursuant to Condition 12.4 (*Currency Disruption Fallbacks*).

12.4 *Currency Disruption Fallbacks:*

12.4.1 If so specified in the Final Terms relating to any Series of Notes, the following shall constitute "Currency Disruption Fallbacks" for the purposes of such Series, and the applicable Final Terms shall specify which Currency Disruption Fallback(s) shall apply to such Series, to which Currency Disruption Event each such Currency Disruption Fallback shall apply and, where more than one Currency Disruption Fallback may apply to a Currency Disruption Event, the order in which such Currency Disruption Fallback(s) shall apply to such Currency Disruption Event.

- (a) **"Determination Agent Determination of Settlement Rate"** means that the Determination Agent will determine, in its sole and absolute discretion, the Settlement Rate (or a method for determining the Settlement Rate), taking into consideration all available information that it deems relevant;
- (b) **"Fallback Reference Price"** means that the Determination Agent will determine, in its sole and absolute discretion, the Settlement Rate for such Series on the relevant Valuation Date (or, if different, the day on which rates for that Valuation Date would, in the ordinary course, be published or announced) pursuant to the Settlement Rate Option referred to as Currency-Reference Dealers, or pursuant to such other Settlement Rate Option as may be specified as the Fallback Reference Price in the relevant Final Terms; and
- (c) any other provisions specified as Currency Disruption Fallbacks in the relevant Final Terms.

12.4.2 Where more than one Currency Disruption Event occurs or exists or is deemed to occur or exist, then, unless the relevant Final Terms has specified which Currency Disruption Fallback shall apply in such circumstances, the Determination Agent shall determine, in its sole and absolute discretion, which Currency Disruption Fallback shall apply.

12.5 *Definitions applicable to Currency Notes*

In relation to Currency Notes, the following expressions have the meanings set out below:

**"Currency Business Day"** means, unless otherwise specified in the relevant Final Terms, for the purposes of:

- (i) the definition of Valuation Date in Condition 12.1 (Valuation Date), in respect of any Series of Currency Notes: (1) a day on which commercial banks are (or but for the occurrence of a Currency Disruption Event, would have been) open for business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the Principal Financial Centre(s) of the Reference Currency or (2) where the currency to be valued is euro, a day that is a TARGET Settlement Day and a Business Day; and
- (ii) for any other purpose, in respect of any Series of Currency Notes: (1) a day on which commercial banks are open for general business (including dealings in foreign exchange in accordance with the market practice of the foreign exchange market) in the Principal Financial Centre(s) of the Reference Currency and (2) where one of the Currency Pair is euro, a day that is a TARGET Settlement Day;

**"Currency Pair"** means the Reference Currency and the Settlement Currency;

**"Currency-Reference Dealers"** is a Settlement Rate Option which means that the Spot Rate for a Rate Calculation Date will be determined on the basis of quotations provided by Reference Dealers on that Rate Calculation Date of that day's Specified Rate, expressed as the amount of Reference Currency per one unit of Settlement Currency for settlement on the Maturity Date (or other relevant date for payment under the Notes). The Determination Agent will request each of the Reference Dealers to provide a firm quotation of its Specified Rate for a transaction where the amount of Reference Currency equals the Specified Amount. If four quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the Specified Rates, without regard to the Specified Rates having the highest and lowest value. If exactly three quotations are provided, the rate for a Rate Calculation Date will be the Specified Rate provided by the Reference Dealer that remains after disregarding the Specified Rates having the highest and lowest values. For this purpose, if more than one quotation has the same highest value or lowest value, then the Specified Rate of one of such quotations shall be disregarded. If exactly two quotations are provided, the rate for a Rate Calculation Date will be the arithmetic mean of the Specified Rates. If only one quotation is provided, the rate for a Rate Calculation Date will be the Specified Rate quoted by that Reference Dealer. The quotations used to determine the Spot Rate for a Rate Calculation Date will be determined in each case at the Specified Time on that Rate Calculation Date;

**"Rate Calculation Date"** means any Valuation Date or Averaging Date (as defined in Conditions 12.1 (*Valuation Date*) and 12.2 (*Averaging*) respectively);

**"Reference Currency"** means the currency specified as such in the applicable Final Terms;

**"Reference Currency Jurisdiction"** means the jurisdiction specified as such in the relevant Final Terms;

**"Reference Dealers"** means the reference dealers specified as such in the relevant Final Terms;

**"Settlement Currency"** means the currency specified as such in the applicable Final Terms;

**"Settlement Rate"** means the rate as determined by the Determination Agent, in its sole and absolute discretion, in accordance with the relevant Final Terms and, where applicable shall be determined in accordance with Condition 12.2 (*Averaging*);

**"Settlement Rate Option"** means for the purposes of calculating the Settlement Rate, the Settlement Rate Option specified in the applicable Final Terms (or which is applicable pursuant to Condition 12.4 (*Currency Disruption Fallbacks*));

**"Specified Amount"** means the amount of Reference Currency specified as such in the relevant Final Terms;

**"Specified Rate"** means any of the following rates, as specified in the relevant Final Terms: (i) the Reference Currency bid exchange rate, (ii) the Reference Currency offer exchange rate, (iii) the average of the Reference Currency bid and offer exchange rates, (iv) the Settlement Currency bid exchange rate, (v) the Settlement Currency offer exchange rate, (vi) the average of the Settlement Currency bid and offer exchange rates, (vii) the official fixing rate or (viii) any other exchange rate specified in the relevant Final Terms. If no such rate is specified, the Specified Rate will be deemed to be the average of the Reference Currency bid and offer rate;

**"Specified Time"** means, in respect of any series of Notes and the determination of the Spot Rate, the time specified as such in the applicable Final Terms or if no such time is specified the time chosen by the Determination Agent;

**"Spot Rate"** means for any Valuation Date, the relevant currency exchange rate determined in accordance with the applicable Settlement Rate Option and, if a Settlement Rate Option is not applicable, the currency exchange rate at the time at which such rate is to be determined for foreign exchange transactions in the Currency Pair for value on the Maturity Date (or other relevant date for payment under the Notes), as determined in good faith and in a commercially reasonable manner by the Determination Agent.

### 13. REDEMPTION AND PURCHASE

- 13.1 *Scheduled Redemption.* Save in the case of Credit-Linked Notes, unless previously redeemed, or purchased and cancelled, and unless otherwise specified in the relevant Final Terms, (i) Cash Settlement Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Condition 14 (*Payments*) and (ii) Physical Settlement Notes shall be redeemed by delivery of the Physical Delivery Amount on the Physical Settlement Date, subject as provided in Condition 15. Credit-Linked Notes shall be redeemed as set out in Condition 16.
- 13.2 *Redemption at the option of the Issuer.* If the Call Option is specified in the applicable Final Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the applicable Final Terms, in part on any Optional Redemption Date (Call) at the relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes or, as the case may be, the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).
- 13.3 *Partial redemption:* If the Notes are to be redeemed in part only on any date in accordance with Condition 13.2 (*Redemption at the option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Fiscal Agent approves and in such manner as the Fiscal Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 13.2 (*Redemption at the option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed.
- 13.4 *Redemption at the option of Noteholders:* If the Put Option is specified in the applicable Final Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put) together with interest (if any) accrued to such date. In order to exercise the option contained in this Condition 13.4, the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), either deliver to the Relevant Clearing System or deposit with any Paying Agent a duly completed Put Option Notice in the form obtainable from any Paying Agent.
- 13.5 *Early redemption of Zero Coupon Notes:* Unless otherwise specified in the applicable Final Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

13.7.1 the Reference Price; and

13.7.2 the product of the Accrual Yield (compounded annually) being applied to the Reference Price from (and including) the Issue Date to (but excluding) the date fixed for redemption or (as the case may be) the date upon which the Note becomes due and payable.

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the applicable Final Terms for the purposes of this Condition 13.5 or, if none is so specified, a Day Count Fraction of 30E/360.

13.6 *Purchase:* The Issuer or any of its Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

13.7 *Cancellation:* All Notes so redeemed shall, and all Notes so purchased by the Issuer or any of its Subsidiaries may, at the discretion of relevant purchaser, be cancelled. All Notes so redeemed and all Notes so purchased and cancelled, may not be reissued or resold.

#### 14. PAYMENTS

14.1 All payments of principal shall be made only against presentation (and in the case of payments of principal, provided that payment is made in full, surrender) of the Global Note at the Specified Office of the Fiscal Agent by transfer to an account denominated in the currency in which the payment is due (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency. Such payment shall be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that the same is noted in a schedule thereto. None of the Issuer or any Agent shall under any circumstances be liable for any acts or defaults of the Relevant Clearing System in the performance of the Relevant Clearing System's duties in relation to the Notes.

14.2 *Payments subject to fiscal laws:* All payments in respect of the Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment and to the rules and procedures of the Relevant Clearing System, but without prejudice to the provisions of Condition 17 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.

14.3 *Payments on business days:* If the due date for payment of any amount in respect of any Note is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.

14.4 *Partial payments:* If the Fiscal Agent makes a partial payment in respect of the Global Note presented to it for payment, the Fiscal Agent will endorse thereon a statement indicating the amount and date of such payment.

14.5 *Unavailability of Currency.* If the Specified Currency is not available to the Issuer for making payments of principal of, and premium or interest on any Note (whether due to the imposition of exchange controls or other circumstances beyond the control of the Issuer, or if the Specified Currency is no longer used by the government of the country issuing that currency or by public institutions within the international banking community for the settlement of transactions), the Issuer may satisfy its obligations to Noteholders by making payments on the date of payment in U.S. dollars on the basis of the prevailing exchange rate on the date of the payment or of the most recent practicable date, such rate being based on the highest bid quotation in The City of New York received by the Exchange Rate Agent at approximately 11:00 a.m., New York City time, on the second Business Day preceding the applicable payment date from three recognized foreign exchange dealers for the purchase by the quoting dealer:

- (i) of the Specified Currency for U.S. dollars for settlement on the payment date;

- (ii) in the aggregate amount of the Specified Currency payable to those holders or beneficial owners of Notes; and
- (iii) at which the applicable dealer commits to execute a contract.

If those bid quotations are not available, the Exchange Rate Agent will determine the Market Exchange Rate at its sole discretion. All determinations by the Exchange Rate Agent will, in the absence of manifest error, be conclusive for all purposes and binding on the Issuer and the Noteholders. The "Exchange Rate Agent" will be Morgan Stanley & Co. International plc, unless otherwise noted in the applicable Final Terms.

Any payment made in U.S. dollars on the basis of the prevailing exchange rate where the required payment is in an unavailable Specified Currency will not constitute an Event of Default.

The foregoing provisions do not apply if a Specified Currency is unavailable because it has been replaced by the euro. If the euro has been substituted for a Specified Currency, the Issuer may (or will, if required by applicable law) without the consent of the holders of the affected Notes, pay the principal of, premium, if any, or interest, if any, on any Note denominated in the Specified Currency in euro instead of the Specified Currency, in conformity with legally applicable measures taken pursuant to, or by virtue of, the Treaty. Any payment made in U.S. dollars or in euro as described above where the required payment is in an unavailable Specified Currency will not constitute an Event of Default.

## 15. PHYSICAL SETTLEMENT

### 15.1 *Delivery Notice*

- (i) Each Noteholder in respect of Physical Settlement Notes, shall, on or before the scheduled date for redemption thereof (or such earlier date as the Issuer shall (i) determine is necessary for the Issuer, the Fiscal Agent, the German Agent (if the Relevant Clearing System is Clearstream Frankfurt), and/or the Relevant Clearing System(s) to perform their respective obligations hereunder and (ii) notify to the Fiscal Agent, the German Agent and the Noteholders) send to the Relevant Clearing System or the German Agent (if the Relevant Clearing System is Clearstream Frankfurt) in accordance with the relevant applicable operating procedures, and the Fiscal Agent an irrevocable notice (the "**Delivery Notice**") in the form from time to time approved by the Issuer, which must:
  - (a) specify the name and address of the Noteholder;
  - (b) specify the number of Notes in respect of which he is the Noteholder;
  - (c) specify the number of the Noteholder's account at the Relevant Clearing System, to be debited with such Notes;
  - (d) irrevocably instruct and authorise the Relevant Clearing System (or the German Agent (if the Relevant Clearing System is Clearstream Frankfurt) (A) to debit the Noteholder's account with such Notes on the Physical Settlement Date and (B) that no further transfers of the Notes specified in the Delivery Notice may be made;
  - (e) contain a representation and warranty from the Noteholder to the effect that the Notes to which the Delivery Notice relates are free from all liens, charges, encumbrances and other third party rights;
  - (f) specify the number and account name of the account at the Clearing System (as defined in Condition 15.5) to be credited with the Physical Delivery Amount if Physical Settlement is applicable;
  - (g) contain an irrevocable undertaking to pay the Redemption Expenses and Taxes (if any) and an irrevocable instruction to the Relevant Clearing System to debit on or after the Physical Settlement Date the cash or other account of the Noteholder with the

Relevant Clearing System specified in the Delivery Notice with such Redemption Expenses and Taxes;

- (h) include a certificate of non-U.S. beneficial ownership in the form required by the Issuer; and
  - (i) authorise the production of the Delivery Notice in any applicable administrative or legal proceedings.
- (i) A Delivery Notice, once delivered to the Relevant Clearing System or the German Agent shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Noteholder may not transfer any Note which is the subject of a Delivery Notice following delivery of such Delivery Notice to the Relevant Clearing System or the German Agent. A Delivery Notice shall only be valid to the extent that the Relevant Clearing System or the German Agent have not received conflicting prior instructions in respect of the Notes which are the subject of the Delivery Notice.
- (ii) Failure properly to complete and deliver a Delivery Notice may result in such notice being treated as null and void. Any determination as to whether such notice has been properly completed and delivered as provided shall be made by the Relevant Clearing System or the German Agent (if the Relevant Clearing System is Clearstream Frankfurt) as the case may be, after consultation with the Fiscal Agent and shall be conclusive and binding on the Issuer and the Noteholder.
- (iii) The Fiscal Agent shall promptly on the Business Day following receipt of such notice send a copy of the Delivery Notice to the Issuer or such person as the Issuer may previously have specified.

## 15.2 *Delivery obligation*

- 15.2.1 Subject to the other provisions of this Condition 15.2, the Issuer shall discharge its obligation to deliver the Physical Delivery Amount in respect of any Notes by delivering, or procuring the delivery of, the relevant Underlying Shares on the Physical Settlement Date to the Clearing System for credit to the account with the Clearing System specified in the Delivery Notice of the relevant Noteholder.
- 15.2.2 The number of Underlying Shares to be delivered to or for the account of each Noteholder on redemption of any Physical Settlement Notes shall be as determined in accordance with the relevant Final Terms. The Issuer may pay a residual cash amount to each Noteholder representing any fractions of Underlying Shares comprising the Physical Delivery Amount.
- 15.2.3 After delivery to or for the account of a Noteholder of the relevant Physical Delivery Amount and for such period of time as the transferor or its agent or nominee shall continue to be registered in any clearing system as the owner of the Underlying Shares comprised in such Physical Delivery Amount (the "**Intervening Period**"), none of such transferor or any agent or nominee for the Issuer or such transferor shall (i) be under any obligation to deliver to such Noteholder or any other person any letter, certificate, notice, circular, dividend or any other document or payment whatsoever received by the Issuer or such transferor, agent or nominee in its capacity as holder of such Underlying Shares, (ii) be under any obligation to exercise any rights (including voting rights) attaching to such Underlying Shares during the Intervening Period, or (iii) be under any liability to such Noteholder or any other person in respect of any loss or damage which the Noteholder or any other person may sustain or suffer as a result, whether directly or indirectly, of the Issuer or such transferor, agent or nominee being registered in the Clearing System during such Intervening Period as legal owner of such Underlying Shares.
- 15.2.4 Any amounts in respect of dividends and interest on the Underlying Shares comprising the Physical Delivery Amount to be delivered will be payable to the party that would receive such amounts according to market practice for a sale of such Underlying Shares executed on the

Exchange Business Day following the Determination Date in respect of the Notes. Any such amounts will be paid to or for credit to the account specified by the Noteholder in the relevant Delivery Notice. No right to dividends or interest on the Underlying Shares will accrue to Noteholders prior to the Determination Date.

15.3 *Settlement Disruption of Physical Settlement*

15.3.1 This Condition 15.3 shall apply only where Physical Settlement is applicable.

15.3.2 The Determination Agent shall determine whether or not at any time a Settlement Disruption Event has occurred in respect of Underlying Shares comprised in the Physical Delivery Amount (the "Affected Securities") and where it determines such an event has occurred and so has prevented delivery of such Affected Securities on the original day that but for such Settlement Disruption Event would have been the Physical Settlement Date, then the Physical Settlement Date will be the first succeeding day on which delivery of such Affected Securities can take place through the Clearing System unless a Settlement Disruption Event prevents settlement on each of the ten Clearing System Business Days immediately following the original date that, but for the Settlement Disruption Event, would have been the Physical Settlement Date. In that case, (a) if such Affected Securities can be delivered in any other commercially reasonable manner, then the Physical Settlement Date will be the first day on which settlement of a sale of such Affected Securities executed on that tenth Clearing System Business Day customarily would take place using such other commercially reasonable manner of delivery (which other manner of delivery will be deemed the Clearing System for the purposes of delivery of such Affected Securities), and (b) if such Affected Shares cannot be delivered in any other commercially reasonable manner, then the Physical Settlement Date will be postponed until delivery can be effected through the Clearing System or in any other commercially reasonable manner.

15.3.3 For the purposes hereof "**Settlement Disruption Event**" means, as determined by the Determination Agent, an event which is beyond the control of the Issuer or the transferor of any relevant Underlying Shares and as a result of which the Clearing System cannot receive or clear the transfer of such Underlying Shares.

15.4 *Delivery Disruption of Physical Settlement*

15.4.1 This Condition 15.4 shall apply only where Physical Settlement is applicable.

15.4.2 If the Determination Agent determines that a Delivery Disruption Event has occurred, the Determination Agent shall notify the Issuer who shall promptly notify the Noteholders, and the Issuer will then deliver, or procure the delivery of, on the Physical Settlement Date such number of Underlying Shares comprised in the Physical Delivery Amount (if any) as it can deliver, or procure the delivery of, on that date and pay such amount as in the opinion of the Determination Agent is appropriate in the circumstances by way of compensation for the non-delivery of the remainder of the Underlying Shares comprised in the Physical Delivery Amount (assuming satisfaction of each applicable condition precedent) to which the Noteholders would have been entitled under the Notes but for the occurrence of such Delivery Disruption Event, in which event the entitlements of the respective Noteholders to receive Underlying Shares on redemption shall cease and the Issuer's obligations under the Notes shall be satisfied in full upon delivery of such number of Underlying Shares and payment of such amount.

15.4.3 Where this Condition 15.4 falls to be applied, insofar as the Determination Agent determines to be practical, the same shall be applied as between the Noteholders on a pro rata basis, but subject to such rounding down (whether of the amount of a payment or of a number of Underlying Shares to be delivered) and also to such other adjustments as the Determination Agent determines to be appropriate to give practical effect to such provisions.

15.4.4 For the purposes hereof "**Delivery Disruption Event**" means, as determined by the Determination Agent, the failure or inability, due to illiquidity in the market for the Underlying

Shares comprised in the Physical Delivery Amount, by or of the Issuer to deliver, or procure the delivery of, on the Physical Settlement Date all the Underlying Shares comprised in the Physical Delivery Amount to be delivered on that date.

15.5 *Additional Definitions:* For the purposes of this Conditions 15:

**"Clearing System"** means, in respect of an Underlying Share relating to a Physical Settlement Note, the clearing system specified as such for such Underlying Share in the applicable Final Terms or any successor to such clearing system as determined by the Determination Agent. If the Final Terms do not specify a clearing system, the Clearing System will be the principal domestic system customarily used for settling trades in the relevant Underlying Shares. If the Clearing System ceases to settle trades in such Underlying Shares, the Determination Agent will, acting in good faith and in a commercially reasonable manner, select another method of delivery;

**"Clearing System Business Day"** means, in respect of a Clearing System, any day on which such Clearing System is (or, but for the occurrence of a Settlement Disruption Event, would have been) open for the acceptance and execution of settlement instructions;

**"Physical Delivery Amount"** means in respect of any Series of Physical Settlement Notes, the securities to be delivered by the Issuer to Noteholders on redemption of each Note, as provided in the applicable Final Terms;

**"Physical Settlement Date"** means, in relation to Underlying Shares to be delivered, subject to Condition 15.3 (*Settlement Disruption of Physical Settlement*), in respect of any Notes, the date following the Maturity Date or any other applicable redemption date, as the case may be, which is the first day on which settlement of a sale of such Underlying Shares executed on that Maturity Date or other redemption date, as the case may be, customarily would take place through the Applicable Clearing System, unless otherwise specified in the applicable Final Terms;

**"Settlement Disruption Event"** means, in relation to an Underlying Share, an event beyond the control of the parties as a result of which the Clearing System cannot clear the transfer of such Underlying Share.

16. **CREDIT-LINKED NOTES**

16.1 This Condition 16 is applicable only in relation to Notes specified in the relevant Final Terms as being Credit-Linked Notes

16.2 *Generally:* The terms and conditions of the Notes relating to the calculation of the Final Price of the relevant Reference Obligation, the Credit Event Redemption Amount and the Valuation Method, in the event that Conditions to Settlement are satisfied during the Notice Delivery Period, shall be set out in the applicable Final Terms. Terms used in the Final Terms for Credit-Linked Notes shall, unless otherwise defined herein or in the applicable Final Terms and where the context so permits, have the meanings given thereto in the 2003 ISDA Credit Derivatives Definitions, as amended and updated as at the date of issue of the first Tranche of the Notes of the relevant Series, as published by the International Swaps and Derivatives Association, Inc. (the **"ISDA Credit Derivatives Definitions"**).

16.3 **Maturity:** Subject to the provisions of and in accordance with Conditions 16.4 and 16.5 and unless previously redeemed or purchased and cancelled, each Credit-Linked Note will mature and will be redeemed on the Scheduled Maturity Date, and the Issuer will on the Scheduled Maturity Date at the option of the Issuer either (a) pay or cause to be paid, for value on the Scheduled Maturity Date, the Final Redemption Amount in respect of such Note to the holder thereof or (b) subject to Condition 15 (Physical Settlement) deliver the Deliverable Amount in respect of such Note to the holder thereof on the Physical Settlement Date, in each case subject to any applicable fiscal or other laws or regulations and subject to and in accordance with the terms and conditions set out herein and in the applicable Final Terms. Payment of any applicable Taxes and Redemption Expenses shall be made by the relevant Noteholder, and the Issuer shall not have any liability in respect thereof.

- 16.3.1 Credit-Linked Notes do not give the Noteholder any right to acquire any of the Reference Obligations or Deliverable Obligations, and the Issuer is not obliged to purchase, hold or deliver any of such Reference Obligations or Deliverable Obligations. However, if so specified in the relevant Final Terms, the Issuer may, on the redemption of such a Note, elect to deliver the Deliverable Amount on the relevant Physical Settlement Date and the Noteholder shall be obliged to accept such Deliverable Amount.
- 16.3.2 If the Issuer does not elect to deliver the Deliverable Amount, the Issuer and Paying Agent shall give notice to the relevant Noteholders in accordance with Condition 24 of the Redemption Amount payable in cash in respect of each Note as soon as practicable after calculation of such amount.
- 16.4 *Cash Settlement:* If Cash Settlement is specified in the applicable Final Terms and the Conditions to Settlement are satisfied during the Notice Delivery Period (such date of satisfaction the "**Credit Event Determination Date**"), the Issuer may, at its option, give notice (such notice a "**Settlement Notice**") to the Noteholders in accordance with Condition 24 and redeem all of the relevant Credit-Linked Notes, each Note being redeemed by the Issuer at the Credit Event Redemption Amount on the Credit Event Redemption Date.
- 16.4.1 If the Conditions to Settlement are satisfied and the relevant Credit-Linked Notes become redeemable in accordance with this Condition 16.4, upon payment of the Credit Event Redemption Amount in respect of such Notes the Issuer shall have discharged its obligations in respect of such Notes and shall have no other liability or obligation whatsoever in respect thereof. The Credit Event Redemption Amount may be less than the principal amount of such a Note. Any shortfall shall be borne by the Noteholders, and no liability shall attach to the Issuer.
- 16.5 *Physical Settlement:* If Physical Settlement is specified in the applicable Final Terms and Conditions to Settlement are satisfied during the Notice Delivery Period (such date of satisfaction the "**Credit Event Determination Date**"), the Issuer may, at its option, give notice (such notice a "**Notice of Physical Settlement**") to the Noteholders in accordance with Condition 24 and redeem all but not some only of the Notes, each Note being redeemed by delivery of the Deliverable Obligations comprising the Deliverable Amount, subject to and in accordance with Condition 15. If the Issuer elects not to give a Notice of Physical Settlement, Condition 16.4 shall apply.
- 16.5.1 In the Notice of Physical Settlement the Issuer shall specify the Deliverable Obligations comprising the Deliverable Amount that it reasonably expects to deliver. For the avoidance of doubt, the Determination Agent shall be entitled to select any of the Deliverable Obligations to constitute the Deliverable Amount, irrespective of their market value.
- 16.5.2 If Conditions to Settlement are satisfied and the Credit-Linked Notes become redeemable in accordance with this Condition 16.5, upon delivery of the Deliverable Amount, the Issuer shall have discharged its obligations in respect of such Notes and shall have no other liability or obligation whatsoever in respect thereof. The value of such Deliverable Amount may be less than the principal amount of such Note. Any shortfall shall be borne by the Noteholders, and no liability shall attach to the Issuer.
- 16.6 *Repudiation/Moratorium Extension:* Where Repudiation/Moratorium is a Credit Event specified in the applicable Final Terms and Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date but the Repudiation/Moratorium Extension Condition has been satisfied on or prior to the Scheduled Maturity Date and the Repudiation/Moratorium Evaluation Date in respect of such Potential Repudiation/Moratorium will in the sole determination of the Determination Agent fall after the Scheduled Maturity Date, then the Determination Agent shall notify the Noteholders in accordance with Condition 24 that a Potential Repudiation/Moratorium has occurred, and:
- 16.6.1 where a Repudiation/Moratorium has not occurred on or prior to the Repudiation/Moratorium Evaluation Date, each Credit-Linked Note will be redeemed by the Issuer by payment of the Redemption Amount on the second Business Day following the final day of the Notice Delivery Period; and

- 16.6.2 where a Repudiation/Moratorium has occurred on or prior to the Repudiation/Moratorium Evaluation Date and Conditions to Settlement are satisfied in the Notice Delivery Period, the provisions of Condition 16.4 or 16.5 as applicable shall apply to such Credit-Linked Notes.
- 16.7 *Grace Period Extension:* If "Grace Period Extension" is specified as applying in the relevant Final Terms, the provisions of this Condition 16.7 shall apply.

Where Conditions to Settlement have not been satisfied on or prior to the Scheduled Maturity Date but a Potential Failure to Pay has occurred with respect to one or more Obligations in respect of which a Grace Period is applicable on or prior to the Scheduled Maturity Date (and such Grace Period(s) is/are continuing as of the Scheduled Maturity Date), then:

- 16.7.1 where a Failure to Pay has not occurred on or prior to the Grace Period Extension Date each Credit-Linked Note will be redeemed by the Issuer by payment of the Redemption Amount on the second Business Day following the final day of the Notice Delivery Period; and
- 16.7.2 where a Failure to Pay has occurred on or prior to the Grace Period Extension Date and Conditions to Settlement are satisfied in the Notice Delivery Period, the provisions of Condition 16.4 or 16.5 as applicable shall apply to such Notes.
- 16.8 *Maturity Date Extension:* If on (1) the Scheduled Maturity Date or (2) the Repudiation/Moratorium Evaluation Date, or (3) if "Grace Period Extension" is specified as applying in the applicable Final Terms, the Grace Period Extension Date, as the case may be, Conditions to Settlement have not been satisfied but, in the opinion of the Determination Agent, a Credit Event may have occurred, the Determination Agent may notify the Noteholders in accordance with Condition 24 that the Scheduled Maturity Date, the Grace Period Extension Date or the Repudiation/Moratorium Evaluation Date, as the case may be, has been postponed to a date (such date the "**Postponed Maturity Date**") specified in such notice falling not more than 15 calendar days after the Scheduled Maturity Date, the Grace Period Extension Date or the Repudiation/Moratorium Evaluation Date, as the case may be, and:
- 16.8.1 where Conditions to Settlement are not satisfied on or prior to the Postponed Maturity Date subject as provided below each Credit-Linked Note will be redeemed by the Issuer by payment of the Redemption Amount on the Postponed Maturity Date; and
- 16.8.2 where Conditions to Settlement are satisfied on or prior to the Postponed Maturity Date, the provisions of Condition 16.4 or 16.5 as applicable shall apply to such Notes.

16.9 *Definitions applicable to Credit-Linked Notes*

In relation to Credit-Linked Notes, the following expressions have the meanings set out below:

**"Conditions to Settlement"** means the delivery by the Determination Agent to the Issuer of a Credit Event Notice that is effective during the Notice Delivery Period and the further conditions, if any, set out in the applicable Final Terms;

**"Credit Event"** means the occurrence during the Notice Delivery Period of any one or more of the Credit Events specified in the applicable Final Terms, as determined by the Determination Agent;

If an occurrence would otherwise constitute a Credit Event, such occurrence will constitute a Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon:

- (a) any lack or alleged lack of authority or capacity of a Reference Entity to enter into any Obligation;
- (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation however described;
- (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar

administrative or judicial body with competent or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described; or

- (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

**"Credit Event Determination Date"** means the date on which the Conditions to Settlement in respect of a Credit-Linked Note are satisfied;

**"Credit Event Notice"** means, subject as provided in the applicable Final Terms, an irrevocable notice from the Determination Agent to the Issuer that describes a Credit Event that occurred during the Notice Delivery Period. A Credit Event Notice must contain a description in reasonable detail of the facts relevant to the determination that a Credit Event has occurred. The Credit Event that is the subject of the Credit Event Notice need not be continuing on the date the Credit Event Notice is effective;

**"Credit Event Redemption Amount"** means the amount calculated in the manner and in accordance with the formula specified in the applicable Final Terms;

**"Credit Event Redemption Date"** means the Business Day following the number of Business Days specified in the applicable Final Terms after the calculation of the Final Price or the Credit Event Determination Date, as the case may be;

**"Default Requirement"** means the amount specified as such in the applicable Final Terms, or if none is specified, US\$10,000,000 or its equivalent as calculated by the Determination Agent in the relevant currency as of the occurrence of the relevant Credit Event;

**"Deliverable Amount"** means, in respect of each nominal amount of Notes equal to the lowest denomination, Deliverable Obligations as selected by the Determination Agent in its sole discretion with:

- (a) in the case of Deliverable Obligations that are Borrowed Money, an outstanding principal balance (including accrued but unpaid interest (as determined by the Determination Agent) if "Include Accrued Interest" is specified as applying in the applicable Final Terms, but excluding accrued but unpaid interest if "Exclude Accrued Interest" is specified as applying in the applicable Final Terms, and if neither "Include Accrued Interest" nor "Exclude Accrued Interest" is specified as applying in the applicable Final Terms, excluding accrued but unpaid interest); or
- (b) in the case of Deliverable Obligations that are not Borrowed Money, a Due and Payable Amount

(or, in the case of either (a) or (b), the equivalent Currency Amount of any such amount), in an aggregate amount as of the relevant Delivery Date equal to the lowest denomination of a Note less Deliverable Obligations with a market value determined by the Determination Agent in its sole discretion on the Business Day selected by the Determination Agent falling during the period from and including the Credit Event Determination Date to and including the Delivery Date equal to any costs which the applicable Final Terms specify are to be deducted from the Deliverable Amount (which may, without limitation, include the costs of the Issuer incurred in connection with the redemption of the Notes and related termination or re-establishment of any hedge or related trading position).

If an obligation by its terms represents or contemplates an obligation to pay an amount greater than the outstanding principal balance of such obligation as of the Delivery Date as a result of the occurrence or non-occurrence of an event or circumstance, the outstanding principal balance of such obligation shall not include any additional amount that would be payable upon the occurrence or non-occurrence of such event or circumstance;

**"Deliverable Obligations"** has the meaning set out in the applicable Final Terms;

**"Delivery Date"** means the date on which Deliverable Obligations are delivered;

**"Due and Payable Amount"** means the amount that is due and payable under (and in accordance with the terms of) a Deliverable Obligation on the Delivery Date, whether by reason of acceleration, maturity, termination or otherwise (excluding sums in respect of default interest, indemnities, tax gross-ups and other similar amounts);

**"Failure to Pay"** has the meaning specified in the applicable Final Terms or, if no such meaning is so specified, means, following the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement of such Grace Period), the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations in accordance with the terms of such Obligations at the time of such failure;

**"Final Price"** means, in respect of a Series, the price of the Reference Obligation, expressed as a percentage, determined in accordance with the Valuation Method specified in the relevant Final Terms;

**"Grace Period"** means:

- (a) subject to paragraphs (b) and (c) below, the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Trade Date and the date as of which such Obligation is issued or incurred.
- (b) if Grace Period Extension is specified as applying in the applicable Final Terms, a Potential Failure to Pay has occurred on or prior to the Scheduled Maturity Date and the applicable grace period cannot, by its terms, expire on or prior to the Scheduled Maturity Date, the Grace Period shall be deemed to be the lesser of such grace period and the period specified as such in the applicable Final Terms or, if no period is specified in the applicable Final Terms, 30 calendar days; and
- (c) if, at the later of the Trade Date and the date as of which an Obligation is issued or incurred, no grace period with respect to payments or a grace period with respect to payments of less than three Grace Period Business Days is applicable under the terms of such Obligation, a Grace Period of three Grace Period Business Days shall be deemed to apply to such Obligation; provided that, unless Grace Period Extension is specified as applying in the applicable Final Terms, such deemed Grace Period shall expire no later than the Scheduled Maturity Date;

**"Grace Period Business Day"** means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation;

**"Grace Period Extension Date"** means, if:

- (a) Grace Period Extension is specified as applying in the applicable Final Terms, and
- (b) a Potential Failure to Pay occurs on or prior to the Scheduled Maturity Date,

the day that is the number of days in the Grace Period after the date of such Potential Failure to Pay;

**"Notice Delivery Period"** means the period from and including the Issue Date to and including (a) the Scheduled Maturity Date; (b) the date that is fourteen calendar days after the Grace Period Extension Date if (i) Grace Period Extension is specified as applicable in the applicable Final Terms, (ii) the Credit Event that is the subject of the Credit Event Notice is a Failure to Pay that occurs after the Scheduled Maturity Date and (iii) the Potential Failure to Pay with respect to such Failure to Pay occurs on or prior to the Scheduled Maturity Date; or (c) the date that is fourteen calendar days after the Repudiation/Moratorium Evaluation Date if (i) the Credit Event that is the subject of the Credit Event Notice is a Repudiation/Moratorium that occurs after the Scheduled Maturity Date, (ii) the Potential Repudiation/Moratorium with respect to such Repudiation/Moratorium occurs on or prior to the Scheduled Maturity Date and (iii) the Repudiation/Moratorium Extension Condition is satisfied;

**"Obligations"** has the meaning set out in the applicable Final Terms;

**"Payment Requirement"** means the amount specified as such in the applicable Final Terms or, if a Payment Requirement is not specified in the applicable Final Terms, US\$1,000,000, or its equivalent in the relevant currency as calculated by the Determination Agent, in either case, as of the occurrence of the relevant Failure to Pay or Potential Failure to Pay, as applicable;

**"Physical Delivery Amount"** means in respect of any Series of Physical Settlement Notes, the securities to be delivered by the Issuer to Noteholders on redemption of each Note, as provided in the applicable Final Terms;

**"Physical Settlement Date"** means, in relation to Underlying Shares to be delivered, subject to Condition 15.3 (*Settlement Disruption of Physical Settlement*), in respect of any Notes, the date following the Maturity Date or any other applicable redemption date, as the case may be, which is the first day on which settlement of a sale of such Underlying Shares executed on that Maturity Date or other redemption date, as the case may be, customarily would take place through the applicable Clearing System, unless otherwise specified in the applicable Final Terms;

**"Potential Failure to Pay"** means the failure by a Reference Entity to make, when and where due, any payments in an aggregate amount of not less than the Payment Requirement under one or more Obligations, without regard to any grace period or any conditions precedent to the commencement of any grace period applicable to such Obligations, in accordance with the terms of such Obligations at the time of such failure;

**"Reference Entity"** means each entity named as such in the applicable Final Terms (if any are so specified or described);

**"Reference Obligation"** means each obligation specified or of a type described as such in the applicable Final Terms (if any are so specified or described);

**"Repudiation/Moratorium"** has the meaning set out in the applicable Final Terms;

**"Repudiation/Moratorium Evaluation Date"** has the meaning set out in the applicable Final Terms;

**"Repudiation/Moratorium Extension Condition"** has the meaning set out in the applicable Final Terms;

**"Scheduled Maturity Date"** has the meaning specified in the applicable Final Terms;

**"Valuation Method"** means, in respect of a Credit-Linked Note, the valuation method specified as such in the applicable Final Terms; and

## 17. TAXATION

Except as otherwise provided in the applicable Final Terms, all payments of principal and interest by the Issuer in respect of the Notes shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatsoever nature, unless such withholding or deduction is required by law. Neither the Issuer nor any Paying Agent nor any other person shall be required to make any additional payments on account of any such withholding or deductions.

## 18. EVENTS OF DEFAULT

18.1 If any of the following events (each, an **"Event of Default"**) occurs and is continuing:

18.1.1 *Non-payment:* the Issuer fails to pay any amount of principal in respect of the Notes within seven days of the due date for payment thereof or fails to pay any amount of interest in respect of the Notes within thirty days of the due date for payment thereof; or

18.1.2 *Breach of other obligations:* the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes and such default remains unremedied for sixty days after written notice thereof, addressed to the Issuer by Noteholders of not less than

twenty-five per cent. in principal amount of the relevant Series, has been delivered to the Issuer and to the Specified Office of the Fiscal Agent; or

- 18.1.3 *Insolvency etc.*: (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganization or restructuring while solvent), (iii) the Issuer takes any action for a composition with or for the benefit of its creditors generally, or (iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Issuer (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent),

then Noteholders of not less than 25% in aggregate principal amount of the Notes may, by written notice addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, declare the Notes to be immediately due and payable, whereupon they shall become so due and payable at their Early Termination Amount together with accrued interest (if any) or in accordance with any other provisions specified in the applicable Final Terms without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders.

- 18.2 *Annulment of Acceleration and Waiver of Defaults.* In some circumstances, if any or all Events of Default, other than the non-payment of the principal of the Notes of a Series that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then the holders of a majority in principal amount of such Series of Notes (voting as one class) may annul past declarations of acceleration of or waive past defaults of the Notes. However, any continuing default in payment of principal of or any premium or interest on those Notes may not be waived.

## 19. **PRESCRIPTION**

Claims for principal shall become void unless the relevant Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest shall become void unless the relevant Notes are presented for payment within five years of the appropriate Relevant Date.

## 20. **REPLACEMENT OF NOTES**

If any Note is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Fiscal Agent during normal business hours (and, if the Notes are then admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system), subject to all applicable laws and stock exchange requirements, upon payment by the claimant of the expenses incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Notes must be surrendered before replacements will be issued.

## 21. **AGENTS**

- 21.1 In acting under the Issue and Paying Agency Agreement and in connection with the Notes, the Paying Agents act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders.

- 21.2 The initial Fiscal Agent and its initial Specified Office are listed below on the inside back cover of the Base Prospectus. The initial Calculation Agent is the Fiscal Agent. The Issuer reserves the right at any time to vary or terminate the appointment of any Paying Agent and to appoint a successor Fiscal Agent or Calculation Agent and additional or successor paying agents; provided, however, that:

21.2.1 there shall at all times be a Fiscal Agent appointed in respect of the Notes;

- 21.2.2 if a Calculation Agent is specified in the applicable Final Terms, the Issuer shall at all times maintain a Calculation Agent;
- 21.2.3 if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system.
- 21.3 Notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders.

## 22. MEETINGS OF NOTEHOLDERS AND MODIFICATION

- 22.1 *Meetings of Noteholders:* The Issue and Paying Agency Agreement contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing one more than half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons being or representing Noteholders whatever the principal amount of the Notes held or represented; provided, however, that Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than three-quarters or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders, whether present or not.

In addition, a resolution in writing signed by or on behalf of all Noteholders who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

- 22.2 *Modification:* The Notes and these Conditions may be amended without the consent of the Noteholders to correct a manifest error or to effect a modification which is of a formal, minor or technical nature or which, in the opinion of the Issuer and the Fiscal Agent, is not materially prejudicial to the interest of the Noteholders. In addition, the parties to the Issue and Paying Agency Agreement may agree to modify any provision thereof, but the Issuer shall not agree, without the consent of the Noteholders, to any such modification unless it is of a formal, minor or technical nature, it is made to correct a manifest error or it is, in the opinion of such parties, not materially prejudicial to the interests of the Noteholders.
- 22.3 In connection with the Conditions, the Issuer and the Fiscal Agent shall have regard to the interests of the Noteholders as a class. In particular, but without limitation, the Issuer and the Fiscal Agent shall not have regard to the consequences for individual Noteholders resulting from such individual Noteholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.

## 23. FURTHER ISSUES

The Issuer may from time to time, without the consent of the Noteholders, create and issue further notes having the same terms and conditions as the Notes in all respects (or in all respects except for the first payment of interest) so as to form a single series with the Notes.

## 24. NOTICES

Notices to the Noteholders shall be valid if delivered to the Relevant Clearing System for communication by the Relevant Clearing System to Noteholders (or, where the Relevant Clearing System is Clearstream Frankfurt, if delivered to the German Agent for communication to the Noteholders) provided that so long as the Notes are listed on any stock exchange or are admitted to

trading by another relevant authority, any notice to Noteholders shall be published in accordance with the rules and regulations of each such stock exchange or other relevant authority. Notices will become effective on the fourth day after delivery to the Relevant Clearing System or the German Agent, as the case may be, or if published (whether or not also so given) on the date of such publication, or if published more than once, on the date of the first such publication or if required to be published in more than one newspaper, on the date of the first such publication in all the required newspapers.

25. **CURRENCY INDEMNITY**

25.1 If any sum due from the Issuer in respect of the Notes or any order or judgment given or made in relation thereto has to be converted from the currency (the "**first currency**") in which the same is payable under these Conditions or such order or judgment into another currency (the "**second currency**") for the purpose of (a) making or filing a claim or proof against the Issuer, (b) obtaining an order or judgment in any court or other tribunal or (c) enforcing any order or judgment given or made in relation to the Notes, the Issuer shall indemnify each Noteholder, on the written demand of such Noteholder addressed to the Issuer and delivered to the Issuer or to the Specified Office of the Fiscal Agent, against any loss suffered as a result of any discrepancy between (i) the rate of exchange used for such purpose to convert the sum in question from the first currency into the second currency and (ii) the rate or rates of exchange at which such Noteholder may in the ordinary course of business purchase the first currency with the second currency upon receipt of a sum paid to it in satisfaction, in whole or in part, of any such order, judgment, claim or proof.

25.2 This indemnity constitutes a separate and independent obligation of the Issuer and shall give rise to a separate and independent cause of action.

26. **ROUNDING**

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable Final Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005% rounded up to 0.00001%), (b) all U.S. dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one-half cent rounded upward), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downward to the next lower whole Japanese Yen amount and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 rounded up to 0.01).

27. **REDENOMINATION, RENOMINALISATION AND RECONVENTIONING**

27.1 *Application:* This Condition 27 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the applicable Final Terms as being applicable.

27.2 *Notice of redenomination:* If the country of the Specified Currency becomes or, announces its intention to become, a Participating Member State, the Issuer may, without the consent of the Noteholders, on giving at least 30 days' prior notice to the Noteholders and the Paying Agents, designate a date (the "Redenomination Date"), being an Interest Payment Date under the Notes falling on or after the date on which such country becomes a Participating Member State.

27.3 *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); provided, however, that, if the Issuer determines, with the agreement of the Fiscal Agent that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders, each listing authority, stock exchange and/or quotation

system (if any) by which the Notes have been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments.

- 27.4 *Interest Determination Date:* If the Floating Rate Note Provisions are specified in the applicable Final Terms as being applicable and Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate(s) of Interest is/are to be determined, with effect from the Redenomination Date the Interest Determination Date shall be deemed to be the second TARGET Settlement Day before the first day of the relevant Interest Period.

28. **SUBSTITUTION**

Subject to such conditions as the Issuer may agree with the Fiscal Agent but without the consent of the holders of Notes appertaining thereto (if any), the Issuer may, subject to the Notes appertaining thereto being unconditionally and irrevocably guaranteed by the Issuer, substitute a subsidiary of Morgan Stanley in place of the Issuer as principal debtor under the Notes appertaining thereto (if any) or may substitute Morgan Stanley in place of the Issuer.

Any Notes in respect of which such a substitution is effected will be fully and unconditionally guaranteed pursuant to a guarantee of the Issuer as to the payment of principal of, premium, interest and supplemental amounts, if any, on those Notes when and as the same will become due and payable, whether at maturity or otherwise. Under the terms of the guarantee, holders of the Notes will not be required to exercise their remedies against the substitute issuer prior to proceeding directly against the Issuer.

29. **GOVERNING LAW AND JURISDICTION**

- 29.1 *Governing law:* The Notes are governed by, and shall be construed in accordance with, English law. The English courts have exclusive jurisdiction to settle any dispute arising out of or in connection with the Notes and the Issuer and the Noteholders submit to the exclusive jurisdiction of the English Courts.

- 29.2 *Appropriate forum:* The Issuer and the Noteholders irrevocably waive any objection to the courts of England being nominated as the forum to hear and determine any Proceedings and to settle any Disputes, and agree not to claim that any such court is not a convenient or appropriate forum.

30. **RIGHTS OF THIRD PARTIES**

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999.

**PRO FORMA FINAL TERMS FOR THE NOTES**

**Final Terms dated [•]**

Signed on behalf of the Issuer:

By:.....

MORGAN STANLEY & CO. INTERNATIONAL PLC

Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]

under its Programme for the Issuance of Notes

**PART A – CONTRACTUAL TERMS**

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES. THE NOTES DESCRIBED HEREIN MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATIONS UNDER THE SECURITIES ACT). SEE "SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS" IN THE BASE PROSPECTUS DATED 22 AUGUST 2007. IN PURCHASING THE NOTES, PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. THE NOTES ARE NOT RATED.

This document constitutes Final Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Base Prospectus dated 22 August 2007 [and the supplement to the Base Prospectus dated [•]] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with such Base Prospectus [as so supplemented]. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Base Prospectus. Copies of the Base Prospectus are available from the offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London E14 4QA. A copy of the Final Terms will be published on the website of the Luxembourg Stock Exchange, [www.bourse.lu](http://www.bourse.lu).

**Information Concerning Investment Risk**

[ ]

*[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]*

- 1. Issuer: Morgan Stanley & Co. International plc
- 2. (i) Series Number: [ ]
- [(ii) Tranche Number: [ ]]

(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible.)

3. Specified Currency or Currencies: [ ]
4. Aggregate Principal Amount of the Notes: [ ]
  - (i) Series: [ ]
  - (ii) Tranche: [ ]
5. Issue Price [ ] per cent of Par per Note
6. Specified Denominations (Par): [ ]
7.
  - (i) Issue Date: [ ]
  - (ii) Trade Date [ ]
  - (iii) Interest Commencement Date [ ]
8. Maturity Date: [specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year]
9. Interest Basis:
  - [• % Fixed Rate]
  - [[specify reference rate] +/- • % Floating Rate]
  - [Zero Coupon]
  - [Index Linked Interest]
  - [Other (specify)]
  - (further particulars specified below)
10. Redemption/Payment Basis:
  - [Redemption at par]
  - [Index Linked Redemption]
  - [Dual Currency]
  - [Partly Paid]
  - [Instalment]
  - [Equity Linked Redemption]
  - [Commodity Linked Redemption]
  - [Credit Linked Redemption]
  - [Other (specify)]
11. Change of Interest or Redemption/Payment Basis: [Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis]
12. Put/Call Options:
  - (i) Redemption at the option of the Noteholders: [Applicable/Not Applicable]

- (ii) Redemption at the option of the Noteholders: [Applicable/Not Applicable]
- (iii) Other Put/Call Options: [Applicable/Not applicable]
- 13 Status of the Notes: Senior
14. Method of distribution: [Syndicated/Non-syndicated]

**PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE**

15. **Fixed Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Rate[(s)] of Interest: [ ] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
- (ii) Interest Payment Date(s): [ ] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (iii) Fixed Coupon Amount[(s)]: [ ] per [ ] in Nominal Amount
- (iv) Broken Amount(s): [Insert particulars of any initial or final broken interest amounts which do not correspond with the Fixed Coupon Amount[(s)]]
- (v) Day Count Fraction: [Actual/Actual; Actual/365(Fixed); Actual/360; 30/360; 30E/360, Eurobond Basis; Actual/ISMA; other]
- (vi) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination /ISDA Determination/other (give details)]
- (v) Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the Calculation Agent): [ ]
- (vi) Screen Rate Determination:

- Reference Rate [ ]
  - Interest Determination Date(s) [ ]
  - Relevant Screen Page: [ ]
  - (vii) SDA Determination
    - Floating Rate Option: [ ]
    - Designated Maturity: [ ]
    - Reset Date: [ ]
  - (viii) Margin(s): [+/-][ ] per cent per annum
  - (ix) Minimum Rate of Interest: [ ] per cent per annum
  - (x) Maximum Rate of Interest: [ ] per cent per annum
  - (xi) Day Count Fraction: [ ]
  - (xii) Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [ ]
17. **Index-Linked Interest Note/other variable-linked interest Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining subparagraphs of this paragraph)*
- (i) Index/Formula/other variable: [give or annex details]
  - (ii) Calculation Agent responsible for calculating the interest due: [ ]
  - (iii) Provisions for determining Coupon where calculated by reference to Index and/or Formula and/or other variable:
  - (iv) Determination Date(s): [ ]
  - (v) Provisions for determining Coupon where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: *(Need to include a description of market disruption or settlement disruption events and adjustment provisions)*
  - (vi) Interest or calculation periods(s): [ ]
  - (vii) Specified Interest Payment Dates: [ ]
  - (viii) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (give details)]
  - (ix) Business Centre(s): [ ]

- (x) Minimum Rate/Amount of Interest: [ ] per cent per annum
- (xi) Maximum Rate/Amount of Interest: [ ] per cent per annum
- (xii) Day Count Fraction: [ ]
18. **Zero Coupon Note Provisions** [Applicable/Not Applicable]
- (If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) [Amortisation/Accrual] Yield: [ ] per cent per annum
- (ii) Reference Price: [ ]
- (iii) Any other formula/basis of determining amount payable: [ ]
19. **Dual Currency Note Provisions** [Applicable/Not Applicable]
- (Condition 8) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of calculating Rate of Exchange: [give details]
- (ii) Calculation Agent, if any, responsible for calculating the principal and/or interest due: [ ]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions.]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [ ]
- (v) Other special terms
20. **Equity Linked Note provisions**
- (A) (i) Single Share Notes, Share Basket Notes: (if not applicable, delete sub-paragraph (A))**
- (ii) Whether the Notes relate to a single share or a basket of shares (each an "Underlying Share") and the identity of the relevant issuer(s) and class of the Underlying Share (each an "Underlying Issuer"): [Single Share] [Basket of Shares]
- (iii) Whether redemption of the Notes will be by (a) Cash Settlement or (b) Physical Settlement or (c) in certain circumstances depending on the closing price of the Underlying Shares, Cash Settlement or Physical Delivery at the option of the Issuer: [Cash Settlement/Physical Settlement]
- [In the event of (describe triggers linked to the closing price of the Underlying Shares), Cash Settlement or Physical Settlement at the option of the Issuer]*
- (iv) Exchange[s]: [ ]
- (v) Related Exchange[s]: [ ] [None specified]

- (vi) Weighting for each Underlying Share comprising the basket: *[Insert details]* [N/A]
- (vii) Delivery provisions for Underlying Shares (including details of who is to make such delivery): [ ] (*only where Physical Settlement is applicable*)
- (viii) Physical Settlement: [Applicable / Not Applicable] (*if not applicable, delete the remaining sub-paragraphs of this paragraph*)
- Type and Class of Underlying Share: [ ]
- Legislation under which the Underlying Shares are created: [ ]
- Form of the Underlying Shares: bearer/registered form certificate / uncertificated form [If in uncertificated form, specify entity responsible for record keeping]
- Currency of the Underlying Shares: [ ]
- Description of the rights, including limitations thereon, attached to the Underlying Shares: [dividend rights]  
[voting rights]  
[pre-emption rights]  
[right to share of profits]  
[share in surplus of liquidation]  
[redemption/conversion rights]
- Where the Underlying Shares are admitted to trading: [ ]
- Restrictions, if any, on the free transferability of the Underlying Shares: [ ]
- Details of existence of any mandatory takeover bids/squeeze-out/sell-out rules: [ ]
- Details of public takeover bids by third parties during the previous financial year and the current financial year: [if applicable, terms and outcome to be specified ]
- (ix) Additional Disruption Events Change in Law, Hedging Disruption, Loss of Stock Borrow and Increased Cost of Hedging shall apply [*specify if any are not applicable, or any further Additional Disruption Events*]
- (x) Other terms or special conditions [ ]
- (B) Index/Index Basket Notes:** (*If not applicable, delete sub-paragraph (B)*)
- (i) Types of Notes: Index Notes (*specify Index if applicable*)  
Index Basket Notes (*specify Indices if applicable*)
- (i) Exchange[s]: [specify Exchange, or "Multi-exchange Index", in relation to each Index]
- (ii) Related Exchanges[s]: [ ][None specified]

- (iii) Weighting for each Index: [insert details][Not Applicable]
- (iv) Other terms or special conditions: [ ]
- 21 **Commodity Notes** [Applicable] [Not Applicable]
- (if not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (I) Commodity/ies or Commodity Index/Indices: [ ] [if applicable, specify whether Non Metal, Base Metal or Precious Metal]
- (ii) Commodity Reference Price: [specify Commodity Reference Price]
- (iii) Exchange [specify for each Commodity]
- (iv) Price Source [specify for each Commodity]
- (iv) Specified Price: [[high][low][average of high and low][closing price][opening price][bid] [asked] [average of high and low prices][settlement price][official settlement price][official price][morning fixing][afternoon fixing][spot price][Other (specify)]  
*(if appropriate, specify time as of which the price will be determined)*
- (v) Delivery Date: [ ] *(specify whether price based on spot market, First Nearby Month, Second Nearby Month, etc.)*
- (vi) Pricing Date: 1 [ ]
- (vii) Common Pricing: [Applicable] [Not Applicable](include only if Basket of Commodities)
- (vii) Commodity Disruption Events: [Price Source Disruption]  
[Trading Disruption]  
[Disappearance of Commodity Reference Price]  
[Material Change in Formula]  
[Material Change in Content]  
[Tax Disruption]  
[Trading Limitation]  
[specify any applicable additional Commodity Disruption Events]  
[Not Applicable]
- Commodity Disruption Fallback: [Determination Agent Determination as defined in Condition 11.3][Other]
- (viii) Other Terms and Conditions: [ ]
22. **Currency Notes** [Applicable] [Not Applicable] *(if not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Settlement Currency: [ ]
- (ii) Reference Currency: [ ]

- Specified Amount: [ ]
- Reference Currency Jurisdiction: [ ]
- (iii) Specified Rate: *Specify one of:*  
Reference Currency bid exchange rate; Reference Currency offer exchange rate; Average of Reference Currency bid and offer exchange rates; Settlement Currency bid exchange rate; Settlement Currency offer exchange rate; Average of Settlement Currency bid and offer exchange rates;  
Official fixing rate; Other
- (iv) Settlement Rate Option: [Currency Reference Dealers]
- (v) Valuation Date: [ ]
- (vi) Averaging Dates: [ ] [Not Applicable]
- (vii) Currency Disruption Events: Price Source Disruption [Applicable/Not Applicable] [Other]
- Currency Disruption Fallbacks: Determination Agent Determination of Settlement Rate;  
Fallback Reference Price;  
Other  
*(where applicable, specify which Currency Disruption Fallback applies to which Currency Disruption Event, and if more than one Currency Disruption Fallback may apply to a Currency Disruption Event, the order in which such Currency Disruption Fallbacks will apply)*
- (viii) Other special terms and conditions: [ ]
23. **Credit-Linked Note provisions** [Applicable/ Not Applicable] *(if applicable, insert relevant provisions)*

**PROVISIONS RELATING TO REDEMPTION**

24. Call Option [Applicable/Not Applicable] (If not applicable, delete the remaining sub-paragraphs of this paragraph)
- (i) Optional Redemption Date(s): [ ]
- (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [ ] per Note of [ ] specified denomination
- (iii) If redeemable in part: [ ]
- (a) Minimum Redemption Amount:

(b) Maximum Redemption Amount [ ]

(iv) Notice period: [ ]

25. **Put Option** [Applicable/Not Applicable]

*(If not applicable, delete the remaining sub-paragraphs of this paragraph)*

(i) Optional Redemption Date(s): [ ]

(ii) Optional Redemption Amount(s) of [ ] per Note of [ ] specified denomination of each Note and method, if any, of calculation of such amount(s):

(iii) Notice period [ ]

26. **Final Redemption Amount of each Note** [[ ] per Note of [ ] specified denomination /other/see Appendix]

(i) Underlying asset/ index: [ ]

(ii) Determination Agent responsible for calculating the Final Redemption Amount: [ ]

(iii) Provisions for determining Final Redemption Amount: [ ]

(iv) Determination Date: [ ]

(v) Determination Time: [ ] [As specified in the Conditions]

(vi) Observation Dates: [Applicable/Not Applicable]

(vii) Averaging Dates: [Applicable/Not Applicable] [if Applicable, specify consequences of Averaging Date Disruption as Omission, Postponement or Modified Postponement]

(viii) Provisions for determining Final Redemption Amount where calculation by reference to Index and/or Formula and/or other variable is impossible or impracticable or otherwise disrupted: [ ]

(ix) Payment Date: [ ]

(x) Minimum Final Redemption Amount: [ ]

(xi) Maximum Final Redemption Amount: [ ]

27. **Early Termination Amount and Redemption Amount upon early redemption**

Early Redemption Amount(s) of each Note payable on redemption on event of default or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): [ ]

28. Governing Law: English law

### GENERAL PROVISIONS APPLICABLE TO THE NOTES

29. Form of Notes: Global Note deposited with a common depository for Euroclear and Clearstream Luxembourg / Clearstream Frankfurt.
30. Additional Financial Centre(s) or other special provisions relating to Payment Dates: [Not Applicable/give details. *Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15 (ii), 16(iv) and 17(i) relates*]
32. Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment: [Not Applicable/give details]
33. Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: [Not Applicable/give details]
34. Redenomination, renominatisation and reconventioning provisions: [Not Applicable/The provisions [in Condition •] [annexed to these Final Terms] apply]
35. Consolidation provisions: [Not Applicable/The provisions [in Condition •] [annexed to these Final Terms] apply]
36. Other final terms: [Not Applicable/give details] (*When adding any other final terms consideration should be given as to whether such terms constitute a "significant new factor" and consequently trigger the need for a supplement to the Base Prospectus under Article 16 of the Prospectus Directive*)

### DISTRIBUTION

37. (i) If syndicated, names [and addresses]<sup>1</sup> of Managers [and underwriting commitments]<sup>2</sup> : [Not Applicable/give names[, addresses and underwriting commitments] ]<sup>4</sup>  
and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)<sup>3</sup> [(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis
- (ii) [Date of [Subscription] Agreement: [ ]]<sup>5</sup>
- (iii) Stabilising Manager(s) (if any): [Not Applicable/give name]
38. If non-syndicated, name [and address]<sup>6</sup> of Dealer: [Not Applicable/give name [and address] ]

---

<sup>1</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

<sup>2</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

<sup>3</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

<sup>4</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

<sup>5</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

<sup>6</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

40. [Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount]
41. Additional selling restrictions: [Not Applicable/give details]

## **RESPONSIBILITY**

The Issuer accepts responsibility for the information contained in these Final Terms. [● has been extracted from ●. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information published by ●, no facts have been omitted which would render the reproduced inaccurate or misleading. ]

**PART B – OTHER INFORMATION**

**1. LISTING AND ADMISSION TO TRADING**

Listing: [(specify)/None]

Admission to trading: [Application has been made for the Notes to be admitted to trading on [ ] with effect from [ ].] [Not Applicable.]

[Estimate of total expenses related to [ ]]<sup>7</sup>  
admission to trading:

**2. RATINGS**

Ratings: The Notes to be issued have been rated:

[S & P: [ ]]

[Moody's: [ ]]

[[Other]: [ ]]

[Need to include a brief explanation of the meaning of the ratings if this has previously been published by the rating provider.]<sup>8</sup>

*(The above disclosure should reflect the rating allocated to Notes of the type being issued under the Programme generally or, where the issue has been specifically rated, that rating.)*

**3. [NOTIFICATION]**

The [*include name of competent authority in home Member State*] [has been requested to provide/has provided - include first alternative for an issue which is contemporaneous with the establishment or update of the Programme and the second alternative for subsequent issues] the [*include names of competent authorities of host Member States*] with a certificate of approval attesting that the Base Prospectus has been drawn up in accordance with the Prospectus Directive.]

**4. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE [ISSUE/OFFER]**

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["Subscription and Sale"], so far as the Issuer is aware, no person involved in the offer of the Notes has an interest material to the offer."

**5. TERMS AND CONDITIONS OF THE OFFER**

*(delete if exempt offer only being made)*

Offer Price: [ ]

Offer Period The Offer Period commences on [ ] and ends on [ ]

Conditions to which the offer is subject: [*Specify any conditions*]

Description of the application process: [*describe process*]

---

<sup>7</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

<sup>8</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:	[Not Applicable/ <i>give details</i> ]
Details of the minimum and/or maximum amount of application:	[Not Applicable/ <i>give details</i> ]
Manner in and date on which results of the offer are to be made public:	The results of the offer will be communicated to applicants by the Issuer on [ ]
Details of the method and time limits for paying up and delivering the Notes:	[ ]
Categories of potential investors to which the Notes are offered and whether tranche(s) have been reserved for certain countries:	[Not Applicable/ <i>give details</i> ]
Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:	[describe process]
Amount of any expenses and taxes specifically charged to the subscriber or purchaser:	[specify any expenses charged to subscriber]
Name(s) and address(es), to the extent known to the Issuer, of the placing agents in the various countries where the offer takes place.	[none/ <i>give details</i> ]

6. **REASONS FOR THE OFFER, ESTIMATED NET PROCEEDS AND TOTAL EXPENSES**

[(i) Reasons for the offer [ ]

*(If reasons for offer different from making profit and/or hedging certain risks will need to include those reasons here.)*

[(ii) Estimated net proceeds: •

*(If proceeds are intended for more than one use will need to split out and present in order of priority. If proceeds insufficient to fund all proposed uses state amount and sources of other funding.)*

[(iii) Estimated total expenses: • [Include breakdown of expenses.]

*(If the Notes are derivative securities to which Annex XII of the Prospectus Directive Regulation applies it is only necessary to include disclosure of net proceeds and total expenses at (ii) and (iii) above where disclosure is included at (i) above.)*

7. **[FIXED RATE NOTES ONLY – YIELD**

Indication of yield: •

[Calculated as [include details of method of calculation in summary form] on the Issue Date.

As set out above,] the yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

8. **[[FLOATING RATE NOTES ONLY - HISTORIC INTEREST RATES**

*Need to include details of interest rate. Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Telerate].]*<sup>9</sup>

9. **[INDEX-LINKED OR OTHER VARIABLE-LINKED NOTES ONLY – PERFORMANCE OF INDEX/FORMULA/OTHER VARIABLE, [EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]<sup>10</sup> AND OTHER INFORMATION CONCERNING THE UNDERLYING**

*Need to include details of where past and future performance and volatility of the security/index/formula/other variable can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident]<sup>11</sup>. [Where the underlying is a security, need to include name of the issuer and the ISIN or other security identification code. Where the underlying is an index need to include the name of the index and a description if composed by the Issuer and if the index is not composed by the Issuer need to include details of where the information about the index can be obtained. Where the underlying is not an index need to include equivalent information. Where the underlying is a basket, need to include disclosure of the relevant weightings of each underlying.]*

---

<sup>9</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

<sup>10</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

<sup>11</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

10. **[DUAL CURRENCY NOTES ONLY – PERFORMANCE OF RATE[S] OF EXCHANGE [AND EXPLANATION OF EFFECT ON VALUE OF INVESTMENT]** <sup>12</sup>

Need to include details of where past and future performance and volatility of the relevant rate[s] can be obtained [and a clear and comprehensive explanation of how the value of the investment is affected by the underlying and the circumstances when the risks are most evident.]]<sup>13</sup>

11. **OPERATIONAL INFORMATION**

ISIN Code: [ ]

Common Code: [ ]

Relevant Clearing system(s) Euroclear / Clearstream Luxembourg  
Clearstream Frankfurt

Delivery: Delivery [against/free of] payment

Names and addresses of additional Paying Agent(s) (if any): [ ]

---

<sup>12</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

<sup>13</sup> Delete for Notes with a denomination per Note of EUR50,000 or more

## TAXATION

### UNITED KINGDOM TAXATION

*The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and practice in the United Kingdom relating only to the United Kingdom withholding tax treatment of payments in respect of Notes. The following does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Prospective Noteholders who may be subject to tax in a jurisdiction other than the United Kingdom or who may be unsure as to their tax position should seek their own professional advice.*

#### **Payment of interest on Notes**

##### *Payments of interest by the Issuer*

The Issuer, provided that it continues to be an authorised person for the purposes of the Financial Services and Markets Act 2000, and provided that the business carried on by the Issuer consists wholly or mainly of dealing in financial instruments as principal and interest on the Notes is paid in the ordinary course of that business (within the meaning of section 885 Income Tax Act 2007 (the "Act")), will be entitled to make payments of interest without withholding or deduction for or on account of United Kingdom taxation.

##### *Payments of interest to certain Noteholders*

Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom tax where interest on the Notes is paid to a person whose usual place of abode is in the United Kingdom and, at the time the payment is made, the Issuer reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that either:

- (a) the person beneficially entitled to the interest payable on the Notes is within the charge to United Kingdom corporation tax as regards the payment of such interest; or
- (b) the payment is made to one of the classes of exempt bodies or persons set out in section 936(2) of the Act,

provided that HM Revenue and Customs has not given a direction (in circumstances where it has reasonable grounds to believe that it is likely that none of the conditions specified in sections 933 to 937 of the Act will be satisfied in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

##### *Notes with a maturity of less than 365 days*

Interest on Notes having a maturity of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more may also be paid without deduction for or on account of United Kingdom income tax.

##### *Other withholdings*

In other cases, an amount may have to be withheld from payments of interest on the Notes for or on account of United Kingdom income tax at the savings rate (currently 20 per cent.), subject to the availability of other exemptions or reliefs or to any direction to the contrary from HM Revenue and Customs in respect of such relief as may be available under an applicable double taxation treaty.

Noteholders who are individuals may wish to note that HM Revenue and Customs has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays interest to, or receives interest on behalf of another person. Interest as defined for relevant tax purposes includes discounts derived from money debts. Any information obtained may, in certain circumstances, be exchanged by HM Revenue and Customs with the tax authorities of other jurisdictions.

## **EU Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each EU Member State is required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident in that other Member State; however, for a transitional period, Austria, Belgium and Luxembourg will (unless they elect otherwise) instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35 per cent. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments.

Also with effect from 1 July 2005, a number of non-EU countries, including Switzerland, and certain dependent or associated territories of certain Member States have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within its jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into reciprocal provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by such a person for, an individual resident in one of those territories.

## **LUXEMBOURG TAXATION**

*The following summary is of a general nature and is included herein solely for information purposes. It is based on the laws presently in force in Luxembourg, though it is not intended to be, nor should it be construed to be, legal or tax advice. Prospective investors in the Notes should therefore consult their own professional advisers as to the effects of state, local or foreign laws, including Luxembourg tax law, to which they may be subject.*

### **Withholding tax**

#### *Residents*

Under Luxembourg tax laws currently in force, there is no withholding tax on payments of principal, premium or interest, nor on accrued but unpaid interest, in respect of the Notes made to Luxembourg resident Noteholders, nor is any Luxembourg withholding tax payable upon settlement or repurchase of the Notes held by Luxembourg resident Noteholders.

However, under the Luxembourg law of 23 December 2005 (the Law) payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner who is resident of Luxembourg will be subject to a withholding tax of 10 per cent. Such withholding tax will be in full discharge of income tax if the beneficial owner is an individual acting in the course of the management of his/her private wealth. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Law would be subject to withholding tax of 10 per cent.

#### *Non-Residents*

Under Luxembourg tax laws currently in force, there is no withholding tax on payments of principal, premium or interest nor on accrued but unpaid interest, in respect of the Note, made to non-resident Noteholders nor is any Luxembourg withholding tax payable upon settlement or repurchase of the Notes held by non-resident Noteholders.

However, under the Luxembourg laws of 21 June 2005 (the Laws), implementing the EU Savings Directive (as defined below) and ratifying the treaties entered into by Luxembourg and certain dependent and associated territories of EU Member States (the Territories), payments of interest or similar income made or ascribed by a paying agent established in Luxembourg to or for the immediate benefit of an individual beneficial owner or a residual entity, as defined by the Laws, which are resident of, or established in, an EU Member State other than Luxembourg or one of the Territories will be subject to a withholding tax unless the relevant recipient has adequately instructed the relevant paying agent to provide details of the relevant payments of interest or similar

income to the fiscal authorities of their country of residence or establishment, or in the case of an individual beneficial owner, has provided a tax certificate from their fiscal authority in the format required by law to the relevant paying agent. Where withholding tax is applied, it will be levied at a rate of 15 per cent. during the first three-year period starting 1 July 2005, at a rate of 20 per cent. for the subsequent three-year period and at a rate of 35 per cent. thereafter. Responsibility for the withholding of the tax will be assumed by the Luxembourg paying agent. Payments of interest under the Notes coming within the scope of the Laws would at present be subject to a withholding tax of 15 per cent.

When used in the preceding paragraph "interest" and "paying agent" have the meaning given thereto in the Law (or the relevant related Accords). "Interest" will include accrued and capitalised interest as at the sale, repayment or settlement of the Notes. "Paying agent" is defined broadly for this purpose and in the context of the Notes means any economic operator established in Luxembourg who pays interest on the Notes to or ascribes the payment of such interest to or for the immediate benefit of the beneficial owner, whether the operator is, or acts on behalf of, the Issuer or is instructed by the beneficial owner to collect such payment of interest.

Payments of interest or similar income under the Notes to Euroclear or Clearstream Luxembourg and payments by or on behalf of Euroclear or Clearstream Luxembourg to financial intermediaries will not give rise to a withholding tax under Luxembourg law.

### **Income Taxation**

A Luxembourg Noteholder that is governed by the law of 31 July 1929, on pure holding companies, as amended, by laws of 30 March 1988 and 20 December 2002 on undertakings for collective investment, as amended, or that is a capital company governed by the law of 15 June 2004 on venture capital vehicles is not subject to Luxembourg income tax in respect of gains realised on the exercise of the transfer of Notes.

A corporate Noteholder, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable, must include any gain realised on the exercise or the transfer of Notes in its taxable income for Luxembourg income assessment purposes. The same obligation applies to an individual Noteholder, acting in the course of the management of a professional or business undertaking, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable.

Where the Notes are physical delivery notes with an underlying of shares and the Issue Price is lower than the fair market value of the shares, the differential will not be taxable at the moment of the delivery of the Shares in the hands of a corporate Noteholder or an undertaking, who is a resident of Luxembourg for tax purposes or who has a permanent establishment or a fixed place of business in Luxembourg, to which the Notes are attributable. However, a gain realised upon a subsequent disposal of the shares (i.e., the difference between the acquisition value of the shares, which is the aggregate of the Issue Price and the sale price of the shares) must be included in its taxable income for Luxembourg income tax assessment purposes, unless such gain is tax exempt under the Luxembourg participation exemption.

Gains realised by an individual Noteholder, acting in the course of the management of his/her private wealth, who is resident in Luxembourg for tax purposes, upon the sale or disposal of Notes, is not subject to Luxembourg income tax, provided such sale or disposal took place more than six months after the Notes were acquired.

Where the Notes are physical delivery notes with an underlying of shares and the Issue Price is lower than the fair market value of the shares, the differential will not be taxable in the hands of an individual holders, acting in the course of the management of his/her private wealth, who is a resident in Luxembourg for tax purposes. A gain realised upon the subsequent disposal of the shares (i.e., the difference between the acquisition value of the shares, which is the aggregate of the Issue Price and the sale price) must be included in its taxable income for Luxembourg income tax assessment purposes provided such sale or disposal took place more than six months after the delivery of the shares or units, except where the holder holds directly or indirectly a substantial participation in an issuing company.

## **Net Wealth Taxation of Noteholders**

Any Noteholder, whether such holder is resident in Luxembourg for tax purposes or such holder maintains a permanent establishment or a fixed place of business in Luxembourg to which the Notes are attributable, is subject to Luxembourg wealth tax on such Notes, except if the Noteholder is governed by the law of 31 July 1929, on pure holding companies, as amended, or by the laws of 30 March 1988 and 20 December 2002 on undertakings for collective investment, as amended, or is a securitisation company governed by the law of 22 March 2004 on securitisation, or is a capital company governed by the law of 15 June 2004 on venture capital vehicles.

## **Other Taxes**

Neither the issuance nor the transfer of Notes will give rise to any Luxembourg stamp duty, value added tax, issuance tax, registration tax, transfer tax or similar taxes or duties.

Where a Noteholder is a resident of Luxembourg for tax purposes at the time of his death, the Notes are included in his taxable estate for inheritance tax assessment purposes.

Gift tax may be due on a gift or donation of Notes if embodied in a Luxembourg deed or recorded in Luxembourg.

## **GERMAN TAXATION**

*The following is a general discussion of certain German tax consequences of the acquisition and ownership of the Notes. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser (including the tax consequences of holding the Notes for companies, investment funds and other tax exempt entities). This summary is based on the laws of Germany currently in force and as applied on the date of this document, which are subject to change, possibly with retroactive or retrospective effect. Special attention is drawn to the changes in the German tax consequences for prospective purchasers of Notes which will come into force in 2009, due to the recently adopted German Business Tax Reform Act 2008.*

*Prospective purchasers of Notes are advised to consult their own tax advisors as to the tax consequences of the purchase, ownership and disposition of Notes, including the effect of any state or local taxes and the effect of the Business Tax Reform Act 2008, under the tax laws of Germany and each country of which they are residents.*

## **Tax Residents**

Provided the Notes do not qualify as financial innovations (as discussed below) capital gains from the disposition of the Notes that do not form part of the property of a trade or business by German tax-resident individuals (i.e. persons whose residence or habitual abode is located in Germany) are subject to German personal income tax (plus 5.5 per cent. solidarity surcharge and, if applicable, church tax on such tax) if the Notes are disposed of within one year of their acquisition.

Capital gains are computed as the difference between the disposal price or the redemption price, respectively, over the issue price or the acquisition costs and transaction fees. All capital gains and all losses derived from such dispositions are netted for each calendar year. If the balance is a capital gain exceeding EUR 512 the balance is fully taxable. To the extent the balance is negative this loss can only be offset against capital gains derived in the preceding year. If this is not possible or desired the loss can be carried forward and (subject to further requirements) set off against future capital gains but no other income.

If the Notes form part of the property of a trade or business any gain derived by a holder resident in Germany will be subject to German income tax (plus solidarity surcharge at a rate of 5.5 per cent. and, if applicable, church tax thereon) and – generally also – trade tax, regardless of the holding period or size of the gain. Whether and to what extent losses are deductible can only be determined on a case by case basis.

If the Notes qualify as financial innovations (i.e. if a repayment of principal or a consideration for the use of capital is expressly or de facto promised or granted) a payment of consideration and a gain from the disposition or redemption of a Note would be characterised as interest income and would be taxable regardless of the holding period. In addition, withholding tax at a rate of 30 per cent (plus solidarity surcharge at a rate of 5.5 per cent. thereon) will apply to such gain, or if the Notes have not been kept in a custodial account with the same disbursing agent since the time of issuance or acquisition to 30 per cent of the redemption or sale proceeds.

### **Non-residents**

In general, a Noteholder that is not tax resident in Germany is subject to German payments of consideration or taxation on gains from the disposition of Notes and potentially withholding tax only under certain circumstances, e.g. if the Notes form part of the business property of a permanent establishment, including a permanent representative, maintained in Germany by the Noteholders. In other cases the non-resident may still be required to properly document his non-resident status to a German custodian.

### **Tax Reform**

On 25 May 2007, the German Parliament (Bundestag) approved legislation that will significantly change the taxation of investment income derived by German-resident individuals holding Notes as non-business assets. The legislation has obtained the consent of the Council of States (Bundesrat). Pursuant to the new legislation a German custodian will have to withhold tax at a rate of 25 per cent (plus the solidarity surcharge and, if applicable, church tax thereon) from capital gains, regardless of the holding period and whether or not the Notes qualify as financial innovations. In general, this withholding tax will also settle the income tax liability of such taxpayer. Alternatively, a taxpayer may ask for an assessment to tax if his or her individual tax rate is lower than 25 per cent (and for other reasons enumerated in the law). In principle the new rules will apply to capital gains derived from the sale or settlement of Notes after 31 December 2008 regardless of their time of acquisition. If, however, the Notes do not qualify as financial innovations under the existing rules and therefore, outside the speculation period of one year, capital gains from the disposal of the Notes by German tax-resident individuals are not subject to German personal income tax (cf. above), capital gains remain tax exempted if the Notes have been acquired prior to 1 January 2009.

### **Inheritance and Gift Tax**

No inheritance or gift taxes with respect to any Note will arise under the laws of Germany, if, in the case of inheritance tax, neither the decedent nor the beneficiary, or, in the case of gift tax, neither the donor nor the donee, is a resident of Germany and such Note is not attributable to a German trade or business for which a permanent establishment is maintained, or a permanent representative has been appointed, in Germany. Exceptions from this rule apply to certain German expatriates.

### **Other Taxes**

No stamp, issue, registration or similar taxes or duties will be payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax is not levied in Germany.

### **EU Savings Tax Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

By legislative regulations dated 26 January 2004 the Federal Government enacted provisions implementing the Directive into German law. These provisions apply from 1 July 2005.

## AUSTRIAN TAXATION

This section on taxation contains a brief summary of the Issuer's understanding with regard to certain important principles which are of significance in Austria in connection with the purchase, holding or sale of the Notes. This summary does not purport to exhaustively describe all possible tax aspects and does not deal with specific situations which may be of relevance for certain potential investors. It is based on the currently valid tax legislation, case law and regulations of the tax authorities, as well as their respective interpretation, all of which may be amended from time to time. Such amendments may possibly also be effected with retroactive effect and may negatively impact on the tax consequences described. It is recommended that potential purchasers of the Notes consult with their legal and tax advisors as to the tax consequences of the purchase, holding or sale of the Notes. Tax risks resulting from the Notes (in particular from a potential qualification as a foreign investment fund within the meaning of sec. 42(1) of the Austrian Investment Funds Act) shall in any case be borne by the purchaser. In general, it has to be noted that the Austrian tax authorities have a rather critical attitude towards structured products which may also give rise to tax benefits.

### General

Individuals having a permanent domicile (*Wohnsitz*) and/or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria are subject to income tax (*Einkommensteuer*) in Austria on their worldwide income (unlimited income tax liability; *unbeschränkte Einkommensteuerpflicht*). Individuals having neither a permanent domicile nor their habitual abode in Austria are subject to income tax only on income from certain Austrian sources (limited income tax liability; *beschränkte Einkommensteuerpflicht*).

Corporations having their place of effective management (*Ort der Geschäftsleitung*) and/or their legal seat (*Sitz*) in Austria are subject to corporate income tax (*Körperschaftsteuer*) in Austria on their worldwide income (unlimited corporate income tax liability; *unbeschränkte Körperschaftsteuerpflicht*). Corporations having neither their place of effective management nor their legal seat in Austria are subject to corporate income tax only on income from certain Austrian sources (limited corporate income tax liability; *beschränkte Körperschaftsteuerpflicht*).

Both in case of unlimited and limited (corporate) income tax liability Austria's right to tax may be restricted by double taxation treaties.

### Income tax

In general, the Notes qualify as bonds (*Forderungswertpapiere*) in the sense of sec. 93(3) of the Austrian Income Tax Act (*Einkommensteuergesetz*).

Individuals subject to unlimited income tax liability in Austria holding bonds in the sense of sec. 93(3) of the Austrian Income Tax Act as a non-business asset (*Privatvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 27(1)(4) and sec. 27(2)(2) of the Austrian Income Tax Act. If such interest is paid out by an Austrian paying agent (*kuponauszahlende Stelle*) then the payments are subject to a withholding tax of 25 per cent. No additional income tax is levied over and above the amount of tax withheld (final taxation; *Endbesteuerung*) in case the bonds are legally and factually offered to an indefinite number of persons. If interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies in case the bonds are in addition legally and factually offered to an indefinite number of persons. Since in this case no withholding tax is levied, interest payments must be included in the income tax return of the investor. If the bonds are not legally and factually offered to an indefinite number of persons then the interest payments must be included in the investor's income tax return and are subject to income tax at a marginal rate of up to 50 per cent., any withholding tax being creditable against the income tax liability.

Individuals subject to unlimited income tax liability in Austria holding bonds as a business asset (*Betriebsvermögen*) are subject to income tax on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price). Such interest payments are subject to a withholding tax of 25 per cent. in case they are paid out by an Austrian paying agent. No additional income tax is levied over and above the amount of tax withheld (final taxation) in case the bonds are legally and factually

offered to an indefinite number of persons. If interest payments are not effected through an Austrian paying agent, a flat income tax rate of 25 per cent. applies in case the bonds are in addition legally and factually offered to an indefinite number of persons. Since in this case no withholding tax is levied, interest payments must be included in the income tax return of the investor. If the bonds are not legally and factually offered to an indefinite number of persons, then the interest payments must be included in the investor's income tax return and are subject to income tax at a marginal rate of up to 50 per cent., any withholding tax being creditable against the income tax liability.

Corporations subject to unlimited corporate income tax liability in Austria are subject to corporate income tax on all interest payments (which term also encompasses the difference between the redemption price and the issue price) resulting from bonds at a rate of 25 per cent. Under the conditions set forth in sec. 94(5) of the Austrian Income Tax Act no withholding tax is levied.

Private foundations (*Privatstiftung*) pursuant to the Austrian Private Foundations Act (*Privatstiftungsgesetz*) fulfilling the prerequisites contained in sec. 13(1) of the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*) and holding bonds as a non-business asset are subject to corporate income tax (interim taxation; *Zwischenbesteuerung*) on all resulting interest payments received (which term also encompasses the difference between the redemption price and the issue price) pursuant to sec. 13(3)(1) of the Austrian Corporate Income Tax Act at a rate of 12.5 per cent. in case the bonds are in addition legally and factually offered to an indefinite number of persons. If the bonds are not legally and factually offered to an indefinite number of persons, then the interest payments are subject to corporate income tax at a rate of 25 per cent. Under the conditions set forth in sec. 94(11) of the Austrian Income Tax Act no withholding tax is levied.

Individuals subject to limited income tax liability in Austria holding bonds in the meaning of sec. 93(3) of the Austrian Income Tax Act are subject to income tax at a rate of 25 per cent. on all resulting interest payments (which term also encompasses the difference between the redemption price and the issue price) in Austria if – broadly speaking – the bonds are attributable to an Austrian permanent establishment (*Betriebsstätte*) of the investor. The same applies with respect to corporations subject to limited corporate income tax liability in Austria, the tax rate also being 25 per cent. If interest received by non-resident individuals and corporations is not subject to (corporate) income tax but if at the same time it is subject to withholding by virtue of an Austrian paying agent, the withholding tax will be refunded upon the investor's application. The Austrian Ministry of Finance has also provided for the possibility for the non-resident investor to furnish proof of non-residency, in which case the Austrian paying agent may refrain from withholding in the first place.

Pursuant to sec. 42(1) of the Austrian Investment Funds Act (*Investmentfondsgesetz*), a foreign investment fund (*ausländischer Investmentfonds*) is defined as any assets subject to a foreign jurisdiction which, irrespective of the legal form they are organized in, are invested according to the principle of risk-spreading on the basis either of a statute, of the entity's articles or of customary exercise. This term, however, does not encompass collective real estate investment vehicles pursuant to sec. 14 of the Austrian Capital Markets Act (*Kapitalmarktgesetz*). It should be noted that the Austrian tax authorities have commented upon the distinction between index certificates of foreign issuers on the one hand and foreign investment funds on the other hand in the Investment Fund Regulations (*Investmentfondsrichtlinien*). Pursuant thereto, no foreign investment fund may be assumed if for the purposes of the issuance no predominant actual purchase of the underlying assets by the issuer or a trustee of the issuer, if any, is made and no actively managed assets exist. Pursuant to this view, in all other cases a foreign investment fund would have to be assumed.

## **EU withholding tax**

Sec. 1 of the Austrian EU Withholding Tax Act (*EU-Quellensteuergesetz*) – which transforms into national law the provisions of Council Directive 2003/48/EC of 3 June 2003 on taxation of savings income in the form of interest payments – provides that interest payments paid or credited by an Austrian paying agent to a beneficial owner who is an individual resident in another Member State is subject to a withholding tax if no exception from such withholding applies. Currently, the withholding rate amounts to 15 per cent. Regarding the issue of whether also index certificates are subject to the EU withholding tax, the Austrian tax authorities distinguish between index certificates with and without a capital guarantee, a capital guarantee being the promise of repayment of a minimum amount of the capital invested or the promise of the payment of interest. The exact tax treatment of index certificates furthermore depends on their underlying.

### **Austrian inheritance and gift tax**

Pursuant to the Austrian Inheritance and Gift Tax Act (*Erbschafts- und Schenkungssteuergesetz*), transfers of assets inter vivos and inter mortuos are taxable. Sec. 15(1)(17) of the Austrian Inheritance and Gift Tax Act provides for a tax exemption in the case of a transfer of bonds inter mortuos insofar as the bonds were legally and factually offered to an indefinite number of persons and insofar as the interest resulting from the bonds is subject to either final taxation or to the special tax rate of 25 per cent.

### **ITALIAN TAXATION**

*The following is a summary of current Italian law and practice relating to the taxation of the Notes. The statements herein regarding taxation are based on the laws in force in Italy as at the date of the Base Prospectus and are subject to any changes in law occurring after such date, which changes could be made on a retroactive basis. The following summary does not purport to be a comprehensive description of all the tax considerations which may be relevant to a decision to subscribe for, purchase, own or dispose of the Notes and does not purport to deal with the tax consequences applicable to all categories of investors, some of which (such as dealers in securities or commodities) may be subject to special rules.*

Legislative Decree No. 344 of 12 December 2003 published in the Italian Official Gazette of 16 December 2003 No. 261 (Ordinary Supplement No. 190), effective as of 1 January 2004 introduced the reform of taxation of corporations and of certain financial income amending the Italian Income Taxes Consolidated Code.

Legislative Decree No. 247 of 19 November 2005 (known as the "*Correttivo IRES*") published in the Italian Official Gazette No. 280 of 1 December 2005, amended Decree No. 344 on certain provisions related to the taxation of corporations and of certain financial income.

Prospective investors are advised to consult their own tax advisers concerning the overall tax consequences of their interest in the Notes.

### **Withholding Taxes**

All payments in respect of the Notes by or on behalf of the Issuer would not be subject to any Italian withholding taxes.

In the near future, with the approval of the law proposal 4 October 2006, No. 1762, the Italian Government could be authorised by the Parliament to amend the tax treatment of financial income, introducing an only 20 per cent. harmonised withholding tax on financial incomes, which may impact upon the tax regime of the Notes.

### **Taxation of Notes**

Pursuant to Article 67 of Presidential Decree No. 917 of 22 December, 1986 and Legislative Decree No. 461 of 21 November 1997, as subsequently amended, where the Italian resident Noteholder is (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected, (ii) a non-commercial partnership, (iii) a non-commercial private or public institution, or (iv) an investor exempt from Italian corporate income taxation, capital gains accrued under the sale or the exercise of the Notes are subject to a 12.5 per cent substitute tax (*imposta sostitutiva*). The recipient may opt for three different taxation criteria:

- (1) Under the tax declaration regime (*regime della dichiarazione*), which is the default regime for Italian resident individuals not engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains, net of any incurred capital loss, realised by the Italian resident individual holding the Notes not in connection with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given tax year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must indicate the overall capital gains realised in any tax year, net of any relevant incurred capital loss, in the annual tax return and pay *imposta sostitutiva* on such gains together with any balance

income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding tax years.

- (2) As an alternative to the tax declaration regime, Italian resident individuals holding the Notes not in connection with an entrepreneurial activity may elect to pay the imposta sostitutiva separately on capital gains realised on each sale or redemption of the Notes (the "*risparmio amministrato*" regime). Such separate taxation of capital gains is allowed subject to (i) the Notes being deposited with Italian banks, SIMs or certain authorised financial intermediaries and (ii) an express election for the *risparmio amministrato* regime being timely made in writing by the relevant Noteholder. The depository is responsible for accounting for imposta sostitutiva in respect of capital gains realised on each sale or redemption of the Notes (as well as in respect of capital gains realised upon the revocation of its mandate), net of any incurred capital loss, and is required to pay the relevant amount to the Italian tax authorities on behalf of the taxpayer, deducting a corresponding amount from the proceeds to be credited to the Noteholder or using funds provided by the Noteholder for this purpose. Under the *risparmio amministrato* regime, where a sale or redemption of the Notes results in a capital loss, such loss may be deducted from capital gains subsequently realised, within the same Notes management, in the same tax year or in the following tax years up to the fourth. Under the *risparmio amministrato* regime, the Noteholder is not required to declare the capital gains in the annual tax return.
- (3) Any capital gains realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised intermediary and have opted for the so-called "*risparmio gestito*" regime will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year end, subject to a 12.5 per cent. substitute tax, to be paid by the managing authorised intermediary. Under this *risparmio gestito* regime, any depreciation of the managed assets accrued at year end may be carried forward against increase in value of the managed assets accrued in any of the four succeeding tax years. Under the *risparmio gestito* regime, the Noteholder is not required to declare the capital gains realised in the annual tax return.

Where an Italian resident Noteholder is a company or similar commercial entity, or the Italian permanent establishment of a foreign commercial entity to which the Notes are effectively connected, capital gains arising from the Notes will not be subject to imposta sostitutiva, but must be included in the relevant Noteholder's income tax return and are therefore subject to Italian corporate tax ("**IRES**").

Capital gains realised by non-Italian resident Noteholders are not subject to Italian taxation.

### **Atypical Notes**

In accordance with a different interpretation of current tax law it is possible that the Notes would be considered as 'atypical' Notes pursuant to Article 8 of Law Decree No. 512 of 30 September 1983 as implemented by Law No. 649 of 25 November 1983. In this event, payments relating to Notes may be subject to an Italian withholding tax, levied at the rate of 27 per cent.

The 27 per cent. withholding tax mentioned above does not apply to payments made to a non-Italian resident Noteholder and to an Italian resident Noteholder which is (i) a company or similar commercial entity (including the Italian permanent establishment of foreign entities), (ii) a commercial partnership, or (iii) a commercial private or public institution.

### **EU Savings Directive**

Under EC Council Directive 2003/48/EC on the taxation of savings income, Member States are required, from 1 July 2005, to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to an individual resident in that other Member State. However, for a transitional period, Belgium, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have agreed to adopt similar measures (a withholding system in the case of Switzerland) with effect from the same date.

Italy has implemented the EU Savings Directive through Legislative Decree No. 84 of 18 April 2005 (Decree No. 84). Under Decree No. 84, subject to a number of important conditions being met, in the case of interest paid starting from 1 July 2005 to individuals which qualify as beneficial owners of the interest payment and are resident for tax purposes in another Member State, Italian paying agents (i.e. banks, società di intermediazione mobiliare (SIM), fiduciary companies, società di gestione del risparmio (SGR) resident for tax purposes in Italy, Italian permanent establishments of non-Italian resident persons and any other Italian entity paying interest for professional or business reasons) shall not apply the withholding tax and shall report to the Italian Tax Authorities details of the relevant payments and personal information on the individual beneficial owner. Such information is transmitted by the Italian Tax Authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

## **NETHERLANDS TAXATION**

*The following summary describes the principal Netherlands tax consequences of the acquisition, holding, settlement, redemption and disposal of the Notes for Noteholders who are resident or deemed to be resident of The Netherlands for Netherlands tax purposes, but does not purport to be a comprehensive description of all Netherlands tax considerations thereof. This summary is intended as general information only and each prospective investor should consult a professional tax adviser with respect to the tax consequences of an investment in the Notes.*

This summary is based on the tax legislation, published case law, treaties, regulations and published policy, in force as of the date of this document, though it does not take into account any developments or amendments thereof after that date whether or not such developments or amendments have retroactive effect.

This summary does not address the Netherlands tax consequences for:

- (i) holders of Notes holding a substantial interest (*aanmerkelijk belang*) in the Issuer. Generally speaking, a Noteholder holds a substantial interest in the Issuer, if such Noteholder, alone or, where such holder is an individual, together with his or her partner (statutory defined term) or certain other related persons, directly or indirectly, holds (i) an interest of 5 per cent. or more of the total issued capital of the Issuer or of 5 per cent. or more of the issued capital of a certain class of shares of the Issuer, (ii) rights to acquire, directly or indirectly, such interest or (iii) certain profit sharing rights in the Issuer;
- (ii) pension funds or other entities that are exempt from Netherlands corporate income tax;
- (iii) investment institutions (*fiscale beleggingsinstellingen*).

### *Withholding tax*

All payments made by the Issuer under the Notes may be made free of withholding or deduction for any taxes of whatsoever nature imposed, levied, withheld or assessed by the Netherlands or any political subdivision or taxing authority thereof or therein.

### *Corporate and individual income tax*

If a holder is resident or deemed to be resident of the Netherlands for Netherlands tax purposes and is fully subject to Netherlands corporate income tax or is only subject to Netherlands corporate income tax in respect of its enterprise to which the Notes are attributable, income derived from the Notes and gains realised upon the exercise, settlement or disposal of the Notes are generally taxable in the Netherlands.

If an individual holder is resident or deemed to be resident of the Netherlands for Netherlands tax purposes (including the individual holder who has opted to be taxed as a resident of the Netherlands), income derived from the Notes and gains realised upon the exercise, settlement or disposal of the Notes are taxable at the progressive rates of the Netherlands income tax act 2001, if:

- (i) the holder has an enterprise or an interest in an enterprise, to which enterprise the Notes are attributable; or
- (ii) such income or gains qualify as income from miscellaneous activities (*resultaat uit overige werkzaamheden*), which include the performance of activities with respect to the Notes that exceed regular, active portfolio management (*normaal, actief vermogensbeheer*).

If neither condition (i) nor condition (ii) applies to the holder of the Notes, taxable income with regard to the Notes must be determined on the basis of a deemed return on income from savings and investments (*sparen en beleggen*), rather than on the basis of income actually received or gains actually realised. At present, this deemed return on income from savings and investments has been fixed at a rate of 4 per cent. of the average of the individual's yield basis (*rendementsgrondslag*) at the beginning of the calendar year and the individual's yield basis at the end of the calendar year, insofar as the average exceeds a certain threshold. The average of the individual's yield basis is determined as the fair market value of certain qualifying assets held by the holder of the Notes less the fair market value of certain qualifying liabilities on 1 January and 31 December, divided by two. The fair market value of the Notes will be included as an asset in the individual's yield basis. The deemed return on income from savings and investments of 4 per cent. will be taxed at a rate of 30 per cent.

#### *Gift and Inheritance taxes*

Generally, gift and inheritance taxes will be due in the Netherlands in respect of the acquisition of the Notes by way of a gift by, or on the death of, a holder that is a resident or deemed to be a resident of the Netherlands for the purposes of Netherlands gift and inheritance tax at the time of the gift or his or her death.

A holder of the Netherlands nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax, if he or she has been resident in the Netherlands during the ten years preceding the gift or his or her death. A holder of any other nationality is deemed to be a resident of the Netherlands for the purposes of the Netherlands gift and inheritance tax if he or she has been resident in the Netherlands at any time during the twelve months preceding the time of the gift. The same twelve-month rule may apply to entities that have transferred their seat of residence out of the Netherlands.

#### *Value added tax*

In general, no value added tax will arise in respect of payments in consideration for the issue of the Notes or in respect of the cash payment made under the Notes, or in respect of a transfer of Notes.

#### *Other taxes and duties*

No registration tax, customs duty, transfer tax, stamp duty or any other similar documentary tax or duty, will be payable in the Netherlands by a holder in respect of or in connection with the subscription, issue, placement, allotment, delivery or transfer of the Notes.

#### **No gross-up for taxes withheld**

Purchasers of the Notes should be aware that under the Terms and Conditions of the Notes the Issuer will neither assume any liability for taxes withheld from payments under the Notes, nor make any additional payments in regard of these taxes, i.e. no gross-up will apply in case a withholding tax is imposed.

## SUBSCRIPTION AND SALE AND TRANSFER RESTRICTIONS

No action has been or will be taken by the Issuer that would permit a public offering of the Notes or possession or distribution of any offering material in relation to any Notes in any jurisdiction where action for that purpose is required and has not been taken. No offers, sales, re-sales or deliveries of the Notes, or distribution of any offering material relating to the Notes, may be made in or from any jurisdiction except in circumstances which will result in compliance with any applicable laws and regulations and which will not impose any obligation on the Issuer.

### United States

The Notes have not been, nor will be, registered under the United States Securities Act of 1933, as amended (the "**Securities Act**"). The Notes, or interests therein, may not at any time be offered, sold, resold, traded or delivered, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale, trade or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. Consequently, any offer, sale, resale, trade or delivery made, directly or indirectly, within the United States or to, or for the account or benefit of, a U.S. person will not be recognised. As used herein, "**United States**" means the United States of America (including the States and the District of Columbia), its territories, its possessions and other areas subject to its jurisdiction; and "**U.S. person**" means (i) an individual who is a citizen or resident of the United States; (ii) a corporation, partnership or other entity organised in or under the laws of the United States or any political subdivision thereof or which has its principal place of business in the United States; (iii) any estate or trust of which any executor, administrator or trustee is a U.S. person; (iv) a pension plan for the employees, officers or principals of a corporation, partnership or other entity described in (ii) above; or (v) any other "**U.S. person**" as such term may be defined in Regulation S under the Securities Act.

The Manager has agreed that it will not at any time offer, sell, resell or deliver, directly or indirectly, the Notes in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any such U.S. person. Any person purchasing the Notes must agree with the Manager or the seller of such Notes that (i) it will not at any time offer, sell, resell or deliver, directly or indirectly, any Notes so purchased in the United States or to, or for the account or benefit of, any U.S. person or to others for offer, sale, resale or delivery, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person, (ii) it is not purchasing any Notes for the account or benefit of any U.S. person and (iii) it will not make offers, sales, re-sales or deliveries of any Notes (otherwise acquired), directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person. The Manager will also be required to agree, and any person purchasing Notes must agree, to send each person who purchases any Notes from it a written confirmation (which shall include the definitions of "**United States**" and "**U.S. persons**" set forth herein) stating that the Notes have not been registered under the Securities Act and stating that such purchaser agrees that it will not at any time offer, sell, resell or deliver Notes, directly or indirectly, in the United States or to, or for the account or benefit of, any U.S. person.

### European Economic Area

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**"), the Notes which are the subject of the offering contemplated by this Base Prospectus, as completed by the final terms in relation thereto, may not be offered to the public in that Relevant Member State, except that, with effect from and including the Relevant Implementation Date, the Notes may be offered to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus (or where the offer is made in Austria, the period beginning on the first banking day after such publication) in relation to those Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms

contemplating such Non-exempt Offer, all in accordance with the Prospectus Directive in the period beginning and ending on the dates specified in such prospectus or final terms as applicable;

- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;
- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive); or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive.

For the purposes of this provision, the expression an "offer of Notes to the public" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "Prospectus Directive" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

### **United Kingdom**

Any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) may only be communicated or caused to be communicated in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer.

Notes which have a term of less than one year may not be offered or sold and will not be offered or sold other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer.

All applicable provisions of the FSMA must be complied with in respect to anything done in relation to any Notes in, from or otherwise involving the United Kingdom.

### **Republic of Italy**

To the extent that the offering of the Notes has not been registered pursuant to Italian securities legislation and, accordingly, no Notes may be offered, sold or delivered, nor may copies of the document or of any other document relating to the Notes be distributed in the Republic of Italy, except:

- (i) to professional investors (*operatori qualificati*) (the "**Professional Investors**"), as defined in Article 31, second paragraph, of CONSOB (the Italian Securities Exchange Commission) Regulation No. 11522 of 1 July, 1998, as amended ("**Regulation No. 11522**"); or
- (ii) in circumstances which are exempted from the rules on solicitation of investments pursuant to Article 100 of Legislative Decree No. 58 of 24 February, 1998, as amended (the "**Financial Services Act**") and Article 33, first paragraph, of CONSOB Regulation No. 11971 of 14 May, 1999, as amended (Regulation No. 11971).

Any offer, sale or delivery of the Notes or distribution of copies of the Base Prospectus or any other document relating to the Notes in the Republic of Italy under (i) or (ii) above must be:

- (a) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with the Financial Services Act, Regulation No. 11522 and Legislative Decree No. 385 of 1 September, 1993, as amended (the "**Banking Act**");

- (b) in compliance with Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time, pursuant to which the Bank of Italy may request information on the issue or the offer of securities in the Republic of Italy; and
- (c) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB.

Please note that in accordance with Article 100-bis of the Financial Services Act, where no exemption from the rules on solicitation of investments applies under (i) and (ii) above, the subsequent distribution of the Notes on the secondary market in Italy must be made in compliance with the public offer and the prospectus requirement rules provided under the Financial Services Act and Regulation No. 11971. Failure to comply with such rules may result in the sale of such Notes being declared null and void and in the liability of the intermediary transferring the financial instruments for any damages suffered by the investors.

### **The Netherlands**

Notes with a term of less than 12 months and an issue price of less than €50,000 may only be offered in The Netherlands to professional market parties as defined in the Financial Supervision Act and the decrees issued pursuant thereto.

### **General**

The Manager has agreed that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchase, offers sells or delivers Notes or possesses or distributes the Base Prospectus and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and neither the Issuer nor the Manager shall have any responsibility therefor.

The Issuer does not represent that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.

## GENERAL INFORMATION

(1) **Authorisation**

The establishment of the Programme and the issue of Notes was duly authorised by the board of the Issuer on 10 August 2007.

(2) **Documents Available**

For the period of 12 months following the date of the Base Prospectus, copies of the following documents will, when published, be available from the registered office of the Issuer and from the specified office of the Agent for the time being Luxembourg:

- (a) the Memorandum and Articles of Association of the Issuer;
- (b) the audited non-consolidated accounts of the Issuer for the financial years ended 30 November 2005 and 2006, respectively;
- (c) the Agency Agreement; and
- (d) a copy of the Base Prospectus; and
- (e) any future offering circulars, prospectuses, information memoranda and supplements (save that a Final Terms relating to a Notes which is neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by such Noteholders and such holder must produce evidence satisfactory to the Issuer and the Agent as to its holding of Notes and identity) to this document and any other documents incorporated herein or therein by reference.

The Base Prospectus will be published on the website of the Luxembourg Stock Exchange at [www.bourse.lu](http://www.bourse.lu).

(3) **Significant or Material Change**

As at the date of the Base Prospectus, there has been no material adverse change in the prospects of the Issuer or significant change in the financial or trading position of the Issuer since 30 November 2006 (the date of the latest financial statements of the Issuer).

(4) **Litigation**

Save as disclosed in the Registration Document, there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) which may have or have had in the 12 months prior to the date of the Base Prospectus a significant effect on the Issuer's financial position or profitability.

(5) **Auditors**

The auditors of the Issuer are Deloitte & Touche LLP, Chartered Accountants, who have audited the Issuer's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for each of the two financial years ended on 30 November 2006. The auditors of the Issuer have no material interest in the Issuer.

The reports of the auditors of the Issuer are incorporated in the form and context in which they are incorporated, with the consent of the auditors who have authorised the contents of that part of the Base Prospectus.

(6) **Post-issuance information**

The Issuer does not intend to provide any post-issuance information in relation to any assets underlying issues of Notes.

**THE ISSUER**

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London  
E14 4QA

**AGENT**

**The Bank of New York**

One Canada Square  
Canary Wharf  
London E14 5AL

**LEGAL ADVISERS**

**Lovells LLP**

Atlantic House  
Holborn Viaduct  
London EC1A 2FG

**CALCULATION AGENT**

**Morgan Stanley & Co. International plc**

25 Cabot Square  
Canary Wharf  
London  
E14 4QA

**PAYING AGENT AND LISTING AGENT IN LUXEMBOURG**

**The Bank of New York (Luxembourg) S.A.**

Aerogolf Center  
1A Hoehenhof  
L-1736 Senningberg  
Luxembourg

**GERMAN AGENT**

**The Bank of New York, Filiale Frankfurt am Main**

Niederuau 61-63  
60325 Frankfurt am Main  
Federal Republic of Germany

**AUDITORS**

**Deloitte & Touche LLP**

Stonecutter Court  
1 Stonecutter Street  
London EC4A 4TR  
United Kingdom