# IPMA HANDBOOK ARCHIVE

# IPMA HANDBOOK

*as at*

## January 2000

There were no updates between December 1996 and the year 2000. This reprint was dated January 2000 throughout, because of the new millennium, but included changes made in September-December 1999 and January-February 2000:

1. Membership List and Contents pages were updated

2. Section Two – Recommendations Applicable to Offerings of Equity and Debt Issues Linked to Equity and Schedules 1 and 2 – revised, and contained the former Appendix B.

3. Appendix B – revised because this section is now incorporated in Section Two, as Section Two, Schedule Two.

4. Appendix F – Explanatory Memorandum and Pricing Supplement – new

5. Appendix G – ISMA compcompliant language for Actual/Actual interest calculations in euro-denominated fixed rate bond issues – new

6. Appendix H – Guidance Notes and Press Statements were moved to Appendix H from Appendix F.

7. Appendix H – Guidance Note 13 and Press Statement 3 were added.

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# INTERNATIONAL

# PRIMARY

# MARKET

# ASSOCIATION

## MEMBERS AND RECOMMENDATIONS

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## MEMBERSHIP 2000

ABN AMRO
ABN AMRO Rothschild
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Banca di Roma
Banca Monte dei Paschi di Siena SpA
Banca Nazionale del Lavoro S.p.A.
Banco Bilbao Vizcaya Argentaria
Banque Bruxelles Lambert SA
Banque Internationale a Luxembourg S.A./Dexia
Barclays Capital Group
Bayerische Landesbank Girozentrale
Bear, Stearns International Limited
BES Investimento
BHF-BANK Aktiengesellschaft
BNP Paribas Group
BSCH
CCF Charterhouse
CDC Marchés
Chase Manhattan International Ltd
CIBC World Markets plc
Commerzbank AG
Credit agricole - Indosuez
Credit Lyonnais
Credit Suisse First Boston (Europe) Ltd
D G Bank
Daiwa SBCM Europe
Den Danske Bank
Deutsche Bank AG
DGZ DEKABANK, Frankfurt
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Dresdner Kleinwort Benson Limited
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IBJ International plc.
ING Bank N.V.
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J. P. Morgan Securities Ltd.
Kokusai Europe Limited
Kredietbank S.A. Luxembourgeoise
Lehman Brothers International (Europe)
Leonia Corporate Bank plc
MeesPierson
Merita Bank Ltd
Merrill Lynch International
Mitsubishi Trust International Limited
Morgan Stanley Dean Witter
Nomura International plc
Norddeutsche Landesbank Girozentrale
Norinchukin International plc
PaineWebber International (U.K.) Ltd.
Rabobank
Raiffeisen Zentralbank Osterreich AG
RBC DS Global Markets
Sakura Finance International Limited
Salomon Smith Barney
Sanpaolo IMI
Sanwa International plc
Societe Generale
Sumitomo Trust International plc
Tokai Bank Europe plc
Tokyo-Mitsubishi International plc
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## ASSOCIATE MEMBERS

Asociacion de Intermediarios de Activos Financieros (AIAF)
Associazione Italiana Operatori Titoli Esteri (AIOTE)
London Investment Banking Association (LIBA)



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## SECTION ONE

# RECOMMENDATIONS APPLICABLE TO ISSUES OF DEBT INSTRUMENTS INCLUDING EQUITY-LINKED DEBT INSTRUMENTS

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## NOTES APPLICABLE TO ALL RECOMMENDATIONS IN SECTION ONE

1. Whenever the term *Lead Manager* is used, this is presumed to be the bookrunner. There can only be one new bookrunner per issue.

2. A Lead Manager who intends to deviate from the recommended procedure is expected so to inform the management and underwriting group at the time of the invitation to participate.

3. IPMA's Members acting as Lead Managers in issues of Euro-securities as defined in the EC Prospectus Directive (89/298/EEC) will be presumed – unless and to the extent that the contrary is stated on the screen, telephone invitation and the invitation telex – to be applying IPMA Recommendations to the issue.

For issues launched in other circumstances, the Lead Manager should either state on the screen, telephone invitation and the invitation telex that IPMA Recommendations are applicable if that is the case or, if some but not all of IPMA Recommendations are to be applicable, this fact, together with an indication of which Recommendations are excluded, should be similarly stated.

The definition in the Prospectus Directive is as follows:

*"Euro-securities" shall mean transferable securities which:*

– *are to be underwritten and distributed by a syndicate at least two of the members of which have their registered offices in different States, and*

– *are offered on a significant scale in one or more States other than that of the issuer's registered office, and*



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– *may be subscribed for or initially acquired only through a credit institution or other financial institution.*

4. Recommendation 2.1 in Section Two also applies to issues or offerings of bonds convertible into, exchangeable for or redeemable in, or bonds with warrants exercisable into, equity.

5. Whenever the term *equity* is used, it includes shares of any description, whether or not voting rights or dividend rights are restricted.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.1

## EARLY DISCLOSURE OF TERMS

1. The invitation telex should be considered as the basis of the syndicate participant's commitment subject to the signed syndicate agreements. The Lead Manager should however advise all invited parties by screen or telephone at the earliest possible moment of the basic commercial and non-commercial terms of an issue. In the case of screen displays the telephone conversation may be limited to the invitation.

2. Apart from the commercial terms of an issue, the screen or telephone invitation and/or invitation telex should as a minimum address the following matters (on which further information may be contained in Appendix C under the headings below or elsewhere in the IPMA Handbook):

- Guarantees
- Ratings
- Ranking
- Negative Pledge
- Market Related Call Provisions
- Taxation, Tax Redemption and Protection Against Identification or Certification
- Sales Restrictions, Lock-up Provisions and Private Placement Arrangements



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- Expense Caps, Payment of Commissions, Deductibility of Expenses, Stabilisation Accounts
- Force Majeure
- Cross Default
- Governing Law
- Form in which securities will be available (permanent global/ semi-permanent global/definitive)

3. An early positive response to a screen or telephone invitation may be reversed upon receipt of the invitation telex only if there are changes in or additions to the basic commercial or non-commercial terms of the issue. If there are subsequent material changes in or additions to the invitation telex (whether in the agreements or otherwise), commitments may be withdrawn but for these reasons only.

4. If the issue is under a Debt Programme, the Lead Manager should promptly send to any manager who requests it a complete copy of:

- the "base" documentation under which the issue is being made (for example, the dealer agreement); and
- the prospectus (or equivalent document) for the Debt Programme, including any supplement or updates to it.

In addition, the Lead Manager will use its best efforts to procure that the issuer promptly supplies to each manager such additional copies of the prospectus (or equivalent document) and any supplement or updates to it as that manager may require.

5. If the issue is under a Debt Programme, the screen or telephone invitation and/or invitation telex should, in addition to the matters set out in paragraph 2, indicate:



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– that fact;

– whether there will be a requirement for the managers to confirm to the Lead Manager when they have completed distribution of securities and, if so, the identity of the person to whom that confirmation should be sent; and

– securities (if any) with which the securities to be issued are to be fungible.

**Notes**

– The information contained in Appendix C serves to facilitate early disclosure and is in no way intended to substitute for professional advice.

– Appendix A contains a full check-list of disclosure requirements for debt and equity-related debt instruments.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.2

## TIMING OF ALLOTMENTS

In pre-priced offerings of securities syndicated among managers only, final allotments should be made within the next business day following launch of the issue or as soon as practicable after the management group is formed if earlier. Securities not then allocated should be retained by the Lead Manager for his own account and risk. The application of this Recommendation does not obviate the obligation of management group members under other provisions of the syndicate agreements, such as the provisions relating to defaulting syndicate members.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.3

## OPEN UNDERWRITING COMMITMENT

Where the initial underwriting commitment offered to prospective management group members is indicated as a range of amounts, it is recommended that the lower amount shall not be less than 75% of the higher amount.

## PROTECTION

In pre-priced offerings of debt and equity-related instruments which are syndicated among managers only, Lead Managers should grant pre-allotments of not less than 50% of the finalised or expected minimum underwriting commitments if so required by management group members at the time of their acceptances of the syndicate invitations.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.4

## CO-MANAGER WITHOUT UNDERWRITING OBLIGATION

Lead Managers should not offer underwriting participations on the basis of a tacit or overt understanding or agreement to repurchase the commitment or restrict the allotment to a significantly reduced portion of the commitment.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.5

## EXECUTION OF AGREEMENTS

1. In respect of each issue, it is the duty of the Lead Manager to send to each of the managers the final version of the agreements required to be executed by them together with the latest draft of the prospectus or offering circular (if one is being prepared for that issue) for receipt not later than two full business days prior to the signing.

In the case of an issue under a Debt Programme, the documentation to be provided under this Recommendation includes the pricing supplement for the issue and, if one is being produced, any supplement to the information memorandum for the programme.

If the above practices cannot be observed then exceptionally but alternatively, the Lead Manager will make such documentation available not less than two full business days prior to the signing in his offices in the place of signing and, if the signing is not in London,



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also in the offices of his nominated representative in London.

2. Lead Managers requesting managers to appoint authorised signatories to execute agreements on their behalf, and managers in providing such appointments, should use the following form:

**Quote**

We, [Name of your Institution], hereby appoint [Name of your signatory] or [Names of Lead Managers' signatories] acting alone with power to execute and deliver on our behalf the [Name of documents] in connection with the issue by [Name of issuer] of its [Description of securities being issued] and to take any other action necessary in connection with such issue.

By: ..... Dated: .....
*Authorised representative(s)*

**Unquote**

**Note**

It is recognised that adaptations to the above form may be required to be made by managers to reflect particular local or corporate requirements.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.6

## FLOATING RATE NOTE ALLOTMENTS

Final allotments to management group members of floating rate instruments denominated in US Dollars or Sterling should be in nominal amounts of one million or multiples thereof.

Where an issue of floating rate instruments denominated in US Dollars or Sterling is being increased, this should be in nominal amounts of either one million or of half a million or multiples thereof.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.7

## DEBT AND EQUITY-LINKED ISSUE STABILISATION ACCOUNTS

1. Price stabilisation by a Lead Manager should assist in the orderly distribution of an issue, thus promoting an orderly secondary market and ultimate liquidity. Lead Managers should therefore only enter into stabilisation activity in order to encourage the orderly primary distribution of securities.

2. In pre-priced debt issues (other than equity-linked issues), Lead Managers should not deduct stabilisation costs from fees paid to syndicate participants (or otherwise stabilise for the account of the syndicate) unless, when invitations are issued, the Lead Manager specifically reserves the right so to do.

3. Where stabilisation costs may be deducted from fees to be paid:

(a) a syndicate participant should not be liable for any stabilisation losses or unreimbursed expenses which together exceed the actual underwriting commission or, if management and underwriting fees are combined, the 60% of the combined fee which is deemed to be the underwriting commission. Lead Managers should not be obliged to credit the stabilisation account for stabilisation profits in excess of one additional actual or deemed underwriting fee. Stabilisation losses or unreimbursed expenses in excess of these amounts should not be deducted from the management fee and should be borne in their entirety by the Lead Manager.



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(Explanatory Note: In these circumstances the maximum underwriting payout would be 200% of the underwriting fee less unreimbursed expenses and the minimum underwriting payout would be 0% of the underwriting fee);

(b) stabilisation provisions in underwriting agreements may permit the Lead Manager to "hedge" the stabilisation account in whatever instruments are considered by him to be appropriate and provide that the economic results of that hedging will be charged or credited to the stabilisation account;

(c) the Lead Manager should not have the right to distribute a syndicate long position to the underwriters nor should the Lead Manager have the right to require underwriters to supply securities to meet a syndicate short position; and

(d) stabilisation activity for the account of the syndicate should cease:

(i) in pre-priced debt issues (other than equity-linked issues), on the closing date of the issue; or

(ii) in other issues, as soon as practicable after the closing date and the syndicate account should be closed out and all positions covered within 30 days following the signing date.

In this regard, it is accepted that the Lead Manager may purchase or sell to or from his own account to settle a position which exists in the stabilisation account.

4. Where stabilisation is to be carried out by the Lead Manager as agent for the managers, the Lead Manager should account to the managers for any interest earned by it on any moneys earned while acting as agent through stabilisation and for any such moneys, unless it is authorised by the managers to retain all or part of such interest.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.8

## PAYMENT OF COMMISSIONS

1. Underwriting fees and net management fees, after deduction of the praecipium only, should be paid no later than:

   (a) closing date, in pre-priced debt issues (other than equity-linked issues); or

   (b) 30 days after the closing date, in other issues.

Where management and underwriting fees are combined, 40% should be deemed to be the management fee. Underwriting fees should be paid subject to deducting or adding the items listed below.

2. Profits realised or losses incurred as a result of over-allotment or stabilisation activities, including borrowing charges connected therewith and taking into account related hedging activities, should be added or deducted only to the extent that these activities are recommended to be for the syndicate account under Recommendation 1.7 on Stabilisation Accounts.

3. Legal costs of the issuer, the cost of the prospectus and expenses incurred for the listing, printing and delivery of the bonds or notes and for all necessary approvals should be paid by the issuer and should in no event be charged to the syndicate. Appendix C(xi) refers.



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4. Direct out-of-pocket expenses of the Lead Manager which exceed the expense reimbursement by the issuer:

(a) should not be charged against fees in pre-priced debt issues (other than equity-linked issues); or

(b) should be charged against the underwriting fees only to the extent of the lower of 10% of such fees or 20% of such expense reimbursement in other issues.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.9

## LATE PAYMENT OF FEES

Lead Managers should settle underwriting and management fees by the date specified in Recommendation 1.8.

If any fees or commissions due to a manager have not been paid on the date on which they are due, the Lead Manager should in addition pay interest of 1% per month or part thereof, such interest to be calculated from (but excluding) the date on which the fees are due and to be added to the amount on which interest is so calculated at the end of each period of 30 days thereafter. The interest rate of 1% per month shall apply to all currencies. It shall be added to the payment of the fees or commissions but identified separately. In case of dispute the Lead Manager may be asked by IPMA to provide evidence as to the dates when payments were effected.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.10

## DELIVERY OF DEFINITIVE CERTIFICATES

**(When Cedel and the Euroclear System are the Primary Depositaries and Clearers)**

1. Unless otherwise precluded by the specific applicability of securities laws or regulations or unless otherwise disclosed in the prospectus, definitive certificates should be made available for exchange as soon as practicable after the closing date of an issue, so as to enable the exchange for the global certificate to take place as soon as possible after the fortieth day after the closing date.

2. In the case where applicable securities regulations preclude the exchange of a global certificate for definitive certificates for a period longer than 40 days after the closing date (such as in the case of an issue with a tap feature), or unless otherwise disclosed in the prospectus, definitive certificates should be made available in exchange for the global certificate as soon as possible after the date on which such exchange is first permissible.

3. As stated in Recommendation 1.1.2, the Lead Manager should provide early disclosure of whether the issue will be in permanent global, semi-permanent global or definitive form. If the issue is to be in semi-permanent global form and to clear in Cedel and/or Euroclear then, in order to maximise the fungibility of the issue, for bearer securities the whole issue should be converted to definitive form (but not at the expense of the investors) when an investor gives due notice that he wishes to hold his part of the issue in definitive form.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.11

## REGISTRATION AS REPORTING DEALER

All IPMA Members who lead manage and co-lead manage international security issues or offerings should register, or ensure that an associate company register, as reporting dealers under ISMA rules from the day following allotments. Lead Managers should under normal circumstances remain registered for a minimum of twelve months and co-Lead Managers for a minimum of six months. This shall apply to US Dollar and ECU straight bonds and such other instruments and currencies as the IPMA Board of Directors may from time to time decide.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.12

## INCREASES IN ISSUE AMOUNTS/FUNGIBLE ISSUES

1. Where a Lead Manager wishes to increase the amount of an issue before payment date, it is incumbent on him to offer members of the management group a pro rata share of the amount of the increase. Each co-manager should have the option to accept or decline that additional share.

2. A Lead Manager who plans to launch an issue intended to be fungible with an issue previously launched by another Lead Manager should refrain from doing so until after the closing date or until the end of the stabilisation period (as laid down in paragraph 3(d) of Recommendation 1.7 on debt and equity-linked stabilisation accounts) of the previous issue, whichever is the later.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.13

## FIXED PRICE OFFERINGS/RE-OFFERINGS

## DISCLOSURE OF SELLING GROUP AND CLAW-BACK

1. In deals involving a selling group, the Lead Manager should disclose to the underwriters on launch that there will be a selling group.

2. In deals involving a selling group, it is recommended that:

   (a) the underwriters are entitled to know from the Lead Manager at the time of invitation what the maximum claw-back from their allotment will be as a result of the selling group's demand for paper; and

   (b) the claw-back due to the selling group's demand should be determined pro rata to underwriting commitments.

## BREAKING OF SYNDICATE

At any time – and even a very short time – before the breaking of the syndicate, the Lead Manager should inform the underwriting/selling group of the precise time when the breaking of the syndicate will occur. The Lead Manager can so inform the underwriting/selling group by screen, telephone or telex. Once the syndicate has been broken, the securities may be sold other than on the fixed price offer/re-offer basis.



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## PRICING ON A YIELD BASIS

This Recommendation applies to deals where the issue price is determined after launch by reference to the yield of an existing security:

1. the underwriting/selling group should be advised at the time of the invitation at what time it is intended that the issue yield and issue price will be determined. The Lead Manager should disclose both any material change to the intended timing and also the issue yield and issue price to the management/selling group as soon as practicable after they have been determined;

2. the issue yield and issue price should be determined on the following basis:

(a) it should be stated whether the price of the reference security is calculated from its bid, mean or offer price;

(b) the issue yield is the sum of the yield of the reference security and the margin (annualised where appropriate); and

(c) unless the Lead Manager indicates to the contrary at the time of invitation, the issue price should be calculated from the issue yield on the ISMA basis.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.14

## DEBT PROGRAMMES: ADDITIONAL RECOMMENDATIONS

## SELLING RESTRICTIONS / COMMUNICATING COMPLETION OF DISTRIBUTION

It is important to check the underlying sales restrictions when launching a syndicated issue under a Debt Programme. US sales restrictions may be particularly relevant: where the restricted period is determined by completion of distribution (within Reg S, Category 2 or Category 3) it is recommended that the Lead Manager be promptly informed by the Managers when their allotment has been sold.*

## REPRINTING AND UP-DATING PROSPECTUS

Where the issue is to be made under a Debt Programme, if the prospectus for the issue (or other equivalent document) is dated earlier than one year from the date of the signing of the issue, it is recommended that the prospectus be reprinted and up-dated.

***Note**

In such issues, when the Issuing and Paying Agent (IPA) is notified by the Lead Manager that distribution is complete, the IPA will determine when the restricted period has expired and will then inform the necessary parties of that fact.



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## PRICING SUPPLEMENTS

Pricing supplements should indicate whether or not the proposed issue is to involve a syndicate of managers. If a syndicate of managers is to be involved, the names of the managers should be set out in the pricing supplement.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.15

## CONDITIONS PRECEDENT

The following should be included as conditions to closing (unless managers have been notified, before they are required to agree to become managers, that they will not be):

– the delivery to the Lead Manager on behalf of all the managers of relevant and appropriate opinions from legal counsel (for example, from the country of incorporation of the issuer and guarantor, if there is one, and the country whose laws govern the notes to be issued) confirming (amongst other things) that the securities to be issued are (or will create) valid and binding rights and that the contracts relating to the issue and the rights of the managers under them are valid and binding;

– the delivery to the Lead Manager on behalf of all of the managers of appropriate comfort letter(s) from the auditor to the issuer (and any guarantor) dated the signing and closing date and addressed to the managers; and

– where the issue is under a Debt Programme, a certificate, signed by a director or other equivalent senior officer of the issuer (and any guarantor) to the following effect:



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*[Insert reference to prospectus and any supplements] contain all material information relating to the assets and liabilities, financial position, profits and losses of [name of Issuer and Guarantor, if there is one] and nothing has happened or is expected to happen which would require the attached documents to be supplemented or updated.*

The auditors' first comfort letter (if there is one) should be dated the signing date for the issue and the legal opinion(s) and auditors' second (or only) comfort letter should be dated the closing date for the issue (unless managers have been notified, before they are required to agree to become managers, that they will not be).



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.16

## ENFORCEMENT OF SECURITIES' HOLDERS' RIGHTS

The International Clearing Systems will not normally enforce the terms of securities against an issuer or guarantor on behalf of persons investing in such securities through accounts held with the clearing systems. It is therefore important for a Lead Manager to ensure that the persons ultimately entitled to the securities can enforce their rights under the securities against the issuer and, if there is one, the guarantor. In particular, special arrangements may be necessary in order to achieve this effect where the securities are represented by permanent global certificates.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.17

## NAME GIVE-UP

The managers of an issue should not be required to divulge the names of any of their customers showing interest in the issue, or the level of interest, unless there are compelling reasons for doing so. Where such a requirement is imposed, the information should not be provided to, or through, any other manager of the issue, but should be given only by each manager to the issuer of the securities, on a confidential basis.

Under the laws of some countries such information may be regarded as being confidential and its disclosure may only be made with prior consent of the customer concerned.

Where such a requirement is to be imposed, managers should be notified of that fact no later than the time they are invited to participate in the issue. Such notification should contain full details of the information which must be disclosed and the reasons for the requirement.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

# RECOMMENDATION 1.18

## LEAD COUNSEL TO MANAGERS/DEALERS

Neither the Managers of a syndicated issue nor the Dealers in a Debt Programme should be represented by a law firm which has any other conflicting interest in that transaction. The law firm which represents the Managers or the Dealers should not represent in any particular transaction any other party to the transaction (other than the trustee or its equivalent). In particular, it should not also represent the issuer or the guarantor, if any.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## SECTION TWO

## RECOMMENDATIONS APPLICABLE TO OFFERINGS OF EQUITY AND EQUITY-LINKED DEBT ISSUES

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## NOTES APPLICABLE TO ALL RECOMMENDATIONS IN SECTION TWO

1. Whenever the term *Lead Manager* is used, this is presumed to be the bookrunner or, where there is a number of bookrunners, the global co-ordinator.

2. In the Recommendations in Section Two, *manager* means any person who assumes an obligation towards the issuer of the securities or the owner of the securities which are to be the subject of the offering, to subscribe or purchase, or procure subscribers or purchasers, for the securities.

3. Recommendation 2.2 and Part 2 of Section Two, Schedule 2 only apply where the issuer of the shares in question is incorporated outside a Specified Jurisdiction. Recommendation 2.2 and Part 1 of Section Two, Schedule 2 apply in *all* cases. For this purpose, *Specified Jurisdiction* means any member state of the European Union or of the European Free Trade Association, Canada, any State of the United States of America, Japan, Australia and New Zealand.

4. IPMA's Members acting as Lead Managers in issues or offerings of Euro-securities as defined in the EC Prospectus Directive (89/298/EEC) will be presumed – unless and to the extent that the contrary is stated on the screen, telephone invitation and the invitation telex – to be applying IPMA Recommendations to the issue or offering (unless disapplied already, under paragraph 3 above).

For issues or offerings launched in other circumstances, the Lead Manager should either state on the screen, telephone invitation and the invitation telex that IPMA Recommendations are applicable if that is the case or, if some but not all of IPMA Recommendations



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are to be applicable, this fact, together with an indication of which Recommendations are excluded, should be similarly stated.

The definition in the Prospectus Directive is as follows:

> *"Euro-securities" shall mean transferable securities which:*
>
> – *are to be underwritten and distributed by a syndicate at least two of the members of which have their registered offices in different States, and*
>
> – *are offered on a significant scale in one or more States other than that of the issuer's registered office, and*
>
> – *may be subscribed for or initially acquired only through a credit institution or other financial institution.*

5. The Recommendations in this Section Two apply to offerings of shares, whether on issue or where the shares being offered have already been issued, including offerings of investments (such as depositary receipts) which represent shares. Recommendation 2.1 also applies to bonds convertible into, exchangeable for or redeemable in, or bonds with warrants exercisable into, shares.

6. Whenever the term *equity* is used, it includes shares of any description, whether or not voting rights or dividend rights are restricted.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# EQUITY

# RECOMMENDATION 2.1

## SYNDICATE INFORMATION

1. In order to ensure productive and fair operation of the syndicate, the Lead Manager should provide, and prospective managers should expect to receive, a detailed outline of the basis of the invitation. The information should allow the prospective manager to assess and understand:

- the role which it is being asked to perform;
- the research and/or trading resources which are necessary/ appropriate to performance of the role;
- the expected underwriting and/or other market-related risk involved (for example, whether there is to be book-building or whether the underwriting is hard);
- the mechanism by which it will be remunerated including the anticipated commission;
- the marketing arrangements including the managers' access to investors and the roadshow within geographical regions;
- risk period, if known.

It is recommended that the transaction information relating to an invitation to participate as a manager is contained in a syndicate memorandum. This memorandum should be made available at, or as soon as possible after, the initial invitation into a syndicate and before any significant commitment of resources by the prospective manager.



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To assist Lead Managers, a check-list of information to be considered for inclusion in the memorandum is attached (Section Two, Schedule 1). The items are neither exhaustive nor mandatory. Where items of information are unavailable until a later stage in the transaction, it will be helpful not only to note this but also to give to syndicate members an indication of when they can expect such information to be forthcoming.

2. Section Two, Schedule 2 contains a check-list of information which may be relevant for disclosure to the syndicate at a later stage of the transaction for issues or offerings of equity.

3. Lead Managers should use the check-list in Part 1 of Section Two, Schedule 2 and (where the issuer of the shares in question is incorporated outside a Specified Jurisdiction) the check-list in Part 2 of Section Two, Schedule 2 when considering what information should be provided to managers or prospective managers subsequent to the issue of the syndicate memorandum and should (unless prevented from doing so by law or market practice) obtain and provide any such information to managers or prospective managers if so requested. For the avoidance of doubt, there is no requirement to include such information in any invitation telex. The information can be included in any draft prospectus for the issue or (unless there is a legal requirement to disclose the information in the prospectus) only on request by a manager.

4. Lead Managers are reminded that both the EC Prospectus Directive (89/298/EEC) and the Listing Particulars Directive (80/390/EEC) require that investors should be given the information which, according to the particular nature of the issuer and of the securities in question, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the issuer and of the rights attaching to the securities. Nothing in these Recommendations should be taken as in any way modifying this overriding obligation or the requirements of any stock exchange which may be relevant in connection with the offering.



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5. If there are subsequent material changes in any information given under this Recommendation, such changes must be promptly notified to the person to whom such information was given.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# EQUITY

# RECOMMENDATION 2.2

## EXECUTION OF AGREEMENTS

1. The Lead Manager must send to each of the managers the final version (subject to any subsequent modifications, which must be promptly notified to each of the managers) of the agreements required to be executed by them together with the latest draft of the prospectus or offering circular for receipt not later than three full business days prior to the signing.

2. Lead Managers requesting managers to appoint authorised signatories to execute agreements on their behalf, and managers in providing such appointments, should use the following form:

**Quote**

> We, [Name of your institution] hereby appoint [Name of your signatory] or [Names of Lead Managers' signatories] acting alone with power to execute and deliver on our behalf the [name of documents] in connection with the issue/sale by [Name of issuer or seller] of [description of securities being issued or sold] and to take any other action necessary in connection with such issue/sale.
>
> By: ..... Dated: .....
> *Authorised representative(s)*

**Unquote**



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## Note

It is recognised that adaptations to the above form may be required to be made by managers to reflect particular local or corporate requirements.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# EQUITY

# RECOMMENDATION 2.3

## FEES AND LATE PAYMENT

1. The provisions of Recommendation 1.8 apply to all equity-linked debt instruments.

2. In all other issues, the Lead Manager should inform each of the managers, when invitations are issued, of:

- any limit (or the absence of any limit) on deduction for expense overruns;
- unusual cost overruns to be charged to the syndicate, i.e. those not referred to under Managers' Expenses in Appendix C(XI), and the procedures for calculating commissions if such overruns are charged;
- whether the expenses of any manager other than the Lead Manager are to be reimbursed by the Issuer;
- any cap on expenses to be reimbursed by the Issuer;
- if paragraph 4 or 5 of Recommendation 2.3 is to be dis-applied, the time limit for payment;
- any non-proportionate fee arrangements including inter-syndicate expense sharing arrangements which are not pro rata allocation.

3. The following "short form" reference may be used to indicate the limits, if any, on deduction from commissions:



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**IPMA1**

Expense overruns and stabilisation costs may be deducted from the underwriting commission only.

**IPMA2**

Expense overruns and stabilisation costs may be deducted from the underwriting and management commissions only.

**IPMA3**

Expense overruns and stabilisation costs may be charged to syndicate members (whether by deduction or otherwise) without limit.

If "IPMA1" is used, it should be made clear from the information given which part of the overall fees will comprise underwriting commission and which part will comprise management commission.

4. Any selling commissions which are not deducted from settlement payments should be paid as soon after closing as the Lead Manager is able to calculate them and in any event no later than 30 days after the closing date.

5. Management and underwriting commissions should be paid to managers no later than 90 days and 150 days respectively after the closing date, after deduction only for items and subject to any limits on the overall deductions, notified to managers in accordance with paragraph 2.

6. The time limits for payment of commissions under paragraphs 4 and 5 shall not apply if the Lead Manager is able to demonstrate that it could not make such payment within such time limit. In any such case, payment must be made as soon as the Lead Manager is able to do so.

7. If any fees or commissions due to a manager have not been paid on the date on which they are due as set out in paragraphs 4 and 5, the Lead Manager should in addition pay interest of 1% per month



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or part thereof, such interest to be calculated from (but excluding) the date on which the fees are due and to be added to the amount on which interest is so calculated at the end of each period of 30 days thereafter. The interest rate of 1% per month shall apply to all currencies. It shall be added to the payment of the fees or commissions but identified separately. In case of dispute the Lead Manager may be asked by IPMA to provide evidence as to the dates when payments were effected.

8. In the event of any of the commission payments being delayed beyond the above timetable, managers and the Issuer should be promptly informed in writing of the reasons for the delay and envisaged future timetable for payment.

9. Lead Managers should separately categorise stabilisation and cost overruns and be prepared to indicate upon request the breakdown between legal, marketing and other expenses.

10.When supplemental selling concessions are required to be paid to managers as a result of the triggering of a cap on the selling or total economics of the Lead Manager it should be made clear to a manager the amount of such concession which is the result of reallocation of selling concessions and the calculations by which reallocation has been determined should be clearly set out in writing.



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# EQUITY

# RECOMMENDATION 2.4

## CONDITIONS PRECEDENT

The following should be included as conditions to closing (unless managers have been notified, before they are required to agree to become managers, that they will not be):

- the shares will be listed (or will be listed shortly after closing) on the exchange notified to the managers in accordance with the Recommendation 2.1 and Part 1 of Section Two, Schedule 2;

- an appropriate opinion from legal counsel confirming that the shares have been (or that there is no legal reason why they should not be) issued and are (or will create) valid and binding rights and that the contracts relating to the issue and the rights of the managers under them are valid and binding.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# EQUITY

# RECOMMENDATION 2.5

## STABILISATION

1. The Lead Manager should inform each of the managers, when invitations are issued:

- whether any stabilisation is to be carried out in the shares or other shares connected with them (e.g. *associated securities* for FSA rule purposes);
- whether stabilisation is to be carried out for the account of the managers;
- if so, whether the liability of the managers is subject to a limit and whether there is a limit on the number of shares which can be stabilised;
- details of the period during which stabilisation will or may be carried out.

2. Where stabilisation is to be carried out by the Lead Manager as agent for the managers, the Lead Manager should account to the managers for any interest earned by it on any moneys earned through stabilisation while acting as agent and for any such moneys, unless it is authorised by the managers to retain all or part of such interest or profits, and should notify them on invitation of any deductions to be made from any stabilisation profits before payment to the managers.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## EQUITY

## RECOMMENDATION 2.6

### ORDER CLARIFICATION

When any order enters a book through another manager or is split in part with a manager other than the Lead Manager, the Lead Manager should inform the manager in question in advance of any contact by the Lead Manager with the institution placing the order for the purpose of clarifying the order. In the event that Lead Managers wish to derogate from this Recommendation, this should be expressly stated as "non IPMA order clarification" in the syndicate memorandum.

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# SCHEDULE 1

## IPMA SYNDICATE MEMORANDUM CHECK-LIST FOR ISSUES OR OFFERINGS OF EQUITY OR EQUITY-LINKED INSTRUMENTS

### Note

Schedule 2 contains a more detailed check-list amplifying many of the bullet points set out below. While it is not intended that the Syndicate Memorandum should contain information in such detail, Schedule 2 may assist in identifying information which should be disclosed in summary form in the Syndicate Memorandum, to the extent that such information is available at the time the Syndicate Memorandum is to be published. In the check-list below, where it is felt that Schedule 2 might be of assistance, a note of the relevant paragraph appears after the bullet point concerned.

### 1. Structure of Offering and Syndicate

- Description of offering and of securities (sch.2, para.1)
- Fungibility, dividend entitlement (sch.2, paras 1.13 and 1.21 to 1.28)
- Description of shareholding structure pre and post issue (sch.2, para.2)
- Syndicate structure (sch.2, para.3)
- 144A arrangements (sch.2, para.4)
- Greenshoe (sch.2, para 5)
- Clawback between syndicates (sch.2, para 6)
- Re-allocation of underwriting between syndicates
- Pricing mechanics, including underwriting range
- Protection policy
- Stabilisation
- Listings
- Tranche structure
- Nature, size-range and timeframe for underwriting
- Full timetable (sch.2, para 7)
- Any lock-up on further sales/new issues (sch.2, para 2.7)



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**2. Sales Restrictions**

- Local
- USA
- Japan
- International/other
- Ringfencing
- Exempt lists
- Any public offer jurisdictions

**3. Commissions and Expenses**

- Gross
- Super praecipuum
- Management fee
- Management praecipuum
- Underwriting fee
- Selling concession
- Pot economics
  - Caps: how calculated, what happens if exceeded
  - Pre-agreed: how calculated
- Designations: whether permitted, before or after allocation
- Deductions (IPMA1, IPMA2 or IPMA3)
- Expense reimbursement
  - Full details on expenses including who is responsible for paying which expenses and whether a cap applies. Policy for reimbursing expense
- Commissions on greenshoe
- Timing of payments
- Any issuer discretionary payments
- Any issuer sanctions
- Intersyndicate arrangements for
  - expense overruns
  - stabilisation costs

**4. Documentation**

- When available
- Force majeure
- Inclusion of managers' names on prospectus cover



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**5. Trading arrangements**

- Which market
- Restrictions
- Obligations
- Persons expected to make markets
- Start date

**6. Research**

- Who can publish and when
- Who is required to publish research
- Co-ordination of contents
- Arrangements for company access
- Window period
- Blackout period (beginning and ending)
  - U.S.
  - International
- Research guidelines memo

**7. Marketing Arrangements**

- Marketing schedule/timetable
- Role and responsibilities of syndicate members in
- Pre-marketing procedures
  - Timing
  - Feedback
  - Restrictions
- Roadshow
  - Access to management presentations
  - Access to management one-on-ones

**8. Bookbuild/demand procedures**

- Communication methodology (especially if multiple book-runner)
- Transparency and confidentiality
- Investor details required
- Pot mechanics
- Disclosure of book - to whom and when
- Split orders



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- Order clarification policy
- Designation policy
- Timing and mechanics of designations

**9. Allocation and settlement**

- Determined by whom
- Protection
- Criteria
- Pot orders - billing and delivery
- Treatment of non-transparent or retail orders
- Free retention/directed allocation policy
- Split orders
- Disclosure of allocations/pot list - to whom and when
- Settlement mechanics (where unusual)
- Name of settlement contact person

**10. Publicity**

- Restrictions

**11. Contact list**

- Bookrunner/GC contacts

**12. Forms**

- Pre-marketing forms
- Investor demand forms

**13. Due Diligence and Legal**

- Legal advisors to
  - Company
  - Vendor (if applicable)
  - Underwriters
- Availability of 10b-5 opinions to underwriters and from whom
- Accounting Advisers
- Comfort letters (SAS 72, SAS 76, Other)
- Other technical advisers



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# SCHEDULE 2

## IPMA DISCLOSURE CHECK-LIST FOR ISSUES OR OFFERINGS OF EQUITY OR EQUITY-LINKED INSTRUMENTS

## PART 1

### Information to be disclosed by the Lead Manager in all issues of shares or equity-linked debt issues

### Structure of Offering and Syndicate

**1 Description of offering and of securities**

**Offering**

1.1 whether a primary or secondary offering or IPO

1.2 any concurrent domestic or other regional offerings of the shares or at other shares

1.3 any reservation of geographical areas to any manager or group of managers with description of the areas so reserved

1.4 any restrictions on grey market trading

1.5 any restrictions on trading between securities involved in the issue (e.g. between ADAs and GDRs and the shares)

1.6 any force majeure arrangement (including whether an IPMA version is to be used and, if so, which)

1.7 governing law of offering

1.8 use of proceeds

**Securities**

1.9 type of shares (e.g. equity of preference shares)

1.10 form of shares (e.g. bearer/registered physical/dematerialised)



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1.11 whether the shares are to be represented by collective certificates or receipts (e.g. ADRs or GDRs)

1.12 par value

1.13 whether the shares are fungible with existing shares or will become so (and if so, when)

1.14 voting entitlement (including, if the voting rights are different from those of any other class of shares, details of the differences)

1.15 any obligations to contribute over and above the subscription price (whether under the constitution of the issuer or under the law) (e.g. if the shares are partly paid or the liability of shareholders is not strictly limited to the amount paid up on their shares)

1.16 redemption rights attached to the shares, if any

1.17 description of any conversion rights attached to the securities

1.18 any stock exchange on which the shares are listed

1.19 any identification symbol for the shares used by any relevant stock exchange or quotation system

1.20 if prospective investors would be entitled to pre-emption rights in respect of further share issues, a description of those rights

**Dividend entitlement and history; tax**

1.21 dividend entitlement (including, if the shares are preferential, whether the right is cumulative and, if the dividend is variable, the basis on which it is determined)

1.22 expected dividend payment date and the expected record date for determining entitlement to dividends

1.23 current dividend yield (if the shares are listed)

1.24 dividend history over previous five years (or for as many years as possible, if five years is impracticable)

1.25 Dividends paid over previous two years or last five occasions on which dividends have been paid, if they have not been paid annually



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1.26 any withholding tax on dividends

1.27 any other tax which might apply to transactions in the shares (e.g. capital gains on disposals)

**Price and trading history**

1.28 price details (monthly highs and lows) over previous two years and the current year (including daily figures for a 15-day period ending not earlier than three days prior to invitation)

1.29 average daily volume of trading over a period of 12 months

**2 Description of shareholding structure pre and post issue**

2.1 Recent share issues or issues of equity-linked securities by the issuer in the previous five years, with brief description of each class of shares concerned

2.2 details of changes to the share capital of the issuer for all classes of share including share splits and rights issues over the previous five years (or, if this period is not possible, for the longest period which is possible)

2.3 Percentage of share capital represented by the issue (assuming shares are fully issued) and number of shares that will be outstanding upon completion of the issue

2.4 dilution in terms of EPS

2.5 in the case of a secondary offering, details of the identity of the vendor

2.6 if it is important that any existing shareholder retains its stake in the issuer, a description of the arrangements made to achieve this (e.g. a "no-sale agreement" or "lock-up" arrangement)

2.7 any restriction on the right of the issuer or the offeror to sell further shares or to convert any convertible securities or to exchange any warrants for shares for any period from the launch of the issue, including details of end of the period

2.8 issuer's power to purchase and hold its own shares

2.9 any legal requirement to notify shareholdings (or agreements to



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acquire shares, such as underwriting commitments) above a certain level to the issuer or any authority

2.10 any "golden share" arrangements

2.11 major shareholders or the absence of any major shareholders, including connected groups of people, if their shareholdings are material in the context of the issue or offering and whether they hold for investment or as dealers

**3 Syndicate structure**

3.1 Composition of management group and structure (e.g. Lead Managers, co-managers, regional Lead Managers etc.)

3.2 the identity of the persons who will determine the price and the basis on which they will do so

3.3 whether a manager may be required to subscribe or purchase shares

**4 144A arrangements**

4.1 Who can sell in United States of America under Rule 144A

**5 Greenshoe**

5.1 Number of additional securities which can be issued under the greenshoe

5.2 period within which greenshoe can be exercised and person who can exercise

**6 Clawback between syndicates**

6.1 Description of maximum amount of any clawback and/or "flow-through" arrangements

6.2 period within which clawback can be exercised

**7 Full timetable**

Timetable, including details of:

7.1 the expected date on which the offering will be priced;



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7.2 the time (if any) at which the managers will become legally bound to subscribe or purchase or to procure subscribers or purchasers;

7.3 the time at which managers will have securities allotted to them;

7.4 expected closing date;

7.5 when listing will be granted (if any);

7.6 first expected day of trading of shares being offered (if they are listed);

7.7 expected timing of settlement;

7.8 mechanics for settlement;

7.9 any notification requirement;

7.10 any “on exchange” requirement;

7.11 fees payable (e.g. brokers);

7.12 expected timing for delivery of certificates, if any.



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## PART 2

## Additional information to be disclosed by the Lead Manager in all issues of shares or share-linked debt issues where the issuer is incorporated outside a Specified Jurisdiction

### 1. The market

1.1 any factors relating to the stock exchange on which the shares are listed which could make it difficult to dispose of the shares (e.g. any illiquidity). If there is a very low trading volume on the exchange, details should be given of average daily turnover on the exchange over a 12-month period;

1.2 any limit imposed by the relevant stock exchange outside which shares cannot trade on a given day;

1.3 details of locations where shares trade and methods by which prices can be obtained (e.g. screen-based systems).

### 2. Additional costs

2.1 any additional costs (e.g. stamp duty, transfer tax or registration fees) payable on subscription, purchase or subsequent transfer of shares.

### 3. Additional settlement transfer information

3.1 authorisations required for acquisition, transfer or sale of shares;

3.2 any limits on (a) total and (b) individual foreign ownership;

3.3 any requirement to be satisfied in respect of the holding of the shares (e.g. any requirement to register as an investor and hold an identity card and to appoint a domestic agent to receive corporate notices);

3.4 exchange control or other limitations on remission of payments in respect of the shares to investors (e.g. non-convertible currency).



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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## SECTION THREE

# RECOMMENDATIONS APPLICABLE TO ISSUES OF EQUITY-LINKED DEBT INSTRUMENTS

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## EQUITY-LINKED DEBT ISSUES

The same considerations will normally apply to equity-linked debt issues (such as convertible or exchangeable bonds, or bonds with warrants) as apply to equity issues. In addition, because of the debt element of such issues, the Recommendations applying to debt will also be relevant. Accordingly, debt instruments which are linked to equity should comply with both Section One and Recommendations 2.1 (including Section Two Schedules 1 and 2) and 2.4 in Section Two.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## SECTION FOUR

## RECOMMENDATIONS APPLICABLE TO MEDIUM TERM NOTE PROGRAMMES

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## NOTES APPLICABLE TO ALL RECOMMENDATIONS IN SECTION FOUR

1. The Recommendations apply to all medium term note programmes and debt issuance programmes, regardless of the name used to describe the programme, where provision is made for debt instruments to be distributed or placed in the international capital markets.

2. IPMA's Members acting as arranger for a medium term note programme will be presumed – unless and to the extent the dealers are informed to the contrary in writing – to be applying IPMA Recommendations to the programme.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# MEDIUM TERM NOTE PROGRAMMES

# RECOMMENDATION 4.1

## EXECUTION OF AGREEMENTS

1. The arranger of a medium term note programme should send to each of the dealers for review and comment the latest drafts of the offering circular and the documents to be signed by the dealers, for receipt not later than five full business days prior to the deadline for comments to be received in the case of a new programme and three full business days in the case of an amendment to or renewal of an existing programme. There should be at least five full business days between the deadline for comments to be received and the date fixed for signing.

2. The dealers are entitled to review and comment on all material agreements, the comfort letter(s), legal opinion(s) and other conditions precedent when a programme is being established or renewed. The arranger should send to each of the dealers for review and comment the latest drafts of any guarantee or deed of covenant, the comfort letter(s), legal opinion(s), trust deed, if any, fiscal agency agreement and any other material agreements for receipt not less than three full business days prior to the deadline for comments to be received. There should be at least five full business days between the deadline for comments to be received and the relevant date fixed for delivery of such documents. Arrangers should, upon request, make drafts of other documentary conditions precedent available a reasonable period of time before their intended delivery date.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# MEDIUM TERM NOTE PROGRAMMES

# RECOMMENDATION 4.2

## CONDITIONS PRECEDENT

The following should be delivered in connection with the establishment of a medium term note programme:

an appropriate comfort letter(s) from the auditor to the issuer (and any guarantor) dated prior to the first drawdown and addressed to the arranger and the dealers; and

relevant opinions from appropriate legal counsel (for example, from the country of incorporation of the issuer and guarantor, if there is one, and the country whose laws govern the securities to be issued) confirming (amongst other things) that the securities to be issued are (or will create) valid and binding rights and that the contracts relating to the programme and the rights of the arranger and the dealers under them are valid and binding, such legal opinion to be dated prior to the first drawdown and addressed to the arranger and the dealers.

The comfort letter(s) and the legal opinion(s) should also be provided not less frequently than on any update of the programme.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# MEDIUM TERM NOTES PROGRAMMES

# RECOMMENDATION 4.3

## MEETINGS AND CONFERENCE CALLS WITH ISSUERS

Dealers should be afforded sufficient time to prepare for meetings and conference calls with the issuer and guarantor in which they are invited to participate, including time to review the offering circular.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# MEDIUM TERM NOTE PROGRAMMES

# RECOMMENDATION 4.4

## PROGRAMME DOCUMENTATION

Where a drawdown or an issue made under a programme requires amendment to the programme documentation, it is the responsibility of the dealer or Lead Manager, and the issuer, to ensure that arrangements for such amendment reasonably satisfactory to the arranger are put in place. The issuer should immediately notify the arranger if such amendment is required.

Programme documentation should include the forms of pricing supplement and subscription agreement to be used for drawdowns.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

# MEDIUM TERM NOTE PROGRAMMES

# RECOMMENDATION 4.5

## STATUS OF ARRANGER

1. Programme documentation usually addresses the relationships between the arranger and the dealers in the establishment and maintenance of a programme.

2. It is recommended that where such a provision is included in programme documentation the following standard form clause be used:

Each of the Dealers agrees that the Arranger has only acted in an administrative capacity to facilitate the establishment and/or maintenance of the Programme and has no responsibility to it for (a) the adequacy, accuracy, completeness or reasonableness of any representation, warranty, undertaking, agreement, statement or information in the Information Memorandum, any Pricing Supplement, this Agreement or any information provided in connection with the Programme or (b) the nature and suitability to it of all legal, tax and accounting matters and all documentation in connection with the Programme or any Tranche.

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# INTERNATIONAL PRIMARY MARKET ASSOCIATION

## APPENDICES

**APPENDIX A:** IPMA Screen and Telephone Invitation Check-list for issues of debt and equity-linked debt instruments

**APPENDIX B:** IPMA Disclosure Check-list for issues or offerings of equity or equity-linked instruments

**APPENDIX C:** Explanatory notes relating to issues of debt and equity-linked debt instruments

**APPENDIX D:** Standard Form Agreement Among Managers Versions 1, 2 and 3; French, German and New York Law Versions

**APPENDIX E:** IPMA Standard Terms for Subscription Agreements

**APPENDIX F:** Explanatory Memorandum: I P M A Standard Form Medium Term Note Pricing Supplement

Pro Forma Pricing Supplement

**APPENDIX G:** ISMA Compliant Language for Actual/Actual interest calculations in Euro-denominated fixed rate bond issues

**APPENDIX H:** IPMA Guidance Notes / Press Statements

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## APPENDIX A

## IPMA SCREEN AND TELEPHONE INVITATION CHECK-LIST FOR ISSUES OF DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

**GUARANTEE:**

| | | |
|---|---|---|
| Contractual: | indemnity | surety |
| Statutory: | jurisdiction | |

| | | | |
|---|---|---|---|
| **RATINGS** | S&P | Moody's | Other |
| This issue | | | |
| Other issues | | | |

**RANKING**

Secured & security
Senior
Subordinated
Junior subordinated

**NEGATIVE PLEDGE**

| | | | |
|---|---|---|---|
| By issuer: | Guarantor: | Subsidiaries: all/ principal | |
| Type: | obligations | indebtedness | |
| securities | | | |
| | traded | foreign | |

**CALL PROVISIONS**

| | | |
|---|---|---|
| By Issuer: | None | |
| | Yes | Amount Date |
| Price | | |



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By Holder: None
Yes What Action

**TAX**

Domestic tax gross up: Tax redemption
Identification protection:
No interest payments in US:

**SALES RESTRICTIONS**

US: 90 day lock up other termination date
Great Britain:
Issuer's jurisdiction: Jurisdiction of currency:
Private placement: Lead Manager only with Lead Manager permission

**EXPENSE CAP**

Amount: IPMA: Other:

**STABILISATION:**

IPMA: Other:

**FORCE MAJEURE**

None Yes Deviations:
Third-party contract conditions

**CROSS DEFAULT**

None:
Yes: Issuer: Guarantor:
Type:
Domestic issues:



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# APPENDIX B

## IPMA DISCLOSURE CHECK-LIST FOR ISSUES OR OFFERINGS OF EQUITY OR EQUITY-LINKED INSTRUMENTS

*Now incorporated in Section Two as Section Two, Schedule 2*

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**APPENDIX C**

# EXPLANATORY NOTES RELATING TO ISSUES OF DEBT AND EQUITY-LINKED DEBT INSTRUMENTS

## I. GUARANTEES

### INTRODUCTION

A. Guarantees are either statutory or contractual in form.

B. A contractual guarantee can broadly be classified as an indemnity or a surety. The former has the following characteristics:

(a) the amount that can be claimed includes all principal, premium and interest (including additional amounts under gross-up provisions) which is due,

(b) the guarantee is valid irrespective of the validity, regularity and enforceability of the bond or note against the issuer,

(c) the guarantee is enforceable whether or not there has been any action taken to enforce the terms of the bond or note against the issuer,

(d) the guarantee is not affected by any waiver or consent or time or indulgence given by the bond holder or note holder in respect of non-payment or breach of covenant by the issuer.

C. A contractual guarantee without any or all of the characteristics mentioned under B (b), (c) and (d) should normally be classified as a surety.

D. In international bond issues contractual guarantees of the indemnity type, which are much more favourable for the investor, are the norm.

E. The effect of a statutory guarantee depends entirely on the terms of the statute pursuant to which the guarantee is given. No broad generalisations can be made about this type of guarantee.



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## SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

1. If no specific information is provided, the absence of a guarantee should be presumed.

2. If there is a guarantee, the screen, the telephone invitation and the invitation telex should indicate whether the guarantee is statutory or contractual. If it is contractual it should only be described as unconditional and irrevocable if it is of an indemnity type, otherwise it should be disclosed which of the characteristics in B(a) to B(d) above are missing from the guarantee. If the guarantee is statutory its principal characteristics should preferably be disclosed, otherwise reference to the offering circular for a summary should be made.

3. The screen, telephone invitation and invitation telex should also indicate if the guarantee is subordinated or not supported by a negative pledge (see under III).

4. If under applicable law the guarantee is subject to a maximum amount, this limit should be stated.



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# IIA. RATINGS

## INTRODUCTION

A. Ratings of the relevant issue by Moody's and Standard and Poor's should be disclosed. Disclosure of ratings of the issue by other rating agencies is at the option of the Lead Manager.

B. With regard to other outstanding issues of the issuer or guarantor, ratings by Moody's and Standard and Poor's of public long-term debt should be disclosed if the specific issue is not itself rated. If an issue of the issuer has a private rating, this rating may be disclosed if it is periodically updated.

C. There should be no disclosure of ratings of other outstanding debt of the issuer or guarantor if these ratings are based on a third-party guarantee. Commercial paper ratings need not be disclosed.

D. If after the invitation telex has been sent but before the closing of an issue:

(a) the ratings cited in the invitation telex are changed,

(b) the issue is rated differently from the rating indicated in the invitation telex, or

(c) issues whose ratings are referred to in the invitation telex are placed on Moody's "Review List" and/or Standard and Poor's "Watch List",

the Lead Manager should notify the managers, underwriters and selling group members of such an event.

## SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

1. If the issue is specifically rated by Moody's and Standard and Poor's, that rating should be disclosed.

2. If other outstanding public long-term debt of the issuer or guarantor



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ranking equally with the issue has a current rating by Moody's and/or Standard and Poor's, that rating should be disclosed.

3. If the issue itself or debt of equal status are not rated while other outstanding public long-term debt of the issuer or guarantor which ranks senior or junior to the issue is rated by Moody's and/or Standard and Poor's, that rating should be disclosed together with a statement as to the inferior or superior status of the current issue.

4. If issues of the issuer or guarantor are currently on Moody's "Review List" and/or Standard and Poor's "Watch List" this fact should be disclosed together with the indicated outcome of such change (i.e. positive or negative).

## IIB. RATINGS

### EVENT RISK

### SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

A. If the issuer has agreed to an event risk clause for the issue, this should be disclosed.

B. The effect of the event risk clause should be disclosed in summary form.

C. If the event risk clause has been rated by Standard and Poor's, this should be disclosed. Disclosure of ratings of the event risk clause by other rating agencies is at the option of the Lead Manager.

D. If after the invitation telex has been sent out but before the closing of an issue there is any change to the event risk clause or to the status of its rating with Standard and Poor's, the Lead Manager should notify the managers, underwriters and selling group members of such a change.



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## III. RANKING OF THE BONDS

### INTRODUCTION

A. Euro-issues typically fall into one of the following ranking categories:

(a) secured;

(b) senior (unsecured, unsubordinated);

(c) subordinated (mainly for certain bank issues and many convertibles); or

(d) junior (deeply) subordinated.

For banks, deposit notes rank equally with deposits while subordinated or capital notes are normally junior to deposits. Equity notes are often deeply subordinated.

B. (a) Secured and junior (deeply) subordinated debt (including perpetuals)

Many varieties exist which cannot easily be summarised.

(b) Senior debt for industrials

This may typically be described as follows:

*The bonds [or notes] will be direct, unconditional, and unsecured obligations of the issuer and will rank pari passu amongst themselves and [except for ..... ], will rank equally with all other present and future unsecured and unsubordinated obligations of the issuer.*

(c) Senior debt for banks

This may typically be described as follows:

*The notes will be unsecured obligations of the issuer and will rank pari passu amongst themselves and with all other present and future unsecured obligations of the issuer (other than subordinated*



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*obligations), including those in respect of deposits for the time being outstanding with it.*

(d) Subordinated debt for banks

This may typically be described as follows:

*The notes will be unsecured obligations of the issuer and will be subordinated to the claims of all depositors and other unsubordinated creditors [except for ....].*

(e) Subordinated debt in the case of convertibles

This may typically be described as follows:

*The obligations will be subordinated and junior in right of payment (to the extent set out in the Trust Deed) to the prior payment in full amounts then due on senior debt of the issuer.*

The definition of senior debt would then be included in the prospectus but not normally in the invitation telex.

## SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

1. In the case of secured debt, the status and ranking should be spelt out in reasonable detail.

2. In the case of senior ranked debt, unless peculiarities exist, a simple, concise description such as "unsecured and unsubordinated" would be sufficient. In the case of banks, the ranking relative to deposits should be specifically addressed.

3. In the case of subordinated debt, the extent to which the rights of the investor are subordinated to the prior claims of other creditors should be clearly described.

4. Where the debt ranks below subordinated obligations, the specific ranking of the securities must be clearly described. For example, in the case of issues by banks of equity notes or equity commitment notes, the specific ranking of the securities and, if applicable, details of any relationship



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between the repayment of the securities and the sale of equity by the bank should be disclosed in full.

5. It would be helpful (but not in itself sufficient) to give an indication of the ranking of the securities by including an appropriate descriptive adjective in the title of the issue, such as:

**Collateralised** Floating Rate Notes
Floating Rate **Subordinated** Notes
Floating Rate **Deposit** Notes



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## IV. NEGATIVE PLEDGE

### INTRODUCTION

A. A negative pledge is normally given by the issuer and the guarantor, if any, to ensure that other creditors do not obtain a better claim to assets on liquidation. The essence of the undertaking is not to create or assume any mortgage, charge, lien or other encumbrance over any present or future assets or revenues to secure other obligations, usually for borrowed money including guarantees, without securing the issue equally and rateably therewith.

US issuers tend to give negative pledges that follow US domestic practice covering other indebtedness with exceptions, many of which are of a standard nature. Non-US issuers may limit the pledge by specifying the type of indebtedness, e.g. foreign securities or traded securities to which the pledge is applicable.

B. Obligations for borrowed money in this context sometimes include moneys arising under sale and leaseback transactions.

C. Traded securities in the above context are securities (bonds, notes, debentures and similar paper) capable of being quoted, listed or ordinarily traded on any stock exchange or over-the-counter markets.

D. Industrial issuers may be prohibited from incurring debt secured by "principal" property or by shares or stock in subsidiaries unless the aggregate amount of all such secured debt does not exceed 5–10% of consolidated net tangible assets subject to certain specified exceptions.

E. The tighter the drafting of the negative pledge the more likely that there will be exceptions, the more common of which are intended to enable the issuer to carry on the normal course of business. Some exceptions while achieving this objective materially weaken the negative pledge. The intention is not to require in the invitation telex a list of all the common exceptions particularly of US issuers but the Lead Manager should disclose those which are uncommon and appear material.



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F. The issuer may have accepted negative pledges in domestic public issues and co-managers may enquire as to their general nature.

## SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

1. The absence of a negative pledge must be disclosed.

2. The screen, telephone invitation and invitation telex should disclose the basic characteristics of the negative pledge and any uncommon exceptions which appear material.



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# V. MARKET RELATED CALL PROVISIONS

## INTRODUCTION

A. In Euro-issues the issuer normally has the right to redeem all or part of the issue at pre-arranged dates and prices prior to the final maturity date of the securities; this is known as a "call provision".

B. In certain Euro-securities, the bond holders have the right to demand redemption at pre-arranged dates and prices prior to the final maturity date of the securities; this is known as "put provision".

C. Redemption prior to the final maturity date of the securities as a result of changes in taxation, legislation or disclosure requirements is addressed under VI.

D. In certain Euro-issues, the issuer has the right to extend the final maturity date. The interest rate for the extended period may be determined at the issuer's discretion. Such a security is known as an "extendable bond".

## SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

1. The earliest date and price of a call provision or a put provision should be disclosed on the screen and in the telephone invitation; full details including the dates and prices of a call provision or a put provision should be stated in the invitation telex.

2. In the case of an extendable bond, the invitation telex should describe:

– the manner in which the interest rate for the extended period is determined,

– the revised maturity date resulting from the extension,

– the action, if any, to be taken by the bond holder,

– the consequence of a failure of a bond holder to take action.



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# VI. TAXATION, TAX REDEMPTION AND PROTECTION AGAINST IDENTIFICATION OR CERTIFICATION

## INTRODUCTION

A. Euro-issues are structured so that the interest on the bonds or notes is free of all income tax in the country of the issuer (and guarantor) provided the investor has no connection with that country other than the mere holding of the bond or note. The terms of the issue normally provide that in the event of a change in tax laws which would impose income tax on interest by way of withholding tax, the issuer will gross up for the withholding. In most issues, the issuer would then also have the right to redeem the bonds or notes.

B. Most Eurobond issues are structured so that the investors are able to collect principal and interest without being required to sign certificates or otherwise identify themselves. The most notable exceptions are the specially targeted registered issues of the US Government and Government Agencies and the floating rate notes of the Kingdom of Belgium and any registered bonds.

C. For US corporate bearer issues, protection is given for the possible imposition of certification or identification requirements. Some floating rate issues omitting the protection have generally been intended for institutional investors (with large denominations, typically $50,000).

D. A choice of paying agents in several countries ensures that there is always a place where investors can receive interest free of withholding tax or certification or identification requirements. Paying agents in Canada, Germany, Luxembourg, The Netherlands, Singapore and Switzerland are also free from any local withholding tax or certification and identification requirements.

Under US tax requirements, Eurobonds or notes in bearer form may not provide for payment of interest in the US. In the case of US issuers, payment may not be made by means of a cheque mailed to an address in the US or by wire transfer to an account in the US. In the case of non-US issuers payment may be made (by cheque or wire transfer) by crediting an account in the US.



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E. The relevant provisions in invitation telexes may be set forth in summary form using language similar to the following:

(a) **Taxes**

All payments of principal [premium, if any] and interest will be made free and clear of [country of issuer] withholding and other taxes, subject to customary exceptions. In the event that [such taxes are imposed/certain adverse tax consequences occur], the issuer will pay additional amounts so that [country of issuer] aliens will receive the full amount of principal [premium, if any] and interest which otherwise would have been due, [subject to customary exceptions].

(b) **Optional Redemption**

[On or after ..... the issuer may redeem .../non-redeemable except] in the event of imposition of certain [country of issuer] withholding taxes the notes [at any time/at the next interest payment date] in whole at [price], plus accrued interest and any additional amounts due up to such date.

(c) **US Information Reporting and Back-up Withholding Taxes (Fixed and Floating Rate Notes)**

Under temporary regulations, payments of principal and interest on the notes to a holder made by the issuer or its paying agents outside the United States will generally not be subject to information reporting or back-up withholding unless the issuer or its paying agent has actual knowledge that the holder is a United States person. With certain exceptions the issuer will be required to redeem the notes at par without additional amounts plus any accrued interest within one year in the event that payments thereon outside the United States should become subject to certain US certification, information or other reporting requirements, the effect of which is the disclosure to the issuer, a paying agent or a governmental authority of the nationality, identity or residence of a beneficial owner who is a United States alien. If such requirements can be satisfied by the payment of a back-up withholding tax or similar charge, the issuer will have the option to pay additional amounts in respect of such charges rather than redeem.

(d) **US Information Reporting and Back-up Withholding Taxes**



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**(Zero Coupon Bonds)**

Under temporary regulations, payments of principal and interest on the notes to a holder made by the issuer or its paying agents outside the United States will generally not be subject to information reporting of back-up withholding unless the issuer or its paying agent has actual knowledge that the holder is a United States person.

If US information reporting requirements are changed so as to require disclosure of the nationality, residence or identity of the beneficial owners of a bearer note, the issuer will publish a notice permitting any holder of a bearer note to present the notes for redemption at the issue price plus accrued original issue discount to the date of redemption (but without any additional amounts) within 90 days of such notice. If such requirements can be satisfied by the payment of a back-up withholding tax or similar charge, the issuer will have the option to pay the additional amounts and not offer the redemption option.

## SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

1. It is presumed that the initial payments are free of income tax and the withholding tax regime. Any deviations should be disclosed.

2. It should be disclosed whether there is a gross-up provision and a tax call possibility, in the latter case with the redemption price. If the tax call can be triggered by events other than the imposition of withholding tax, they should be specified.

3. In all cases it should be stated whether the redemption date must be an interest payment date.

4. In the case of US issuers it should be stated whether there is protection against the imposition of certification or identification requirements. If such protections differ materially from the one set out above in E(c) and E(d), the differences should be spelled out.

## PRINCIPLES FOR TAX REDEMPTION CLAUSES



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Optional tax redemption provisions in circumstances where withholding tax has been or will be imposed should comply with the following principles:

1. The right to call only should arise when a change in law or in the application or official interpretation thereof has occurred and, as a result, the issuer has or will become obligated to gross up.

2. Notice of redemption should not be given earlier than the date 90 days before the earliest date on which grossing up would be required were a payment in respect of the relevant securities then due.

3. An issuer should be required to take reasonable measures available to it to avoid the incidence of withholding tax and the obligation to gross up.

4. An issuer should satisfy the Trustee of its securities (if any) and/or provide certification that the necessary conditions precedent to the right to redeem have been met.

5. In the case of floating rate securities, redemption should be made only on an interest payment date.



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## MODEL ENGLISH LAW TAX REDEMPTION CLAUSE

The Notes may [also] be redeemed at the option of the Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice in accordance with Condition [Notices] (which notice shall be irrevocable), at the principal amount thereof, together with interest accrued to the date fixed for redemption, if (1) the Company [satisfies the Trustee immediately prior to the giving of such notice that it]* has or will become obliged to pay additional amounts as provided or referred to in Condition [Taxation] as a result of any change in, or amendment to, the laws or regulations or [ ] or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after [date of Subscription Agreement], and (2) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the [Trustee]* [Fiscal Agent]** a certificate signed by two [Directors] of the Company stating that [the obligation referred to in (2) above cannot be avoided by the Company taking reasonable measures available to it and the Trustee shall be entitled to accept such certificate as sufficient evidence of the satisfaction of the condition precedent set out in (2) above in which event it shall be conclusive and binding on the Note holders and the Coupon holders]* [the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Company has or will become obliged to pay such additional amounts as a result of such change or amendment].**

* Applies to issues constituted by a Trust Deed
** Applies to issues under a Fiscal Agency Agreement



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## MODEL US TAX REDEMPTION CLAUSE

The Notes may [also] be redeemed at the option of this Company in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice in accordance with "Notices" below (which notice shall be irrevocable), at the principal amount thereof, together with accrued interest to the date fixed for redemption, if the Company has or will become obligated to pay additional interest on the Notes as described under "Payment of Additional Interest" as a result of any change in, or amendment to, the laws (or any regulations or rulings promulgated thereunder) of the United States or any political subdivision or taxing authority thereof or therein, or any change in the application or official interpretation of such laws, regulations or rulings, which change or amendment becomes effective on or after [date of Underwriting/Subscription Agreement], and such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional interest were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this paragraph, the Company shall deliver to the Fiscal Agent a certificate stating that the Company is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Company so to redeem have occurred, and an opinion of independent counsel of recognized standing to the effect that the Company has or will become obligated to pay such additional interest as a result of such change or amendment.

The Notes are also subject to redemption if certain events occur regarding US information reporting requirements, as described under "Special Tax Redemption" below.



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# VII. SALES RESTRICTIONS AND PRIVATE PLACEMENT

## INTRODUCTION

A. The current form of appropriate sales restrictions should be set out in full in the subscription agreement.

## SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

1. Sales restrictions in the countries of the issuer, the guarantor (if any) and the currency should be described and any substantial deviation from generally accepted forms of sales restrictions in other jurisdictions should be disclosed.

If indicating what US sales restrictions apply, the screen and invitation telex should specify the following, deleting as appropriate:

*US: [Not/144A Eligible/(Restrictions)], [Reg. S. 1/2/3], [TEFRA D/C]*

The key to these simplified codes is as follows:

| | |
|---|---|
| *Not 144A Eligible* | 144A Sales are not permitted. |
| *144A Eligible* | 144A Sales by distributors are permitted generally as part of primary sales. |
| *144A Eligible (Restrictions)* | 144A Sales are permitted as part of primary sales, but subject to the specified restrictions, e.g. Lead Manager(s) only. |
| *Reg. S. 1/2/3* | The issuer is a Regulation S. Category 1, 2 or 3 issuer, as appropriate. |
| *TEFRA D/C* | The Internal Revenue Service "D Rules" or "C Rules" as appropriate apply to the issue. |



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If, at the time of launch, not all decisions relating to the applicable US selling restrictions have been taken by the Lead Manager and issuer, blanks may be left but the Lead Manager should notify the syndicate as soon as the appropriate sales restrictions have been chosen.

If blanks are left, managers/selling group members/underwriters should assume that, until notified to the contrary, the TEFRA D rules apply and no sales may be made to US persons or in the USA in order to comply with Regulation S. In offerings not denominated in US Dollars, the same codes may be used, but detailed information on US selling restrictions cannot always be expected in such circumstances.

2. If the mandate requires that the issue is not distributed in a particular country or if the Lead Manager wishes to reserve to himself the distribution in a particular country, this should be disclosed.

3. If a US private placement option is available other than a 144A option, it should be disclosed as should the identity of the managers who can use this option, who can purchase the securities, and what minimum denominations are required to be purchased.



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# VIII. EXPENSE CAPS, PAYMENT OF COMMISSIONS, DEDUCTIBILITY OF EXPENSES, STABILISATION ACCOUNTS

## INTRODUCTION

A. The relevant Recommendations are Recommendations 1.8 and 2.3 on Payment of Commissions and Recommendations 1.7 and 2.5 on Stabilisation Accounts.

## SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

1. Expense Caps should be disclosed.

2. Lead Managers are presumed to follow the IPMA Recommendations on Payment of Commissions and on Stabilisation Accounts. If the Lead Manager intends to deviate from these Recommendations, this should be disclosed.



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## IX. FORCE MAJEURE

A. The managers and underwriters are normally discharged from their underwriting obligations if certain events occur before the payment date.

B. It is recommended that one of the following two force majeure clauses should be used in straight debt issues and that it should be promptly disclosed which of Clause 1 or Clause 2 is being used. Any material variation to, or the non-use of, either Clause should also be promptly disclosed.

### Clause 1

Notwithstanding anything contained in this Agreement, [...] ("the Lead Manager") on behalf of the Managers may by notice to the Issuer [and the Guarantor] terminate this Agreement at any time before the time on the Closing Date when payment would otherwise be due under this Agreement to the Issuer in respect of the Securities if:

(a) in the opinion of the Lead Manager, circumstances shall be such as:

(i) to prevent or to a material extent restrict payment for the Securities in the manner contemplated in this Agreement; or

(ii) to a material extent prevent or restrict settlement of transactions in the Securities in the market or otherwise; or

(b) in the opinion of the Lead Manager, there shall have been:

(i) any change in national or international political, legal, tax or regulatory conditions; or

(ii) any calamity or emergency,

which has in its view caused a substantial deterioration in the price and/or value of the Securities,

and, upon notice being given, the parties to this Agreement shall (except for the liability of the Issuer [and the Guarantor] in relation to expenses



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as provided in Clause [...] and except for any liability arising before or in relation to such termination) be released and discharged from their respective obligations under this Agreement.

**Clause 2**

Notwithstanding anything contained in this Agreement, [...] ("the Lead Manager") on behalf of the Managers may by notice to the Issuer [and the Guarantor] terminate this Agreement at any time before the time on the Closing Date when payment would otherwise be due under this Agreement to the Issuer in respect of the Securities if, in the opinion of the Lead Manager, there shall have been such a change in national or international financial, political or economic conditions or currency exchange rates or exchange controls as would in their view be likely to prejudice materially the success of the offering and distribution of the Securities or dealings in the Securities in the secondary market and, upon notice being given, the parties to this Agreement shall (except for the liability of the Issuer [and the Guarantor] in relation to expenses as provided in clause [...] and except for any liability arising before or in relation to such termination) be released and discharged from their respective obligations under this Agreement.

C. Conclusion of third-party agreements, such as swaps, have sometimes been made conditions precedent to the closing of a Euro-issue. This is to be discouraged.

**SCREEN, TELEPHONE INVITATION AND INVITATION TELEX**

1. As stated in B above, it should be promptly disclosed which of Clause 1 or Clause 2 is being used. Any material variation to, or the non-use of, either Clause should also be promptly disclosed.

2. If the closing is made dependent on the conclusion of third-party contracts like swaps, the existence of such conditions should be stated.



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## X. CROSS DEFAULT

### INTRODUCTION

A. The purpose of the cross default clause is to permit the acceleration of payment of principal or the exercise of other remedies to ensure that bond holders or note holders are in a similar position as far as remedies are concerned as other creditors of a troubled issuer. The cross default clause may extend to defaults of the guarantor. The event of default covered must on the whole be material so as not to create an unnecessary crisis.

B. In the strongest type of cross default clause the bonds or notes (together with accrued interest) become capable of acceleration:

(a) if any indebtedness of the issuer, the guarantor, a significant subsidiary or agency [in the case of sovereign issues] (i) shall become or be capable of becoming repayable prior to the due date by reason of default of the issuer, guarantor, significant subsidiary or agency or (ii) shall not be repaid at maturity, or

(b) if any guarantee given by the issuer, guarantor, significant subsidiary or agency shall not be honoured when due and called upon, or

(c) if a security for any such indebtedness or guarantees is enforced in favour of the creditors or such indebtedness.

C. Such a sweeping clause can be cut back in at least six different ways:

(a) limitation of the level of indebtedness covered: only external indebtedness, indebtedness for borrowed money, publicly issued debt or funded debt.

(b) limitation of whose debt is included: only issuer's and not guarantor's, significant subsidiaries' or agency's.

(c) elimination of immaterial defaults: only defaults in respect of an indebtedness or guarantee which exceeds a threshold which may range from $1,000,000 upwards. The threshold may also be expressed in terms of a percentage of the issuer's net worth or may be on an aggregate basis to cover a succession of small defaults.



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(d) limitation of the triggering events: only actual acceleration as opposed to capability of being accelerated.

(e) inclusion of a grace period: they often range from 5 to 60 days. Many clauses also provide that they are not triggered if and so long as the issuer is contesting the acceleration in good faith. It is sometimes provided that the grace period starts running only after the holders of a specified percentage (10% to 25%) have given notice to the issuer.

(f) inclusion of a materiality test: some cross default clauses provide that they are not triggered unless the trustee certifies in writing that the default is, in his opinion, material.

## SCREEN, TELEPHONE INVITATION AND INVITATION TELEX

1. It should be stated whether or not there is a cross default clause and, if the issue benefits from a guarantee, whether or not the guarantor's debt is covered.

2. Co-managers should be entitled to ask and be informed by the Lead Manager how the cross default clause varied from the strongest type set out above under B.

3. In addition, Lead Managers should be able to answer questions concerning the issuer's cross default clauses in its domestic public issues.



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# XI. EXPENSES

## INTRODUCTION

The following may be helpful as an indicator of which expenses should be attributed to the Issuer, and which to the Lead Manager:

## MANAGERS' EXPENSES

Lead Managers' direct out-of-pocket expenses include:

- Lead Managers' legal costs incurred in the preparation and negotiation of the Subscription and Manager Agreements, preparation of the Offering Circular including Terms and Conditions of the bonds, signing and closing agenda, and the cost of legal opinions addressed to the managers;
- Bibles, ISIN/CUSIP Numbers and similar expenses incidental to the execution of the new issue;
- Cost of related travel (i.e. for the purpose of document negotiation and due diligence);
- Telephone, telex, fax and courier charges; and
- Cost of signing or closing ceremony, gifts.

## ISSUERS' EXPENSES

Expenses that should not be charged against Lead Managers' out-of-pocket expenses include:

- Printing and distribution of Offering Circular/Prospectus, Extel Cards or Listing particulars and any other printed documents or contracts;
- Printing and distribution of definitive bonds, globals, warrants, etc.;



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- Preparation of Fiscal Agency Agreements/Trust Deed;
- Common depositary attendance fees and money transfer fees (if any);
- Costs and expenses in connection with Stock Exchange Listing applications;
- Any costs in connection with obtaining consents, approvals, authorisation of regulatory authorities;
- Issuers' own legal and accounting fees and expenses;
- Paying Agency and Trustee's costs and expenses; and
- Advertising and any notices required in connection with the bonds.



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# APPENDIX D

Appendix D consists of three Standard Agreements Among Managers, a French Law Schedule, a German Law Schedule and a New York Law Schedule.

The circumstances in which each Agreement and the Schedules can be used are stated in explanatory notes preceding each Agreement.

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# AGREEMENT AMONG MANAGERS

Version 1
(Managers only – Fixed-Price
Non Equity-Related Issues)

## EXPLANATORY NOTE
## IPMA Standard Form Agreement Among Managers

A. The IPMA Standard Form Agreement Among Managers Version 1 is intended for use in fixed-price non equity-related issues where there is no intention to charge stabilisation losses to the Managers. It also assumes that the IPMA Recommendation that cost overruns should not be charged to co-Managers is to be followed. This revision of Version 1 will apply in respect of all issues using Version 1 where the Invitation Telex is sent on or after 8 April 1991.

B. This version of the IPMA Standard Form Agreement Among Managers will be used when the Invitation Telex contains the words:

> *Agreement Among Managers: IPMA Version 1.*

C. In the telex requesting each Manager to appoint authorised signatories to execute agreements on its behalf the following language should be inserted:

> *The execution of the Subscription Agreement by or on behalf of all parties will constitute your acceptance of the IPMA Agreement Among Managers Version 1 subject to any amendment notified to you in writing at any time prior to the earlier of the receipt by the Lead Manager of the document appointing your authorised signatory and the execution of the Subscription Agreement.*

The effect of adding these words is that each Manager will become bound by this version of the Standard Form Agreement Among Managers (with the appropriate variations) by virtue of having become bound by the Subscription Agreement.

D. The Agreement contemplates that the Lead Manager will notify each co-Manager of the net amount due from it at Closing (i.e. after deduction of



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the Combined Commission due to it). In making that notification, the Lead Manager should make an appropriate adjustment for any praecipium.

E. Clause 3 has been amended since Version 1 was first issued. The previous version was based on existing precedents widely used in the market, which had developed over a long period of time. It was felt that this language had become over-complicated and the new version represents a simplification, whilst retaining the substance of the previous version.

The Terms of the Agreement Among Managers in respect of each issue where this form of agreement has been selected for use are as follows (subject, in the case of each Manager, to any amendment notified to that Manager in writing at any time prior to the time when the Power of Attorney granted by that Manager to the Lead Manager is received by it or, where no Power of Attorney is granted by that Manager, the date on which that Manager signs the Subscription Agreement). Terms used in this Agreement have the meanings assigned to them in the attached Schedule. Where this Agreement Among Managers has been selected for use, it is conditional upon and will take effect upon the execution of the Subscription Agreement for the relevant issue of Securities.

## 1. OFFERING

The Managers confirm that the Lead Manager, on their behalf, as agents of the Issuer, has offered or will offer the Securities to Managers in the amounts already notified to each Manager by the Lead Manager.

## 2. UNDERWRITING

The Securities will as between the Managers be severally underwritten by the Managers in the amounts set out in the Commitment Telex.

## 3. SUBSCRIPTION BY MANAGERS

If any Manager defaults in its obligation to subscribe any amount of Securities offered to it as described in Clause 1, or if the Lead Manager in its absolute discretion believes that any Manager will so default:



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(1) the Lead Manager may require each non-defaulting Manager who has agreed to subscribe Securities as a result of offers described in Clause 1 in a principal amount which is less than its Commitment, to subscribe or purchase additional Securities, but so that no non-defaulting Manager shall, under this paragraph (1) and as a result of offers accepted by it as described in Clause 1 be obliged to subscribe or purchase a principal amount of Securities in excess of its Commitment. In exercising its rights under this paragraph, the Lead Manager shall allocate Securities to each non-defaulting Manager to whom the paragraph applies in proportion to their Commitments, subject to paragraphs (4) and (5);

(2) if any Securities remain to be subscribed or purchased after paragraph (1) has been applied, the Lead Manager may require each of the non-defaulting Managers to subscribe or purchase such Securities in proportion to their Commitments;

(3) any Securities to which this Clause relates will be subscribed or purchased by the non-defaulting Managers at the Selling Price, but after deduction of the defaulting Manager's Combined Commission, divided among the non-defaulting Managers in proportion to the amount of Securities taken up by them under this Clause, which amount shall be notified to each non-defaulting Manager by the Lead Manager;

(4) the Lead Manager may adjust the amount of Securities it requires any Manager to subscribe or purchase under this Clause up or down to such extent as it may deem expedient and equitable so as to ensure that no Manager is required to subscribe or pay for a fraction of any Security;

(5) as an alternative and/or in addition to paragraphs (1) and/or (2), the Lead Manager may, in its absolute discretion, offer any Securities to which this Clause applies to any person (whether or not a Manager) or may retain them for its own account.

## 4. AUTHORITY TO LEAD MANAGER

Each of the Managers authorises the Lead Manager as its agent and on its behalf to do whatever that Manager is (or all the Managers together are) required or entitled to do under the Subscription Agreement including:



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(1) entering into such arrangements with Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system and Centrale de Livraison de Valeurs Mobilières SA as the Lead Manager reasonably believes to be appropriate to effect payment for and delivery of the Global Instrument delivered in respect of the Securities in accordance with the ISMA Primary Market Settlements recommendations;

(2) borrowing for the account of the non-defaulting Managers, for their several accounts in proportion to their respective Commitments, such sum as may be necessary in order that payment to the Issuer can be effected as specified in the Subscription Agreement and the Lead Manager may pay interest at then current rates;

(3) waiving compliance with any of the conditions referred to in the Subscription Agreement in respect of which the right of waiver is reserved.

As an alternative to borrowing under paragraph (2), the Lead Manager may as principal lend, and may charge interest at then current rates on, such sums as are referred to in that paragraph mutatis mutandis on the terms of that paragraph.

Any amounts due from any Manager as a result of any borrowing made on its behalf, or any loan to it, will be paid forthwith upon demand.

## 5. STABILISATION

(a) Stabilising Manager

Each Manager acknowledges that the Lead Manager is appointed stabilising Manager for the Stabilisation Securities. However, this Clause does not authorise the Lead Manager to carry out stabilisation and/or over-allotment transactions on behalf of the Managers. Any such transactions shall be for the Lead Manager's own account and shall be effected in accordance with applicable laws.

(b) Non-Stabilisation Agreement

No Manager other than the Lead Manager (and any lawful regional stabilising Manager) will effect any transactions (whether in the open



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market or otherwise) with a view to stabilising or maintaining the market price of the Stabilisation Securities at levels other than those which might otherwise prevail.

## 6. EXPENSES

(a) Retention

The amount paid by the Issuer or the Guarantor in respect of Managers' expenses shall be retained by the Lead Manager for its own account. The other Managers will not be reimbursed for any of their expenses in connection with the issue of the Securities.

(b) Expenses on Termination

If the obligations of the Managers under the Subscription Agreement to subscribe the Securities are terminated, the Managers agree to contribute (subject to the aggregate amount of such contribution not exceeding the lower of 6% of the Combined Commission and 20% of the amount reimbursable by the Issuer (failing whom the Guarantor) in respect of expenses) in proportion to their respective Commitments in meeting any direct out-of-pocket expenses incurred by the Lead Manager which are not recoverable and/or are not recovered from the Issuer or the Guarantor under the Subscription Agreement.

## 7. TERMINATION

If any Manager wishes to terminate its obligations to subscribe the Securities under the Subscription Agreement, it shall consult with the Lead Manager who shall, to the extent the Lead Manager considers reasonably practicable, consult with the other Managers. The Lead Manager may in any event, on behalf of the Managers and in its sole discretion, give notice of such termination to the Issuer in accordance with the terms of the Subscription Agreement and shall not be responsible to any Manager for any consequences resulting from any such notice. No other Manager may give any such notice and the Lead Manager may not be required to give, or not to give, such notice.



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## 8. PARTNERSHIP

None of the provisions of this Agreement or any other agreement relating to the Securities shall constitute or be deemed to constitute a partnership or joint venture between the Managers or any of them, or between them (or any of them) and anyone else, and, except as specifically provided, none of the Managers shall have any authority to bind any other Manager in any way.

## 9. INDEMNITY

The Managers agree, whether or not the Securities shall have been issued and settlement made of all other rights and obligations under this Agreement, to contribute (without regard to the limit set out in Clause 6(b)) in proportion to their respective Commitments towards (a) all expenses incurred by the Lead Manager and not reimbursed by the Issuer or the Guarantor or any other person in investigating or defending any claim or proceeding which is asserted or commenced by any party (including any governmental or regulatory body) in connection with the issue and offering or proposed issue and offering of the Securities (other than any such claim or proceeding as may arise from the gross negligence or wilful misconduct of the Lead Manager) and (b) any liability, including legal fees, incurred by the Lead Manager in respect of any such claim or proceeding, whether such liability shall be the result of a judgment or of any settlement agreed by the Lead Manager (other than any such expense or liability as to which the Lead Manager receives indemnity in the form of payment from any other person or which arises out of the Lead Manager's gross negligence or wilful misconduct). Further, the Managers confirm their authority to the Lead Manager to take such action in that respect on behalf of the Managers as, in its absolute discretion, the Lead Manager considers appropriate. The Lead Manager shall notify the other Managers of any such claim or proceeding and shall (without prejudice to its foregoing authority), to the extent it considers reasonably practicable, consult the other Managers before taking any decision which the Lead Manager at the time believes may have a substantial effect on the outcome of any such claim or proceeding which it then considers material.



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## 10. GOVERNING LAW AND JURISDICTION

This Agreement, as to which time shall be of the essence, shall be governed by and construed in accordance with English law. With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably submits to the jurisdiction of the English courts and waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have jurisdiction over such party.

Nothing in this Agreement precludes any party from bringing Proceedings in any other jurisdiction (outside the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions (outside the Contracting States) preclude the bringing of Proceedings in any such other jurisdiction.



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## SCHEDULE

| | |
|---|---|
| *Closing Date* | The date defined as such in the Subscription Agreement. |
| *Combined Commission* | The combined management and underwriting commission set out in the Invitation Telex. |
| *Commitments* | The amounts severally underwritten by the Managers as set out in the Commitment Telex. |
| *Commitment Telex* | The telex sent to each Manager by or on behalf of the Lead Manager setting out the names and underwriting commitments of all of the Managers. [Note: this information may be contained in the Invitation Telex.] |
| *Guarantor* | The Guarantor, if any, of the issue. |
| *Global Instrument* | Includes any global instrument to be delivered by the Issuer, as provided for in the Subscription Agreement. |
| *Invitation Telex* | The telex inviting each Manager to participate in the issue. |
| *Issuer* | The issuer of the Securities. |
| *Lead Manager* | The Manager expressed to be the Lead Manager in the Invitation Telex or as notified by any subsequent telex. |
| *Managers* | The parties named as such in the Subscription Agreement. |
| *Power of Attorney* | The document from a Manager appointing an authorised attorney to execute the Subscription Agreement. |
| *Securities* | The securities to be issued as described in the Invitation Telex. |



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| | |
|---|---|
| *Selling Price* | The price at which the Managers agree to subscribe the Securities under the Subscription Agreement (that is, the gross issue price less any selling concession or commission). |
| *Stabilisation Securities* | The securities in respect of which the right to carry out stabilising action has been reserved in any circular or prospectus pursuant to the Conduct of Business Rules of the Securities and Investments Board. |
| *Subscription Agreement* | The agreement between the Issuer, the Guarantor (if appropriate), the Lead Manager and the other Managers setting out the terms and conditions upon which the Managers agree to subscribe the Securities. |



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# AGREEMENT AMONG MANAGERS

Version 2
(Managers and Separate Selling Group – Fixed-Price
Non Equity-Related Issues)

## EXPLANATORY NOTE
## IPMA Standard Form Agreement Among Managers

A. The IPMA Standard Form Agreement Among Managers Version 2 is intended for use in fixed-price non equity-related issues where there is a separate Selling Group and where there is no intention to charge stabilisation losses to the Managers. It also assumes that the IPMA Recommendation that cost overruns should not be charged to co-Managers is to be followed.

B. This version of the IPMA Standard Form Agreement Among Managers will be used when the Invitation Telex contains the words:

> *Agreement Among Managers: IPMA Version 2.*

C. In the telex requesting each Manager to appoint authorised signatories to execute agreements on its behalf the following language should be inserted:

> *The execution of the Subscription Agreement by or on behalf of all parties will constitute your acceptance of the IPMA Agreement Among Managers Version 2 subject to any amendment notified to you in writing at any time prior to the earlier of the receipt by the Lead Manager of the document appointing your authorised signatory and the execution of the Subscription Agreement.*

The effect of adding these words is that each Manager will become bound by this version of the Standard Form Agreement Among Managers (with the appropriate variations) by virtue of having become bound by the Subscription Agreement.

D. The Agreement contemplates that the Lead Manager will notify each



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co-Manager of the net amount due from it at Closing (i.e. after deduction of the Combined Commission due to it). In making that notification, the Lead Manager should make an appropriate adjustment for any praecipium.

The Terms of the Agreement Among Managers in respect of each issue where this form of agreement has been selected for use are as follows (subject, in the case of each Manager, to any amendment notified to that Manager in writing at any time prior to the time when the Power of Attorney granted by that Manager to the Lead Manager is received by it or, where no Power of Attorney is granted by that Manager, the date on which that Manager signs the Subscription Agreement and the Selling Group Agreement). Terms used in this Agreement have the meanings assigned to them in the attached Schedule. Where this Agreement Among Managers has been selected for use, it is conditional upon and will take effect upon the execution of the Subscription Agreement for the relevant issue of Securities.

## 1. OFFERING

The Managers confirm that the Lead Manager, on their behalf, as agents of the Issuer, has offered or will offer the Securities to the Selling Group on the terms of the Selling Group Agreements and the Selling Group Telexes referred to therein and/or the Managers. Each Manager confirms that the Lead Manager has been authorised to execute, on its behalf, the Selling Group Agreements with the Selling Group.

## 2. UNDERWRITING

The Securities will as between the Managers be severally underwritten by the Managers in the amounts set out in the Commitment Telex.

## 3. SUBSCRIPTION BY MANAGERS

If any Selling Group member or Manager defaults in its obligation to subscribe any amount of Securities offered to it as described in Clause 1, or if the Lead Manager in its absolute discretion believes that any Selling Group member or Manager will so default:



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(1) the Lead Manager may require each non-defaulting Manager who has agreed to subscribe Securities as a result of offers described in Clause 1 in a principal amount which is less than its Commitment, to subscribe or purchase additional Securities, but so that no non-defaulting Manager shall, under this paragraph (1) and as a result of offers accepted by it as described in Clause 1 be obliged to subscribe or purchase a principal amount of Securities in excess of its Commitment. In exercising its rights under this paragraph, the Lead Manager shall allocate Securities to each non-defaulting Manager to whom the paragraph applies in proportion to their Commitments, subject to paragraphs (4) and (5);

(2) if any Securities remain to be subscribed or purchased after paragraph (1) has been applied, the Lead Manager may require each of the non-defaulting Managers to subscribe or purchase such Securities in proportion to their Commitments;

(3) any Securities to which this Clause relates will be subscribed or purchased by the non-defaulting Managers at the Selling Price, but (where this Clause applies to such Securities by reason of a default by a Manager) after deduction of the defaulting Manager's Combined Commission, divided among the non-defaulting Managers in proportion to the amount of Securities taken up by them under this Clause, which amount shall be notified to each non-defaulting Manager by the Lead Manager;

(4) the Lead Manager may adjust the amount of Securities it requires any Manager to subscribe or purchase under this Clause up or down to such extent as it may deem expedient and equitable so as to ensure that no Manager is required to subscribe or pay for a fraction of any Security;

(5) as an alternative and/or in addition to paragraphs (1) and/or (2), the Lead Manager may, in its absolute discretion, offer any Securities to which this Clause applies to any person (whether or not a Manager) or may retain them for its own account.

## 4. AUTHORITY TO LEAD MANAGER

Each of the Managers authorises the Lead Manager as its agent and on its behalf to do whatever that Manager is (or all the Managers together are)



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required or entitled to do under the Subscription Agreement or the Selling Group Agreements including:

(1) entering into such arrangements with Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system and Centrale de Livraison de Valeurs Mobilières SA as the Lead Manager reasonably believes to be appropriate to effect payment for and delivery of the Global Instrument delivered in respect of the Securities in accordance with the ISMA Primary Market Settlements recommendations;

(2) borrowing for the account of the non-defaulting Managers, for their several accounts in proportion to their respective Commitments, such sum as may be necessary in order that payment to the Issuer can be effected as specified in the Subscription Agreement and the Lead Manager may pay interest at then current rates;

(3) waiving compliance with any of the conditions referred to in the Subscription Agreement in respect of which the right of waiver is reserved.

As an alternative to borrowing under paragraph (2), the Lead Manager may as principal lend, and may charge interest at then current rates on, such sums as are referred to in that paragraph mutatis mutandis on the terms of that paragraph.

Any amounts due from any Manager as a result of any borrowing made on its behalf, or any loan to it, will be paid forthwith upon demand.

## 5. STABILISATION

(a) Stabilising Manager

Each Manager acknowledges that the Lead Manager is appointed stabilising Manager for the Stabilisation Securities. However, this Clause does not authorise the Lead Manager to carry out stabilisation and/or over-allotment transactions on behalf of the Managers. Any such transactions shall be for the Lead Manager's own account and shall be effected in accordance with applicable laws.



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(b) Non-Stabilisation Agreement

No Manager other than the Lead Manager (and any lawful regional stabilising Manager) will effect any transactions (whether in the open market or otherwise) with a view to stabilising or maintaining the market price of the Stabilisation Securities at levels other than those which might otherwise prevail.

## 6. EXPENSES

(a) Retention

The amount paid by the Issuer or the Guarantor in respect of Managers' expenses shall be retained by the Lead Manager for its own account. The other Managers will not be reimbursed for any of their expenses in connection with the issue of the Securities.

(b) Expenses on Termination

If the obligations of the Managers under the Subscription Agreement to subscribe the Securities are terminated, the Managers agree to contribute (subject to the aggregate amount of such contribution not exceeding the lower of 6% of the Combined Commission and 20% of the amount reimbursable by the Issuer (failing whom the Guarantor) in respect of expenses) in proportion to their respective Commitments in meeting any direct out-of-pocket expenses incurred by the Lead Manager which are not recoverable and/or are not recovered from the Issuer or the Guarantor under the Subscription Agreement.

## 7. TERMINATION

If any Manager wishes to terminate its obligations to subscribe the Securities under the Subscription Agreement, it shall consult with the Lead Manager who shall, to the extent the Lead Manager considers reasonably practicable, consult with the other Managers. The Lead Manager may in any event, on behalf of the Managers and in its sole discretion, give notice of such termination to the Issuer in accordance with the terms of the Subscription Agreement and shall not be responsible to any Manager



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for any consequences resulting from any such notice. No other Manager may give any such notice and the Lead Manager may not be required to give, or not to give, such notice.

## 8. PARTNERSHIP

None of the provisions of this Agreement or any other agreement relating to the Securities shall constitute or be deemed to constitute a partnership or joint venture between the Managers or any of them, or between them (or any of them) and anyone else, and, except as specifically provided, none of the Managers shall have any authority to bind any other Manager in any way.

## 9. INDEMNITY

The Managers agree, whether or not the Securities shall have been issued and settlement made of all other rights and obligations under this Agreement, to contribute (without regard to the limits set out in Clause 6(b)) in proportion to their respective Commitments towards (a) all expenses incurred by the Lead Manager and not reimbursed by the Issuer or the Guarantor or any other person in investigating or defending any claim or proceeding which is asserted or commenced by any party (including any governmental or regulatory body) in connection with the issue and offering or proposed issue and offering of the Securities (other than any such claim or proceeding as may arise from the gross negligence or wilful misconduct of the Lead Manager) and (b) any liability, including legal fees, incurred by the Lead Manager in respect of any such claim or proceeding, whether such liability shall be the result of a judgment or of any settlement agreed by the Lead Manager (other than any such expense or liability as to which the Lead Manager receives indemnity in the form of payment from any other person or which arises out of the Lead Manager's gross negligence or wilful misconduct). Further, the Managers confirm their authority to the Lead Manager to take such action in that respect on behalf of the Managers as, in its absolute discretion, the Lead Manager considers appropriate. The Lead Manager shall notify the other Managers of any such claim or proceeding and shall (without prejudice to its foregoing authority), to the extent it considers reasonably practicable, consult the other Managers before taking any decision which the Lead Manager at the time believes may have a substantial effect on the outcome of any such claim or proceeding which it then considers material.



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## 10. GOVERNING LAW AND JURISDICTION

This Agreement, as to which time shall be of the essence, shall be governed by and construed in accordance with English law. With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably submits to the jurisdiction of the English courts and waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have jurisdiction over such party.

Nothing in this Agreement precludes any party from bringing Proceedings in any other jurisdiction (outside the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions (outside the Contracting States) preclude the bringing of Proceedings in any such other jurisdiction.



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## SCHEDULE

| | |
|---|---|
| *Closing Date* | The date defined as such in the Subscription Agreement. |
| *Combined Commission* | The combined management and underwriting commission set out in the Invitation Telex. |
| *Commitments* | The amounts severally underwritten by the Managers as set out in the Commitment Telex. |
| *Commitment Telex* | The telex sent to each Manager by or on behalf of the Lead Manager setting out the names and underwriting commitments of all of the Managers. [Note: this information may be contained in the Invitation Telex.] |
| *Guarantor* | The Guarantor, if any, of the issue. |
| *Global Instrument* | Includes any global instrument to be delivered by the Issuer, as provided for in the Subscription Agreement. |
| *Invitation Telex* | The telex inviting each Manager to participate in the issue. |
| *Issuer* | The issuer of the Securities. |
| *Lead Manager* | The Manager expressed to be the Lead Manager in the Invitation Telex or as notified by any subsequent telex. |
| *Managers* | The parties named as such in the Subscription Agreement. |
| *Power of Attorney* | The document from a Manager appointing an authorised attorney to execute the Subscription Agreement. |
| *Securities* | The securities to be issued as described in the Invitation Telex. |



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| | |
|---|---|
| *Selling Group* | The group consisting of certain banks, brokers and dealers (which may include Managers) selected by the Lead Manager. |
| *Selling Group Agreement* | The agreement (which may be, once the relevant confirmation has been received, the Selling Group Telex) between members of the Selling Group setting out the terms and conditions upon which members of the Selling Group agree to subscribe the Securities. |
| *Selling Group Telexes* such | The telexes sent to each member of the Selling Group by or on behalf of the Lead Manager inviting each member to participate in the issue. |
| *Selling Price* | The price at which the Managers agree to subscribe the Securities under the Subscription Agreement (that is, the gross issue price less any selling concession or commission). |
| *Stabilisation Securities* | The securities in respect of which the right to carry out stabilising action has been reserved in any circular or prospectus pursuant to the Conduct of Business Rules of the Securities and Investments Board. |
| *Subscription Agreement* | The agreement between the Issuer, the Guarantor (if appropriate), the Lead Manager and the other Managers setting out the terms and conditions upon which the Managers agree to subscribe the Securities. |



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# AGREEMENT AMONG MANAGERS

Version 3
(Managers only – Equity-Related Issues)

## EXPLANATORY NOTE
## IPMA Standard Form Agreement Among Managers

A. The IPMA Standard Form Agreement Among Managers Version 3 is intended for use in equity-related issues. It assumes that cost overruns and stabilisation losses will be charged to co-Managers.

B. This version of the IPMA Standard Form Agreement Among Managers will be used when the Invitation Telex contains the words:

> *Agreement Among Managers: IPMA Version 3.*

C. In the telex requesting each Manager to appoint authorised signatories to execute agreements on its behalf the following language should be inserted:

> *The execution of the Subscription Agreement by or on behalf of all parties will constitute your acceptance of the IPMA Agreement Among Managers Version 3 subject to any amendment notified to you in writing at any time prior to the earlier of the receipt by the Lead Manager of the document appointing your authorised signatory and the execution of the Subscription Agreement.*

The effect of adding these words is that each Manager will become bound by this version of the Standard Form Agreement Among Managers (with the appropriate variations) by virtue of having become bound by the Subscription Agreement.

The Terms of the Agreement Among Managers in respect of each issue where this form of agreement has been selected for use are as follows (subject, in the case of each Manager, to any amendment notified to that Manager in writing at any time prior to the time when the Power of Attorney granted by that Manager to the Lead Manager is received by it or, where



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no Power of Attorney is granted by that Manager, the date on which that Manager signs the Subscription Agreement). Terms used in this agreement have the meanings assigned to them in the attached Schedule. Where this Agreement Among Managers has been selected for use, it is conditional upon and will take effect upon the execution of the Subscription Agreement for the relevant issue of Securities.

## 1. OFFERING

The Managers confirm that the Lead Manager, on their behalf, as agents of the Issuer, has offered or will offer the Securities to Managers in the amounts already notified to each Manager by the Lead Manager.

## 2. UNDERWRITING

The Securities will as between the Managers be severally underwritten by the Managers in the amounts set out in the Commitment Telex.

## 3. SUBSCRIPTION BY MANAGERS

If any Manager defaults in its obligation to subscribe any amount of Securities offered to it as described in Clause 1, or if the Lead Manager in its absolute discretion believes that any Manager will so default:

(1) the Lead Manager may require each non-defaulting Manager who has agreed to subscribe Securities as a result of offers described in Clause 1 in a principal amount which is less than its Commitment, to subscribe or purchase additional Securities, but so that no non-defaulting Manager shall, under this paragraph (1) and as a result of offers accepted by it as described in Clause 1 be obliged to subscribe or purchase a principal amount of Securities in excess of its Commitment. In exercising its right under this paragraph, the Lead Manager shall allocate Securities to each non-defaulting Manager to whom the paragraph applies in proportion to their Commitments, subject to paragraphs (4) and (5);

(2) if any Securities remain to be subscribed or purchased after paragraph (1) has been applied, the Lead Manager may require



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each of the non-defaulting Managers to subscribe or purchase such Securities in proportion to their Commitments;

(3) any Securities to which this Clause relates will be subscribed or purchased by the non-defaulting Managers at the Selling Price;

(4) the Lead Manager may adjust the amount of Securities it requires any Manager to subscribe or purchase under this Clause up or down to such extent as it may deem expedient and equitable so as to ensure that no Manager is required to subscribe or pay for a fraction of any Security;

(5) as an alternative and/or in addition to paragraphs (1) and/or (2), the Lead Manager may, in its absolute discretion, offer any Securities to which this Clause applies to any person (whether or not a Manager) or may retain them for its own account.

## 4. AUTHORITY TO LEAD MANAGER

Each of the Managers authorises the Lead Manager as its agent and on its behalf to do whatever that Manager is (or all the Managers together are) required or entitled to do under the Subscription Agreement including:

(1) entering into such arrangements with Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear system and Centrale de Livraison de Valeurs Mobilières SA as the Lead Manager reasonably believes to be appropriate to effect payment for and delivery of the Global Instrument or Instruments delivered in respect of the Securities in accordance with the ISMA Primary Market Settlements recommendations;

(2) borrowing for the account of the non-defaulting Managers, for their several accounts in proportion to their respective Commitments, such sum as may be necessary in order that payment to the Issuer can be effected as specified in the Subscription Agreement and the Lead Manager may pay interest at then current rates;

(3) waiving compliance with any of the conditions referred to in the Subscription Agreement in respect of which the right of waiver is reserved.



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As an alternative to borrowing under paragraph (2), the Lead Manager may as principal lend, and may charge interest at then current rates on, such sums as are referred to in that paragraph mutatis mutandis on the terms of that paragraph.

Any amounts due from any Manager as a result of any borrowing made on its behalf, or any loan to it, will be paid forthwith upon demand.

## 5. STABILISATION AND COMMISSIONS

(a) Authority to Lead Manager

In order to facilitate the distribution of the Securities, the Managers severally authorise the Lead Manager, in the Lead Manager's absolute discretion and for the account of the Managers, with a view to stabilising or maintaining the market price of the Stabilisation Securities at levels other than those which might otherwise prevail in the open market, during the period ending 30 days after the date of the Subscription Agreement, to the extent permitted by applicable laws:

(1) to purchase and sell any amount of the Stabilisation Securities in the open market or otherwise on such terms as it may decide;

(2) to offer any amount of the Stabilisation Securities in excess of the aggregate principal amount of the Stabilisation Securities;

(3) to take such action to hedge the stabilisation account in whatever securities the Lead Manager may deem appropriate; and

(4) to cover any short position or sell any long position incurred pursuant to (1), (2) or (3) above upon such terms as it may think fit.

Any positions so incurred or transactions so entered into shall be closed out for the account of the Managers within the period referred to above. Any resulting profit or loss shall be for the account of the Managers (pro rata to their respective Commitments) to the extent that it does not exceed 60% of the Combined Commission and for that of the Lead Manager to the extent that it does.



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(b) Power to Borrow

The Lead Manager may advance its own funds, or borrow for the account of the Managers, for the purposes of stabilisation and over-allotment pursuant to sub-Clause (a) above, and may (subject to the limitation contained in the final paragraph of Clause 5(a)) charge or, as the case may be, pay interest at then current rates, such interest to be taken into account as an expense of such action before calculating the profit and loss on such stabilisation or over-allotment.

(c) Non-Stabilisation Agreement

No Manager other than the Lead Manager (and any lawful regional stabilising Manager) will effect any transactions (whether in the open market or otherwise) with a view to stabilising or maintaining the market price of the Stabilisation Securities at levels other than those which might otherwise prevail.

(d) Distribution of Commissions

After payment of the net subscription moneys to the Issuer in accordance with the Subscription Agreement, the Lead Manager shall, out of the balance of the moneys received by it pursuant to the issue of the Securities, (1) from an amount equal to 40% of the Combined Commission (a) deduct the Praecipium (if any) and (b) distribute the balance of such amount to all the Managers in proportion to their respective Commitments, and (2) distribute the balance of the Combined Commission, subject to adjustment in accordance with sub-Clause (e), to all the Managers in proportion to their respective Commitments. Each Manager required to subscribe or purchase additional Securities pursuant to Clause 3 is entitled to the corresponding Combined Commission relating to such Securities which will be paid to it in accordance with this sub-Clause (d).

(e) Adjustment to Commissions

The balance of the Combined Commission shall be adjusted by the Lead Manager, prior to payment, as nearly as practicable in proportion to the respective Commitments of the Managers, as follows:



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(1) The Lead Manager shall deduct any expenses incurred in connection with the issue of the Securities to the extent that they exceed the amount set out in the Invitation Telex except that the deduction to cover those expenses shall not exceed the lower of 6% of the Combined Commission and 20% of the expenses reimbursed by the Issuer or the Guarantor (if any) and receivable by the Lead Manager.

(2) The Lead Manager shall deduct any overall loss incurred as a result of transactions effected in accordance with Clause 5(a) except that the deduction, when taken with any adjustment pursuant to sub-Clause (e)(1), shall not exceed 60% of the Combined Commission.

(3) The Lead Manager shall add any overall profit earned as a result of transactions effected in accordance with Clause 5(a) to the extent that the profit so added does not exceed 60% of the Combined Commission.

(4) The Lead Manager shall take account of interest on any borrowings made under Clause 4(2) or of any loan made by it under Clause 4.

## 6. EXPENSES

(a) Retention

The amount paid by the Issuer or the Guarantor in respect of Managers' expenses shall be retained by the Lead Manager for its own account. The other Managers will not be reimbursed for any of their expenses in connection with the issue of the Securities.

(b) Expenses on Termination

If the obligations of the Managers under the Subscription Agreement to subscribe the Securities are terminated, the Managers agree to contribute (subject to the aggregate amount of such contribution not exceeding the lower of 6% of the Combined Commission and 20% of the amount reimbursable by the Issuer (failing whom the Guarantor) in respect of expenses) in proportion to their respective Commitments in meeting any direct out-of-pocket expenses incurred by the Lead Manager which are



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not recoverable and/or are not recovered from the Issuer or the Guarantor under the Subscription Agreement.

## 7. TERMINATION

If any Manager wishes to terminate its obligations to subscribe the Securities under the Subscription Agreement, it shall consult with the Lead Manager who shall, to the extent the Lead Manager considers reasonably practicable, consult with the other Managers. The Lead Manager may in any event, on behalf of the Managers and in its sole discretion, give notice of such termination to the Issuer in accordance with the terms of the Subscription Agreement and shall not be responsible to any Manager for any consequences resulting from any such notice. No other Manager may give any such notice and the Lead Manager may not be required to give, or not to give, such notice.

## 8. PARTNERSHIP

None of the provisions of this Agreement or any other agreement relating to the Securities shall constitute or be deemed to constitute a partnership or joint venture between the Managers or any of them, or between them (or any of them) and anyone else, and, except as specifically provided, none of the Managers shall have any authority to bind any other Manager in any way.

## 9. INDEMNITY

The Managers agree, whether or not the Securities shall have been issued and settlement made of all other rights and obligations under this Agreement, to contribute (without regard to the limit set out in Clause 6(b)) in proportion to their respective Commitments towards (a) all expenses incurred by the Lead Manager and not reimbursed by the Issuer or the Guarantor or any other person in investigating or defending any claim or proceeding which is asserted or commenced by any party (including any governmental or regulatory body) in connection with the issue and offering or proposed issue and offering of the Securities (other than any such claim or proceeding as may arise from the gross negligence or wilful misconduct of the Lead Manager) and (b) any liability, including legal fees, incurred by the Lead Manager in respect of any such claim or proceeding, whether



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such liability shall be the result of a judgment or of any settlement agreed by the Lead Manager (other than any such expense or liability as to which the Lead Manager receives indemnity in the form of payment from any other person or which arises out of the Lead Manager's gross negligence or wilful misconduct). Further, the Managers confirm their authority to the Lead Manager to take such action in that respect on behalf of the Managers as, in its absolute discretion, the Lead Manager considers appropriate. The Lead Manager shall notify the other Managers of any such claim or proceeding and shall (without prejudice to its foregoing authority), to the extent it considers reasonably practicable, consult the other Managers before taking any decision which the Lead Manager at the time believes may have a substantial effect on the outcome of any such claim or proceeding which it then considers material.

## 10. GOVERNING LAW AND JURISDICTION

This Agreement, as to which time shall be of the essence, shall be governed by and construed in accordance with English law. With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably submits to the jurisdiction of the English courts and waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have jurisdiction over such party.

Nothing in this Agreement precludes any party from bringing Proceedings in any other jurisdiction (outside the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions (outside the Contracting States) preclude the bringing of Proceedings in any such other jurisdiction.



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## SCHEDULE

| | |
|---|---|
| *Closing Date* | The date defined as such in the Subscription Agreement. |
| *Combined Commission* | The combined management and underwriting commission set out in the Invitation Telex. |
| *Commitments* | The amounts severally underwritten by the Managers as set out in the Commitment Telex. |
| *Commitment Telex* | The telex sent to each Manager by or on behalf of the Lead Manager setting out the names and underwriting commitments of all of the Managers. [Note: this information may be contained in the Invitation Telex.] |
| *Guarantor* | The Guarantor, if any, of the issue. |
| *Global Instrument* | Includes any global instrument or instruments to be delivered by the Issuer, as provided for in the Subscription Agreement. |
| *Invitation Telex* | The telex inviting each Manager to participate in the issue. |
| *Issuer* | The issuer of the Securities. |
| *Lead Manager* | The Manager expressed to be the Lead Manager in the Invitation Telex or as notified by any subsequent telex. |
| *Managers* | The parties named as such in the Subscription Agreement. |
| *Power of Attorney* | The document from a Manager appointing an authorised attorney to execute the Subscription Agreement. |
| *Praecipium* | The praecipium set out in the Invitation Telex. |
| *Securities* | The securities to be issued as described in the Invitation Telex. |



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| | |
|---|---|
| *Selling Price* | The price at which the Managers agree to subscribe the Securities under the Subscription Agreement (that is, the gross issue price less any selling concession or commission). |
| *Stabilisation Securities* | The securities in respect of which the right to carry out stabilising action has been reserved in any circular or prospectus pursuant to the Conduct of Business Rules of the Securities and Investments Board. |
| *Subscription Agreement* | The agreement between the Issuer, the Guarantor (if appropriate), the Lead Manager and the other Managers setting out the terms and conditions upon which the Managers agree to subscribe the Securities. |



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# AGREEMENT AMONG MANAGERS

French Law Versions
Versions for Issues Governed by French Law
(Non Equity-Related Issues)

The following Clauses amend the Clauses of the same numbers in Versions 1 and 2 of the Agreement Among Managers so that the Agreements can be applied to issues governed by French law. Apart from these amendments, the French Law Versions 1 and 2 of the Agreement Among Managers are identical to the English Law versions reproduced in full in this IPMA Handbook. Where a French Law Version of the Agreement Among Managers is used, the Agreement Among Managers can be designated *French Version 1* or *French Version 2*, as appropriate.

**Clause 1**

Delete the words *as agents of the Issuer,*.

**Clause 3 préambule**

Delete the words *in its absolute discretion*.

**Clause 3(5)**

Delete the words *in its absolute discretion.*

**Clause 4(1)**

This Clause should read as follows:

> *(1) entering into such arrangements with Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System, Cedel Bank société anonyme and, if applicable, Société Interprofessionnelle pour la Compensation des Valeurs Mobilières as the Lead Manager reasonably believes to be appropriate to effect payment for, and delivery of the Global Instrument delivered in respect of, the Securities in accordance with the ISMA Primary Market Settlements recommendations;*



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**Clause 8**

This Clause should read as follows:

*8.* ***PARTNERSHIP***

*None of the provisions of this Agreement or any other agreement relating to the Securities shall constitute or be deemed to constitute a partnership, joint venture or other foreign legal institution between the Managers or any of them, or between them (or any of them) and anyone else, and, except as specifically provided, none of the Managers shall have any authority to bind any other Manager in any way.*

**Clause 10**

Delete Clause 10 and insert the words:

*This Agreement shall be governed by and construed in accordance with French law. The parties agree that the Paris Tribunal de Commerce shall have jurisdiction to settle any disputes which may arise out of or in connection with this Agreement. To the extent permitted by applicable laws and treaties, each party reserves the right to waive the benefit of this provision and to take proceedings in any other court of competent jurisdiction.*

**Schedule**

Delete the Definition of Global Instrument and insert the amended definition:

| | |
|---|---|
| *Global Instrument* | *Includes any instrument or certificate to be delivered by the Issuer in respect of the Securities.* |



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# AGREEMENT AMONG MANAGERS

German Law Versions
Versions for Issues Governed by German Law

The following Clauses amend the Clauses of the same numbers in Versions 1, 2 and 3 of the Agreement Among Managers so that the Agreements can be applied to Issues governed by German law. Apart from these amend-ments, the German Law Versions 1, 2 and 3 of the Agreement Among Managers are identical to the English Law versions reproduced in full in this IPMA handbook. Where a German Law Version of the Agreement Among Managers is used, the Agreement Among Managers can be designated *German Version 1, German Version 2*, or *German Version 3* as appropriate.

(The German Law Versions take account of the practices used for Deutsche Mark issues. For other issues governed by German law, the standard (i.e. non-German) Versions 1, 2 and 3 of the Agreement Among Managers may be appropriate with some only of the amendments set out below. In such cases, a phrase like (*German Clauses 1 and 10 only*) can be added after *Version 1, 2* or *3*.)

**Clause 1**

Delete the words *as agents of the Issuer*.

**Clause 4(1)**

Delete Clause 4(1).

**Clause 10**

Delete Clause 10 and insert the words:

> *This Agreement shall be governed by and construed in accordance with the law of the Federal Republic of Germany. The courts of Frankfurt am Main, Federal Republic of Germany, shall have non-exclusive jurisdiction over any dispute arising under or in connection*



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*with this Agreement and each party irrevocably submits to the jurisdiction of such German courts.*

**Schedule**

Delete the definition of *Stabilisation Securities* and insert the amended definition:

*The securities (i) which are the subject of the distribution contemplated hereby or (ii) in respect of which the right to carry out stabilising action has been reserved in any circular or prospectus.*



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# AGREEMENT AMONG MANAGERS

New York Law Versions
Versions for Issues Governed by New York Law

The following Clauses amend the Clauses of the same numbers in Versions 1, 2 and 3 of the Agreement Among Managers so that the Agreements can be applied to Issues governed by New York Law. Apart from these amendments, the New York Law Versions 1, 2 and 3 of the Agreement Among Managers are identical to the English Law Versions reproduced in full in this IPMA handbook. Where a New York Law Version of the Agreement Among Managers is used, the Agreement Among Managers can be designated *New York Version 1*, *New York Version 2* or *New York Version 3*, as appropriate.

**Clause 1**

Delete the words *as agents of the Issuer*.

**Clause 10**

Delete Clause 10 and insert the words:

> *This Agreement shall be governed by and construed in accordance with the law of the State of New York. With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably submits to the non-exclusive jurisdiction of the courts of the State of New York sitting in New York City and Federal courts sitting therein and, to the fullest extent that it may do so, waives (i) any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, (ii) any claim that such Proceedings have been brought in an inconvenient forum and (iii) the right to object, with respect to such Proceedings, that such court does not have jurisdiction over such party.*
>
> *Nothing in this Agreement precludes any party from bringing Proceedings in any other jurisdiction, nor will the bringing of*



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*Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any such other jurisdiction.*



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## APPENDIX E

# IPMA STANDARD TERMS FOR SUBSCRIPTION AGREEMENTS

## DISCLAIMER

Members and their professional advisers should consider the appropriateness of the Standard Form Subscription Agreement in each case where it is proposed that it should be used, and should modify it where necessary or advisable to take account of the special circumstances of the issue or of the issuer. The Standard Form sets out minimum terms only and IPMA accepts no responsibility in respect of such matters.

January 2000

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# IPMA STANDARD TERMS FOR SUBSCRIPTION AGREEMENTS

## 1. INTERPRETATION

Terms used in this document have the same meanings as in the agreement into which they are incorporated (the "Subscription Agreement").

## 2. THE ISSUE

(A) Subscription

The Managers jointly and severally agree to subscribe the Securities at the Selling Price on the Closing Date, on the terms of the Subscription Agreement. Each Manager has complied, and will comply, with the Selling Restrictions and will indemnify the Issuer against the consequences which may result if it does not do so (unless its failure to do so is based upon legal advice received by it).

(B) Issue

The Issuer agrees to issue the Securities on the Closing Date to the Managers or as they may direct and (if there is one) the Guarantor agrees to give the Guarantee. Each of them will enter into each Specified Document to which it is to be a party, not later than its Specified Date and will obtain any Closing Consents on or before the Closing Date. Each confirms that the Managers may distribute copies of the Disclosure Document, and were authorised to circulate a draft of it, in connection with the offer and sale of the Securities.

## 3. STABILISATION

Any stabilisation activities described in the Disclosure Document will not be carried out by the Lead Manager as agent for the Issuer or (if there is one) Guarantor and the Lead Manager will not account to them for any resulting profit, nor will they be liable for any loss. No more than the Issue Amount of the Securities will be issued.



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## 4. LISTING

The Issuer agrees that the Securities will be listed on the Stock Exchange and the Issuer and (if there is one) the Guarantor will use all reasonable efforts to obtain and to maintain the listing. If it is unable to do so, having used such efforts, it will use all reasonable efforts to obtain a listing for the Securities on another stock exchange approved by the Lead Manager.

## 5. REPRESENTATIONS AND WARRANTIES

(A) Warranties

The Issuer (together with the Guarantor (if there is one), on the Agreed Basis) represents and warrants to each Manager that:

(1) Existence: it, and each of its Subsidiaries, exists as a legal entity with full power to own its assets and conduct its business in whatever jurisdiction those assets are located or that business is conducted;

(2) Specified Documents and Securities: the Specified Documents to which it is, or is to be, a party and the Securities are, or (if to be entered into after the date of the Subscription Agreement) will when entered into be, its legally binding obligations, enforceable against it in accordance with their terms (subject to any qualifications in the legal opinions described as Closing Letters);

(3) No Impediments: apart from the Closing Consents (if any), which will be obtained on or prior to the Closing Date, no action or thing (including the obtaining of any consent or licence or the making of any filing or registration) is required to be taken or done for the carrying out of any obligation by it or on its behalf, as contemplated by the Specified Documents. There is nothing which could prevent the carrying out of the transactions contemplated by the Specified Documents and the carrying out of such transactions will not conflict with its constitutional documents (if any) or any of its other obligations or any law to which it is subject;

(4) Disclosure: the Disclosure Document contains all information with respect to it and to it and its Subsidiaries taken as a whole (its "Group") which is material in the context of the issue and offering



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of the Securities (including all information required by law and the Stock Exchange). The information contained in the Disclosure Document relating to it and its Group is, in all material respects, true, complete and not misleading and has been verified by it through all reasonable enquiries. Nothing has been omitted from the Disclosure Document which (if it had been included) would materially alter the meaning or significance of the information in the Disclosure Document. Where it consists of opinions or intentions, these are honestly held and have been reached after considering all relevant circumstances and are based on reasonable assumptions;

(5) Financial Statements: its Specified Financial Statements were prepared in accordance with accounting principles and in accordance with the laws applicable to it, which have been applied on a consistent basis, except as disclosed in them. They present fairly the financial position and results of itself and its Group. Since the date of the Specified Financial Statements, there has been no material adverse change, or development involving a prospective material adverse change, in such position or results, except as disclosed in the Disclosure Document;

(6) Litigation: there are no pending actions or proceedings against or affecting it or any of its Subsidiaries or any of its or their properties which, if determined adversely to any such entity, would individually or in the aggregate have a material adverse effect on its condition (financial or other), prospects, results of operations or general affairs or those of its Group, or on its ability to perform its obligations under the Specified Documents or the Securities or (if there is one) the Guarantee or which are otherwise material in the context of the issue of the Securities and, to the best of its knowledge, no such actions or proceedings are threatened or contemplated;

(7) Events of Default: no event has occurred or circumstances have arisen which, had the Securities already been issued, might (whether or not with the giving of notice and/or the passage of time and/or the fulfilment of any other requirement) constitute an event described under "Events of Default" in the Securities;

(8) Other Representations: the Representations (if any) set out in the Subscription Agreement are also part of this Agreement.



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(B) Repetition and Indemnity

The representations and warranties in Clause 5(A) must remain true, even though circumstances change, up to and including the Closing Date. The Issuer (and the Guarantor, if there is one, on the Agreed Basis) agrees with each Manager that it will indemnify such Manager and each of its officers or employees and each United States Person who controls such Manager for the purpose of Section 15 of the Securities Act against any consequences, direct or indirect, which such Manager, officer or employee or United States Person may suffer (i) as a result of any of the matters represented or warranted by the Issuer or (if there is one) the Guarantor in relation to the issue not being, or being alleged not to be, as represented or warranted and (ii) notwithstanding that such Manager investigates whether the matters represented or warranted are true.

## 6. UNDERTAKINGS

The Issuer (jointly and severally with the Guarantor, if there is one):

(A) Taxes

will pay any documentary or issue or registration fees payable in any Specified Jurisdiction in connection with the Specified Documents or the transactions contemplated therein or the Securities and any value added or other similar tax payable in respect of any amount payable to the Managers hereunder; and

(B) Warranties

will promptly notify the Lead Manager if, on any day, it is unable to repeat the representations and warranties in Clause 5(A).

## 7. CONDITIONS

(A) Conditions

The obligations of the Managers to subscribe the Securities are conditional on:

(1) Listing: the Securities being listed on the Stock Exchange, subject only to the issue of the Closing Security, or the Lead Manager being satisfied that they will be listed shortly after the Closing Date;



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(2) Closing Letters: the Closing Letters having been delivered to the Managers on, and dated as of, their Specified Dates;

(3) Representations and Warranties: the representations and warranties in Clause 5(A) being true up to and including the Closing Date;

(4) Performance: each of the Issuer and the Guarantor (if there is one) having complied with all its obligations to be performed under the Subscription Agreement on or by the Closing Date;

(5) Closing Certificate: the delivery on the Closing Date of a Closing Certificate by the Issuer and (if there is one) the Guarantor; and

(6) Other Conditions: the satisfaction of the other conditions (if any) set out in the Subscription Agreement.

(B) Waiver

The Lead Manager on behalf of the Managers may, at its discretion and on such terms as it thinks fit, waive compliance with Clause 7(A)(2), (3), (4), (5) and (6).

## 8. CLOSING

At the Specified Time on the Closing Date and in such place as the Lead Manager may reasonably require, the Issuer will issue to the order of the Managers the Closing Security, duly executed and (if so required) authenticated. Against such delivery, the Managers will pay the Closing Payment in the currency of the Securities for value the Closing Date to such account in the principal financial centre for the currency as the Issuer may specify to the Lead Manager not later than 5 days before the Closing Date. Such payment shall be evidenced by a confirmation by a depositary common to Morgan Guaranty Trust Company of New York, Brussels office, as operator of the Euroclear System and Cedel SA that it has so made that payment.

## 9. COMMISSION

The Issuer (failing whom the Guarantor, if there is one) agrees to pay the Commission to the Managers.



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## 10. EXPENSES

The Issuer (failing whom the Guarantor, if there is one) will pay to the Lead Manager the Expense Amount, in the manner specified in the Expenses Letter.

## 11. TERMINATION

(A) Failure to satisfy conditions

The Lead Manager may, by notice to the Issuer at any time before subscription of the Securities, terminate the Subscription Agreement if any of the conditions in Clause 7(A) is not fulfilled or waived. Upon such termination, the parties shall be released from their obligations under the Subscription Agreement, except for those of the Issuer and (if there is one) the Guarantor under Clauses 5 and 10.

(B) Force Majeure

The Force Majeure Clause shall apply as if set out in these Standard Terms.

## 12. SURVIVAL OF RIGHTS

Performance of the obligations to issue and subscribe the Securities shall not terminate any rights which any party may have under the Subscription Agreement, which shall continue in full force and effect, nor shall any such rights be affected by an investigation made by or on behalf of any of the Managers.

## 13. COMMUNICATIONS

Any communication shall be given by letter, telex, fax or telephone to the Issuer or (if there is one) the Guarantor or, through the Lead Manager, the Managers, in each case at its Specified Address and to the person specified under Specified Address. Any communication shall be effective (1) in the case of a letter, when delivered, (2) in the case of telex, when sent, provided what purports to be the correct answerback is received at the beginning and end of the telex, (3) in the case of fax, when acknowledged



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by the addressee specified under Specified Address and (4) in the case of telephone, when made.

## 14. GOVERNING LAW AND JURISDICTION

(A) Governing Law and Submission

The Subscription Agreement, as to which time shall be of the essence and which may be executed in any number of counterparts, to be taken together as one agreement, shall be governed by and construed in accordance with English law. The Relevant Courts are to have jurisdiction to settle any disputes which may arise out of or in connection with the Subscription Agreement and accordingly any legal action or proceedings arising out of or in connection with the Subscription Agreement ("Proceedings") may be brought in such courts. Each of the Issuer and the Guarantor (if there is one) irrevocably submits to the jurisdiction of such courts and waives any objection to Proceedings in any such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the Managers and shall not limit the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(B) Process

Each of the Issuer and (if there is one) the Guarantor irrevocably appoints the Process Agent (if any) as its authorised agent for service of process in England.



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# IPMA STANDARD SUBSCRIPTION AGREEMENT

(For use with IPMA Standard Terms
for Subscription Agreements)

This Agreement is made on [ ] BETWEEN:

(1) [Name of Issuer] (the "Issuer");

(2) [Name of Guarantor] (the "Guarantor");

(3) [Name of Lead Manager] (the "Lead Manager"); and

(4) [Names of the other Managers] (together with the Lead Manager, the "Managers").

This Agreement records the arrangements between the parties in relation to the issue of the Securities.

## 1. **INTERPRETATION**

(A) Definitions

"Agreed Basis" means [insert basis on which the warranties are given by the Issuer and the Guarantor, if there is one – e.g. "joint and several". If there is no Guarantor, delete the definition];

"Closing Certificate" means a certificate, dated the Closing Date and signed by a duly authorised officer of the entity giving it, confirming the warranty in Clause 7(A) (3) of the Standard Terms, as at the Closing Date;

"Closing Consents" means [insert details of those authorisations, consents etc. which cannot be obtained until after the signing of the Subscription Agreement, but which are to be obtained on or before the Closing Date];

"Closing Date" means [ ] or such later date as the Issuer and the Lead Manager on behalf of the Managers may agree;

"Closing Letters" and, in relation to each Closing Letter, its "Specified Date" means:



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| | |
|---|---|
| Closing Letter<br>[Insert details e.g. legal opinions and auditor's comfort letters] | Specified Date<br>[Date of Letter] |

each substantially in the form of the draft signed for identification by [English legal advisers to the Lead Manager] with such changes as may be approved by the Lead Manager;

"Closing Payment" means an amount equal to the Selling Price less the Commission and the Expense Amount;

"Closing Security" means [e.g. the temporary global bond];

"Commission" means a combined management and underwriting commission of [ ] per cent. of the principal amount of the Securities;

"Disclosure Document" means [e.g. the Prospectus/Offering Circular/Listing Particulars] dated [ ] [and [e.g. the draft/preliminary Prospectus/Offering Circular/Listing Particulars] dated [ ]], prepared by the Issuer and the Guarantor (if any) in connection with the issue of the Securities;

"Expense Amount" means the amount specified in the Expenses Letter;

"Expenses Letter" means the letter dated [ ] from [ ] to [ ];

"Force Majeure Clause" means [IPMA Version 1/Version 2] in the form in existence on [date on which Managers were informed of the Version to be used], with the clause relating to expenses being deemed to be Clause 10 of the Standard Terms, and with the Lead Manager referred to being deemed to be the Lead Manager, as defined herein;

"Guarantee" means [the guarantee to be contained in the Trust Deed/ the guarantees in the form set out in the Fiscal Agency Agreement/the guarantees to be endorsed/enfaced on the Securities], in the form set out in the Specified Documents;



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"Issue Amount" means [insert currency and full principal amount of the Securities];

"Process Agent" means [set out name of Process Agent for Issuer and (if there is one) Guarantor. Do not include for Issuers or Guarantors who have a presence in the United Kingdom];

"Relevant Courts" means [insert courts which are to have jurisdiction];

"Relevant Jurisdiction" means [jurisdiction of incorporation of Issuer and (if there is one) Guarantor];

"Securities" means the [currency, total principal amount and description of the Securities to be issued], and includes, where the context admits, the Closing Security, each in the form set out in the Specified Documents;

"Selling Price" means the issue price of [ ] per cent. of the principal amount of the Securities, [plus accrued interest, if any, from [ ] to the Closing Date], less a selling [concession/commission] of [ ] per cent. of such principal amount;

"Selling Restrictions" means the terms set out in the Schedule to the Subscription Agreement and the additional restrictions set out in Clause 2;

"Specified Address" means [set out the specified address and contact details for each party];

"Specified Documents" and, in relation to each Specified Document, its "Specified Date", means:

| Specified Document | Specified Date |
|---|---|
| [Identify contract, including the Subscription Agreement and the Guarantee, if there is one] | [Date of Contract] |

each (save for this Agreement) substantially in the form of the draft signed for identification by [English legal advisers to the Managers] with such changes as may be approved by the Lead Manager;



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"Specified Financial Statements" means [insert details of the financial statements of the Issuer and, if there is one, the Guarantor which are to be the subject of the warranties, e.g. "contained in the Disclosure Document" or "contained in its annual reports for the years [ ]"];

"Specified Jurisdictions" means any Relevant Jurisdiction and [ ];

"Specified Time" means [insert time for closing] (London time) or such other time as may be agreed between the Lead Manager, on behalf of the Managers, and the Issuer;

"Stock Exchange" means [ ]; and

"Subsidiaries" means [insert definition (including affiliates, if appropriate) relevant to the Issuer/Guarantor, e.g. the definition used by the law of incorporation of the Issuer/Guarantor].

(B) Incorporation of Standard Terms

Except as otherwise provided in this Agreement, the terms of the IPMA Standard Terms for Subscription Agreements dated [ ] (the "Standard Terms") shall apply to this Agreement as if they were set out in it. [Note: Alternatively, attach a copy in a Schedule.]

## 2. ADDITIONAL AGREEMENTS BY THE MANAGERS

[Set out United Kingdom and other selling restrictions.]

## 3. ADDITIONAL REPRESENTATIONS AND WARRANTIES

In addition to Clause 5 of the Standard Terms, each of the Issuer and (if there is one) the Guarantor represents and warrants on the Agreed Basis to each of the Managers that:

(1) No Directed Selling Efforts

Neither it nor its subsidiaries nor its affiliates nor any persons acting on its or their behalf have engaged or will engage in any directed



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selling efforts (as defined in Regulation S under the United States Securities Act of 1933) with respect to the Securities.

[Insert additional warranties including, if Category 1 under Regulation S is used, the following:

"[(2)] No Substantial US Market Interest:

It reasonably believes that there is no substantial US market interest (as defined in Regulation S under the United States Securities Act of 1933) in its debt securities." [Note: if the Issuer is a subsidiary of the Guarantor, only the Guarantor need give this additional warranty.]]

The references in the Standard Terms to the representations and warranties in Clause 5(A) shall be deemed also to include the representations and warranties in this Clause.

## 4. OTHER TERMS

This Agreement has been entered into on the date stated at the beginning.

[NAME OF ISSUER]
By:

[NAME OF GUARANTOR]
By:

[NAME OF LEAD MANAGER]
By:

[EACH MANAGER]
By:



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**APPENDIX F**

# Explanatory Memorandum
# IPMA Standard Form Medium Term Note Pricing Supplement

## Pro Forma Pricing Supplement

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# EXPLANATORY MEMORANDUM
## IPMA Standard Form Medium Term Note Pricing Supplement

The pricing supplement is a critical document in the operation of a Medium Term Note Programme. It sets out the commercial terms of a particular trade under the Programme. For most Programmes, when the pricing supplement is attached to an authenticated copy of the master global note for the Programme, it completes the global note to create legal obligations of the issuer under the notes being issued. Also, as part of the mechanism for listing an issue of notes, the Pricing Supplement must be lodged with the relevant stock exchange. Accordingly, the issuer is responsible for ensuring that each pricing supplement is accurate and complete.

To date different forms of pricing supplement have been used in the MTN market. IPMA members now consider that the market has evolved to the stage where standardisation (to the extent possible) will benefit all market participants by reducing clerical and operational time spent in the preparation and correction of documentation, minimising the risk of oversights, and making the document easier to produce, review and read generally.

When documenting a new Programme or updating the documentation of an existing Programme, IPMA strongly encourages Dealers either to use the IPMA standard form pricing supplement (the "IPMA Pricing Supplement") or to ensure that the pricing supplement included in the Programme documentation follows the form of the IPMA Pricing Supplement so far as circumstances allow.

If the IPMA Pricing Supplement is included by way of an amendment to an existing Programme, careful consideration should be given to any conforming changes in the Terms and Conditions that may be necessary.

IPMA strongly encourages members to ensure that the disclosure document for any Programme, new or updated, includes in full the form of pricing supplement which it is intended to use, whether or not the IPMA Pricing Supplement is used.



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Issuers and other market participants should note that pricing supplements generally are not intended as a means of updating disclosure. Matters of disclosure should normally be addressed by a supplement to the listing particulars in accordance with any relevant stock exchange rules.

In certain cases it may be advisable to prepare the Terms and Conditions of the relevant tranche in full, upon advice from counsel in the relevant jurisdiction. Examples include a trade which is expected to generate significant retail distribution in Germany (where certain German counsel have generally advised that issues of consumer protection require full Terms and Conditions to be given) or where a trade is particularly complex or raises particular issues of liability. Where full Terms and Conditions are used, the pricing supplement should contain under "Other terms or special conditions" wording to the effect set out in the Footnote below.

The numbering of the IPMA Pricing Supplement is designed to retain a reference to all material items while producing a final document which is as short as possible. Where a heading requires a number of items to be entered, these should be in the form of sub-paragraphs designated (i), (ii) and so on.

If a particular transaction contains material terms which are not specifically provided for in the IPMA Pricing Supplement, it should normally be under "Other terms or special conditions". Careful consideration should be given to the inclusion of material terms which are not specifically provided for in the Terms and Conditions. The inclusion of such terms may require supplemental listing particulars in accordance with any relevant stock exchange rules or legal or regulatory requirements.

Where there is a guarantor, the issuer and the relevant Dealer(s) must consider if it is necessary to obtain the signature of the guarantor to the pricing supplement in order to bind the guarantor to the particular issue of notes, based on the formal structure of the guarantee, the relationship between the issuer and the guarantor, and legal advice in the relevant jurisdiction.

The UK Banking Act language attached to the IPMA Pricing Supplement is provided for convenience only and should be used only where legal advice indicates it is appropriate.



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IPMA recognises that changes in regulation and market practice may require periodic updating of the IPMA Pricing Supplement in the future.

**Note**

"The full text of the Terms and Conditions which apply to the Notes [and which will be endorsed on the Notes in definitive form] are as set out in [the Annex hereto], which Terms and Conditions replace in their entirety those appearing in the [Information Memorandum/Offering Circular/ Prospectus] for the purposes of these Notes and such Terms and Conditions will prevail over any other provision to the contrary."

The bracketed language is to be deleted where there is a permanent global Note instead of Notes in definitive form. The full Terms and Conditions should be attached to and form part of the pricing supplement.



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# PRO FORMA PRICING SUPPLEMENT

**Pricing Supplement dated •**

**[Name of Issuer]**
Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes]
[Guaranteed by **[Name of Guarantor]**]
under the ***[insert Programme Amount]*** **[Debt Issuance Programme]**
**[Euro Medium Term Note Programme]**

This document constitutes the Pricing Supplement 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 [Information Memorandum/Offering Circular/Prospectus] dated • [and the supplemen-tal [Information Memorandum/Offering Circular/Prospectus] dated • ]]. This Pricing Supplement must be read in conjunction with such [Information Memorandum/Offering Circular/Prospectus] [as so supple-mented].

*[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 directions for completing the Pricing Supplement.]*

| | | | |
|---|---|---|---|
| 1. | [(i)] Issuer: | [ | ] |
| | [(ii) Guarantor: | [ | ]] |
| 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 Nominal Amount: | | |



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| | | | |
|---|---|---|---|
| | [(i)] | Series: | [ ] |
| | [(ii) | Tranche: | [ ]] |
| 5. | [(i)] | Issue Price: | [ ] per cent of the Aggregate Nominal Amount [plus accrued interest from [*insert date*] (*in the case of fungible issues only, if applicable*)] |
| | [(ii) | Net proceeds: | [ ] (*Required only for listed issues*)] |
| 6. | | Specified Denominations: | [ ]<br>[ ] |
| 7. | [(i)] | Issue Date: | [ ] |
| | [(ii) | Interest Commencement Date (if different from the Issue Date): | [ ]] |
| 8. | | Maturity Date: | [*specify date or (for Floating Rate Notes) Interest Payment Date falling in the relevant month and year*] |
| 9. | | Interest Basis: | [• % Fixed Rate]<br>[[*specify reference rate*] +/– • % Floating Rate]<br>[Zero Coupon]<br>[Index Linked Interest]<br>[Other (*specify*)]<br>(further particulars specified below) |
| 10. | | Redemption/Payment Basis: | [Redemption at par]<br>[Index Linked Redemption]<br>[Dual Currency]<br>[Partly Paid]<br>[Instalment]<br>[Other (*specify*)] |



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| | | |
|---|---|---|
| 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: | [Investor Put]<br>[Issuer Call]<br>[(further particulars specified below)] |
| 13. | [(i)] Status of the Notes: | [Senior/[Dated/Perpetual]/ Sub-ordinated] |
| | [(ii Status of the Guarantee: | [Senior/[Dated/Perpetual]/ Sub-ordinated]] |
| 14. | Listing: | [London/Luxembourg/other (*specify*)/None] |
| 15. | Method of distribution: | [Syndicated/Non-syndicated] |

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

| | | |
|---|---|---|
| 16. | Fixed Rate Note Provisions | [Applicable/Not Applicable]<br>*(If not applicable, delete the remaining sub-paragraphs 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 |
| | (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)*]] |



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| | | |
|---|---|---|
| (v) | Other terms relating to the method of calculating interest for Fixed Rate Notes: | [Not Applicable/*give details*] (*Consider if day count fraction, particularly for Euro denominated issues, should be on an Actual/ Actual basis*) |
| 17. | **Floating Rate Note Provisions** | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph. Also consider whether EURO BBA LIBOR or EURIBOR is the appropriate reference rate after 1 January 1999*) |
| (i) | Specified Period(s)/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 [Agent]): | [ ] |
| (vi) | Screen Rate Determination: | |
| | – Reference Rate: | [ ] |



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| | | |
|---|---|---|
| | – Interest Determination Date(s): | [ ] |
| | – Relevant Screen Page: | [ ] |
| (vii) | ISDA 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: | [ ] |

| | | |
|---|---|---|
| 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. | **Index-Linked Interest Note Provisions** | [Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*) |



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| | | |
|---|---|---|
| (i) | Index/Formula: | [*give or annex details*] |
| (ii) | Calculation Agent responsible for calculating the interest due: | [ ] |
| (iii) | Provisions for determining Coupon where calculation by reference to Index and/ or Formula is impossible or impracticable: | [ ] |
| (iv) | Specified Period(s)/Specified Interest Payment Dates: | [ ] |
| (v) | Business Day Convention: | [Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/ other (*give details*)] |
| (vi) | Additional Business Centre(s): | [ ] |
| (vii) | Minimum Rate of Interest: | [ ] per cent per annum |
| (viii) | Maximum Rate of Interest: | [ ] per cent per annum |
| (ix) | Day Count Fraction: | [ ] |

20. **Dual Currency Note Provisions** [Applicable/Not Applicable] *(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: | [ ] |



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| | | |
|---|---|---|
| (iv) | Person at whose option Specified Currency(ies) is/are payable: | [ ] |

**PROVISIONS RELATING TO REDEMPTION**

| | | |
|---|---|---|
| 21. | **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) and method, if any, of calculation of such amount(s): | [ ] |
| (iii) | If redeemable in part: | |
| | (a) Minimum Redemption Amount: | [ ] |
| | (b) Maximum Redemption Amount: | [ ] |
| (iv) | Notice period (if other than as set out in the Conditions): | [ ] |
| 22. | **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) and method, if any, of calculation of such amount(s): | [ ] |
| (iii) | Notice period (if other than as set out in the Conditions): | [ ] |
| 23. | **Final Redemption Amount** | [Par/other/see Appendix] |



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24. **Early Redemption Amount**

| | |
|---|---|
| Early Redemption Amount(s) payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions): | [ ] |

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

| | | |
|---|---|---|
| 25. | Form of Notes: | **Bearer Notes:**<br>[Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes on [ ] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]<br><br>[Temporary Global Note exchangeable for Definitive Notes on [ ] days' notice]<br><br>[Permanent Global Note exchangeable for Definitive Notes on [ ] days' notice/ at any time/in the limited circumstances specified in the Permanent Global Note]<br><br>[Registered Notes] |
| 26. | Additional Financial Centre(s) or other special provisions relating to Payment Dates: | [Not Applicable/*give details. Note that this item relates to the place of payment, and not interest period end dates, to which item 17(iii) relates*] |



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| | | |
|---|---|---|
| 27. | Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature): | [Yes/No. *If yes, give details*] |
| 28. | 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*] |
| 29. | Details relating to Instalment Notes: amount of each instalment, date on which each payment is to be made: | [Not Applicable/*give details*] |
| 30. | Redenomination, renominalisation and reconventioning provisions: | [Not Applicable/The provisions [in Condition •] [annexed to this Pricing Supplement] apply] |
| 31. | Consolidation provisions: | [Not Applicable/The provisions [in Condition •] [annexed to this Pricing Supplement] apply] |
| 32. | Other terms or special conditions: | [Not Applicable/*give details*] |

**DISTRIBUTION**

| | | | |
|---|---|---|---|
| 33. | (i) | If syndicated, names of Managers: | [Not Applicable/*give names*] |
| | (ii) | Stabilising Manager (if any): | [Not Applicable/*give name*] |
| 34. | | If non-syndicated, name of Dealer: | [Not Applicable/*give name*] |
| 35. | | Additional selling restrictions: | [Not Applicable/*give details*] |

**OPERATIONAL INFORMATION**



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| | | |
|---|---|---|
| 36. | ISIN Code: | [ ] |
| 37. | Common Code: | [ ] |
| 38. | Any clearing system(s) other than Euroclear and Cedelbank and the relevant identification number(s): | [Not Applicable/*give name(s) and number(s)]* |
| 39. | Delivery: | Delivery [against/free of] payment |
| 40. | Additional Paying Agent(s) (if any): | [ ] |

**[LISTING APPLICATION**

This Pricing Supplement comprises the details required to list the issue of Notes described herein pursuant to the listing of the [*insert Programme Amount*] [Debt Issuance Programme] [Euro Medium Term Note Programme] of •.]

**RESPONSIBILITY**

The Issuer [and the Guarantor] accept[s] responsibility for the information contained in this Pricing Supplement.

Signed on behalf of the Issuer:

By: .....
Duly authorised

[Signed on behalf of the Guarantor:

By: .....
Duly authorised]

**[THE BANKING ACT 1987 (EXEMPT TRANSACTIONS)**



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**REGULATIONS 1997**

[The Notes constitute [commercial paper][shorter/longer term debt securities][1] issued in accordance with regulations made under section 4 of the Banking Act 1987. The Issuer of the Notes is [•], which is not an authorised institution or a European authorised institution (as such terms are defined in the Banking Act 1987 (Exempt Transactions) Regulations 1997). Repayment of the principal and payment of any interest or premium in connection with the Notes has [not] been guaranteed [by [•], which is [neither an authorised institution nor a European authorised institution][an authorised institution, but not a European authorised institution][not an authorised institution but which is a European authorised institution]][2].]

[The Issuer (a) has complied with its obligations under the listing rules of the [•] Stock Exchange in relation to the admission to and continuing listing of any Notes issued under the Programme and of any previous issues made by it under the Programme and listed on the same exchange; (b) confirms that it will have complied with its obligations under the listing rules of the [•] Stock Exchange in relation to the admission to listing of the Notes by the time when the Notes are so admitted; [and] (c) has not, since the last publication of information in compliance with the listing rules of the [•] Stock Exchange about the Programme, any previous issues made by it under the Programme and listed on the [•] Stock Exchange, or the Notes, having made all reasonable enquiries, become aware of any change in circumstances which could reasonably be regarded as significantly and adversely affecting its ability to meet its obligations as Issuer in respect of the Notes as they fall due[; and (d) has complied and will continue to comply with its obligations under the Banking Act 1987 (Exempt Transactions) Regulations 1997 to lodge all relevant information in relation to the Notes with the London Stock Exchange Limited][3].][4]

**Notes**

[1] *Include "commercial paper" if Notes must be redeemed before their first anniversary. Include "shorter" if Notes may not be redeemed before their first anniversary but must be redeemed before their third anniversary. Include "longer" if Notes may not be redeemed before their third anniversary.*

[2] *Unless otherwise permitted, text to be included for all Notes (including*



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*Notes denominated in sterling) in respect of which the issue proceeds are accepted by the Issuer in the U.K.*

[3] *Wording only applies where the Issuer is relying on Regulation 13(4)(b).*

[4] *Unless otherwise permitted, text to be included for all Notes which are to be listed on the London or another EEA Stock Exchange. The text would not be required if the Issuer is relying on Regulation 13(4)(c) to (g) of the Regulations.*



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**APPENDIX G**

**INTERNATIONAL PRIMARY MARKET ASSOCIATION**

# ISMA COMPLIANT LANGUAGE FOR ACTUAL/ACTUAL INTEREST CALCULATIONS IN EURO-DENOMINATED FIXED RATE BOND ISSUES

## VERSION 1 (No long/short coupons)

Where interest is to be calculated in respect of a period which is equal to or shorter[1] than an Interest Period the *[insert definition used for day-count fraction]* used will be the number of days in the relevant period, from and including the date from which interest begins to accrue to but excluding the date on which it falls due, divided by [the product of (1)][2] the number of days in the Interest Period in which the relevant period falls (including the first such day but excluding the last) [and (2) the number of Interest Periods normally ending in any year][2].

## VERSION 2 (Long or short coupons)

The *[insert definition used for day-count fraction]* will be calculated on the following basis:

(i) if the Accrual Period is equal to or shorter than the Determination Period during which it falls, the *[insert definition used for day-count fraction]* will be the number of days in the Accrual Period divided by [the product of (1)][2] the number of days in such Determination Period [and (2) the number of Determination Periods normally ending in any year][2]; and

(ii) if the Accrual Period is longer than one Determination Period[3], the *[insert definition used for day-count fraction]* will be the sum of:

(A) the number of days in such Accrual Period falling in the Determination Period in which it begins divided by [the product of (1)][2] the number of days in such Determination Period [and (2) the number of Determination Periods normally ending in any year][2]; and



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(B) the number of days in such Accrual Period falling in the next Determination Period divided by [the product of (1)][2] the number of days in such Determination Period [and (2) the number of Determination Periods normally ending in any year][2],

where:

"Accrual Period" means the relevant period for which interest is to be calculated (from and including the first such day to but excluding the last); and

"Determination Period" means the period from and including *[insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)]* in any year to but excluding the next *[insert day(s) and month(s) on which interest is normally paid (if more than one, then insert such dates in the alternative)]*.

**Notes**

[1] For example, if a call or a put option is exercised otherwise than on a normal date for payment of interest.

[2] The wording in brackets can be deleted where the Interest Period is one year.

[3] The language refers to our Accrual Period which is no more than two Determination Periods. The wording can be similarly extended to accommodate longer periods.



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# APPENDIX H

Appendix H consists of IPMA Guidance Notes / Press Statements



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# IPMA GUIDANCE NOTES / PRESS STATEMENTS

## GUIDANCE NOTE 1

## PRINTING DEFINITIVE CERTIFICATES

The Legal & Documentation Committee have considered a number of representations to the effect that, in certain types of issues designed for retail investors, there is sometimes unsatisfied demand for definitive certificates in smaller denominations.

The Committee would therefore urge Members to endeavour for retail issues to produce a sufficiently large number of definitive certificates in sufficiently small denominations to meet the anticipated requirements of investors. Members will of course appreciate that, in issues expected to be of particular interest to the retail sector, a greater number of definitive certificates in smaller denominations will be needed by the market.



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# GUIDANCE NOTE 2

## DISCLOSURE OF SIDE ARRANGEMENTS IN THE CONTEXT OF FORCE MAJEURE

Legal considerations may require disclosure of certain side arrangements which:

(a) give the Lead Manager a conflict of interest, even if they do not strictly impact on the way the force majeure clause operates; and

(b) relate to the way in which the force majeure clause would operate.



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# GUIDANCE NOTE 3

## FUNGIBLE ISSUES: RECOMMENDATION 1.12.2

Generally, the IPMA Recommendations govern the relationship between the Lead Manager and the rest of the syndicate and – at the point where the Lead Manager invites firms to join a syndicate – the Recommendations look at future events.

However, Recommendation 1.12.2 looks at a prior event – an issue previously launched by what could have been a completely different syndicate. To dis-apply Recommendation 1.12.2 would in practice have a retrospective effect.

Recommendation 1.12.2 is not intended to be capable of dis-application.



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# GUIDANCE NOTE 4

## DUE DILIGENCE

Lead Managers should consider carefully the appropriate level of due diligence to be performed in the context of each issue.

It is impossible to prescribe whether or what due diligence procedures would be appropriate in the circumstances of each issue, and procedures will vary greatly from issue to issue (depending, for example, on the type of securities being issued, the rights attached to those securities and the nature of the issuer and its business).



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# GUIDANCE NOTE 5

## LIMITED PAYMENT OBLIGATIONS

In 1992, there had been a number of public issues where the payment obligations of the issuer and/or the guarantor had been limited. The limitation was triggered when government action prevented payment in the currency in which the issue was denominated and one of the con-sequences of the limitation being triggered was that the holder of the securities had no right to accelerate the issue by calling a default. Payment would be made in the original currency of the issue (together with accrued interest to the date of payment) when the government authorities permitted such action. Until then, the holder had no right to sue for the unpaid sum.

This is clearly material to investors. This Guidance Note is a reminder that under Recommendation 1.1 and Appendix C (I), early disclosure should be made if any issue or guarantee contains unusual terms. In addition, Recommendation 1.1 requires disclosure of the "basic commercial terms" of an issue.

Careful consideration should be given as to how such disclosure is made. Clearly, in accordance with existing Recommendations, it should be made to co-managers when they are invited to participate in the issue. Disclosure should also be made prominently in the documentation for the issue (particularly in the invitation telex and any draft or final prospectus). Members should also consider whether an indication of the existence of the limitation should be included in the title to the issue. Without such disclosure, participants in the secondary market (who may not see the documentation for the original issue) may be misled as to the nature of the securities they are buying.



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# GUIDANCE NOTE 6

## ACCOUNTANTS' COMFORT LETTERS: US AUDITING STANDARDS

In 1993, IPMA held a number of meetings with the American Institute of Certified Public Accountants ("AICPA") regarding their Statement on Auditing Standards 72 ("SAS 72") which provides guidance to accountants for performing engagements to issue comfort letters.

SAS 72 requires Lead Managers – before auditors can provide comfort letters – to give written confirmation that due diligence has been performed to an extent substantially consistent with that required if the issue was being registered pursuant to the US Securities Act of 1933. The new US audit standards took effect on 1 July 1993: if it were to be the case that audit firms sought to apply this proposed new practice to issues in the international capital markets, then significant difficulties could arise.

IPMA received confirmation from AICPA that they do not regard SAS 72 as being intended to be applicable to accountants outside the United States providing comfort letters on international capital markets transactions, except where those accountants apply generally accepted US auditing standards. In addition, it was acknowledged that the form of representations letter required under SAS 72 to be provided to accountants by managers was drafted with US domestic transactions in mind and that it was unlikely to be able to be given by a manager on the above outlined international capital market transactions. However, managers could be expected to be asked by US accountants for such a representation letter (but please see below) on international capital markets transactions for US issuers, even if there is no US placement.

Attempted application of the provisions of SAS 72 by accountants located outside the USA (and not applying generally accepted US auditing standards) would therefore merely be in accordance with policy of an individual accounting firm, and not a mandatory professional standard which such a firm would be required to follow by AICPA.

IPMA's conclusion is that, in the case of at least those international capital markets transactions outlined above, it does not appear appropriate for accountants to insist on receiving from managers representation letters in



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the standard form defined by SAS 72 or for managers to provide letters in such form.

However, should managers experience undue difficulty in obtaining a traditional comfort letter or, if required, in agreeing an acceptable representation letter, attention is drawn to the possible alternative approach of seeking to obtain from the auditors a so-called "agreed-upon procedures" letter (the provisions of which are found in SAS 35) which may provide nearly similar (though not equivalent) comfort as a traditional comfort letter but which does not under any Statement on Auditing Standards require provision of a representation letter. AICPA have provided a sample letter suitable for adaptation, **the terms of which should be adapted to suit the circumstances of specific deals**.

To reduce the chance of uncertainty over the provision and content of comfort letters arising at late stages in the documentary process, it is also recommended that Members address the subject of the contents of the comfort letter (or agreed-upon procedures letter) at an early point in the execution of a new issue.



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# GUIDANCE NOTE 7

## DEBT PROGRAMMES: IMPORTANCE OF ACCURATE, COMPLETE AND CURRENT INFORMATION IN LISTING PARTICULARS / PROSPECTUS

An issuer who relies on the current prospectus for a Debt Programme, to enable it to fulfil its legal disclosure obligations without the need to prepare a fresh prospectus or supplement for each issue under the Programme, should be aware that it has a legal responsibility to ensure, in the context of each issue under the programme, that the information in such prospectus is correct and complete and that it is not misleading.

For example, the issuer has a duty, under any law based on the EC Listing Particulars Directive, to ensure that the listing particulars contain information which is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the issuer and of the rights attaching to the securities to be issued.

In addition, every significant new factor capable of affecting the assessment of the securities arising between the date of the listing particulars (or any supplement to them) and the time when listing is granted must be disclosed in supplementary listing particulars.



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# GUIDANCE NOTE 8

## PROVISION OF MATERIAL INFORMATION TO CEDEL AND EUROCLEAR

### (When they are the Primary Depositaries and Clearers)

1. Lead Managers should as soon as practicable provide to both Cedel and Euroclear copies of the pertinent final documentation for each issue, including, but not limited to, the invitation telex, prospectus, fiscal agency agreement/trust deed and similar relevant documents according to the type of issue. Such documentation should be sent to each of Cedel and Euroclear and addressed, in each case, to their New Issues Department.

2. Lead Managers should as soon as practicable specifically draw to the attention of Cedel and Euroclear any unusual, innovative or non-standard terms or features of a proposed issue which may affect Cedel's and/or Euroclear's clearance or custody roles, so that the impact of any such terms on the clearance systems can be reviewed by them in advance. In this context, it should be noted that the mere issuance of a clearance code does not mean the issue has been accepted in the system for clearance by either Cedel or Euroclear.

3. The provisions governing the way in which notice is to be given to holders of securities during the life of the issue should also specifically provide for notice in writing to be given to the clearing systems and, where required, to the press and the stock exchange on which the issue is listed.

### Note

If the primary depositary and clearer is not Cedel/Euroclear (e.g., Kassenverein), special treatment of Cedel/Euroclear could be regarded as discrimination against other clearing systems (e.g., SICOVAM, ÖKB) having a(an) (in)direct link with the primary clearer. Cedel/Euroclear could in such cases rely on being provided with information from the primary depositary/clearer.



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# GUIDANCE NOTE 9

## REVERSE ENQUIRIES IN MEDIUM TERM NOTE PROGRAMMES

Issuers are encouraged to make arrangements to ensure that banks and securities firms which are not parties to the programme agreement are able to obtain copies of programme documentation quickly to facilitate reverse enquiries. If no such specific arrangements have been made, requests for programme documentation should be addressed to the issuer in the first instance.



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# GUIDANCE NOTE 10

## HIGHLIGHTING CHANGES IN MEDIUM TERM NOTE PROGRAMMES

When a programme is being updated, the arranger should arrange for drafts of the documentation to be marked to show changes from the existing programme documentation.



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# GUIDANCE NOTE 11

## LEGAL OPINIONS FOR MEDIUM TERM NOTE PROGRAMMES

Lead Managers/dealers for issues and drawdowns made under a medium term note programme should be aware that the legal opinion(s) delivered on the signing or update of the programme documentation may not cover specific issuances under the programme, including the subscription agreement, if any, or the enforceability or validity of the particular issue of securities.



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# GUIDANCE NOTE 12

## DISCLOSURE OF RATINGS IN CONNECTION WITH MEDIUM TERM NOTE PROGRAMMES

Disclosure of ratings in the offering circular for a medium term note programme is generally not desirable as the offering circular would no longer be accurate if an issuer's/guarantor's debt ratings change and such ratings may not be accurate for a particular tranche of notes. In addition, rating information is available to market participants and investors from the rating agencies and other widely used sources.

If ratings are included in the offering circular, the language should accurately distinguish between types of debt (such as senior/subordinated debt, short term/long term debt) that may be issued under a programme. It should also refer to the possibility that tranches of notes under a programme and/or certain categories of debt of the issuer/guarantor are not rated or may be given a rating other than that referred to in the offering circular.

Market participants should be aware that following a request from an issuer, rating agencies generally assign individual ratings to a tranche of notes. Such ratings may be different from the ratings assigned to a programme or notes as set out in the offering circular, or may be provisional and never formally assigned because the issuer fails to take certain action required by the rating agency.

If ratings are included in the offering circular, market participants should consider with issuers whether to include language in the offering circular to point out the potential inaccuracy of those ratings for any particular tranche of notes. Market participants should also consider with issuers if and how to disclose individual ratings for a tranche of notes based on relevant stock exchange requirements, legal and regulatory advice and market practice. However, the offering circular should not oblige market participants to do so.

If ratings are included in the offering circular, a change in such ratings (as they relate to the issuer's/guarantor's debt generally) should generally result in a supplemental or new offering circular in accordance with any



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relevant stock exchange or legal or regulatory requirements and the need for accuracy in offering circulars.

Any reference to ratings included in the offering circular may use language comparable to the following:

*The Programme [or the notes [ set out specific categories of debt] issued under the Programme] has [have] been rated xxx [include relevant [senior/ subordinated, short term/long term] ratings] by [include names of rating agencies]. Tranches of notes issued under the Programme may be rated or unrated. Where a tranche of notes is rated, such rating will not necessarily be the same as the rating[s] assigned to the Programme [notes]. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.*



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# GUIDANCE NOTE 13

## AUTHORISATION OF NOTES AND GUARANTEES ISSUED UNDER MEDIUM TERM NOTE PROGRAMMES

When a Medium Term Note programme is established or updated, care should be taken to avoid the need for a new, specific authorisation at board (or similar) level to be given at the time of each individual tranche of notes and any related guarantees. The need for such authorisation is usually inconsistent with the relatively short timetable for such issues.

Where such board level authorisation is required for each individual tranche of notes or related guarantee, that fact should be noted in the offering circular and the form of pricing supplement for the programme should contain a field indicating whether such authorisation for the notes and related guarantee is in place, for instance:

*Date [Board] Approval for issuance of Notes [and Guarantee] obtained: [ ] [and guarantee [ ]]*



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# PRESS STATEMENT 1

## DISCLOSURE OF DISTRIBUTION

Following press discussion in 1989 of the application of Section 47 of the Financial Services Act 1986 to the primary market in Eurobonds, IPMA's Legal & Documentation Committee considered legal advice from leading firms of London solicitors.

A Press Statement was then released indicating that the Committee confirmed that there is no market practice in the Eurobond industry to disclose how much of a new issue has been distributed in the primary market. In these circumstances, the consensus of the legal advice was that there is no obligation to make such disclosure as a result of Section 47 but, if any statement is made, it must of course not be false or misleading.

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# PRESS STATEMENT 2

## JOINT STATEMENT
## BY IPMA, ISMA, THE EUROCLEAR OPERATOR AND CEDEL

### SEMI-PERMANENT GLOBAL NOTES

### (When the Euroclear System and Cedel are the Primary Depositaries and Clearers)

Lead Managers should provide early disclosure of whether a new issue will be in permanent global, semi-permanent global or individual definitive form. When the issue is to be in semi-permanent global form and to clear through the Euroclear System and Cedel, then, in order to maximise the fungibility of the issue (for securities in bearer form that are held by a Common Depositary for the two clearance systems), the whole issue should be exchanged for individual definitive notes when an investor gives due notice that he or she wishes to hold his or her part of the issue in definitive form. This exchange should occur at no expense to the investor. The terms and conditions of the issue should clearly describe the exchange procedure, including the period of time in which the exchange will be performed. Issues represented by semi-permanent global notes that provide for partial exchanges into individual definitive notes at the request of an investor will no longer be accepted by the international clearance systems for all primary issues for which the payment date falls on or after 1 March 1995.

Lead Managers are reminded that IPMA Guidance Note 1 urges IPMA Members to endeavour for retail issues to produce a sufficiently large number of definitive certificates in sufficiently small denominations to meet the anticipated requirements of investors.



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# PRESS STATEMENT 3

## JOINT STATEMENT ON MARKET CONVENTIONS FOR THE EURO

**ACI – The Financial Market Association**
**Banking Federation of the EU**
**Cedel Bank**
**European Federation of Financial Analysts' Societies**
**European Mortgage Federation**
**International Paying Agents Association**
**International Primary Market Association**
**International Securities Market Association**
**International Swaps and Derivatives Association**
**Morgan Guaranty as Operator of the Euroclear System (Euroclear)**

Economic and Monetary Union presents a number of technical challenges for the international and new domestic (i.e. euro-zone) financial markets. One of these is the need for market participants to prepare for the market conventions that will apply to trading and settlement of the euro money, bond and foreign exchange markets. However, market conventions currently vary across the European Union and there is as yet no agreed set of common conventions for the new single currency. The above named organisations are therefore publishing this joint statement recommending harmonised market conventions for the euro.

### Support for Harmonisation

In our views, harmonisation of euro market conventions is desirable, as it would promote liquidity and transparency in the new markets and prevent confusion and disputes for euro trading and settlement. Also, firms and settlement facilities face uncertainty in their systems requirements while this question is left open. We therefore publish the attached bond market, money market and foreign exchange market conventions for the euro with the aim that they establish standards for market practice for the new single currency. We note that parties to a financial contract may always specify their own terms, including day count or other conventions. However, we believe that the attached provide a basis for standard practice, which we strongly recommend to our members and to both public and private



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issuers of securities. We note that government issuers in particular have an important role to play in achieving harmonisation, by ensuring the use of common standards for euro-denominated benchmark government bond issues.

### Treatment of Legacy and Redonominated Instruments

While harmonisation has strong benefits for new euro-denominated instruments, applying new, harmonised, conventions to existing "legacy" instruments — including bonds that redenominate into euro — presents considerable complications. In light of the legal obstacles associated with revising existing agreed conventions and the dangers of hedging mismatches, if underlying and derivative instruments do not all switch to the new conventions, we conclude that existing conventions should be retained for legacy instruments.

### Timing

We propose that the attached agreed standards be adopted for financial instruments entered into after the start of stage three of Economic and Monetary Union on 1 January 1999. We also note that new issues before that date of instruments designed to redenominate into euro should also adopt these standards.

## CONVENTIONS FOR THE EURO MONEY MARKETS

### Day Count Basis

We recommend the adoption of an **actual/360 basis**.

> We note that this is common practice in EU money markets and has been proposed by the European Monetary Institute as the basis for repo instruments used for open market intervention. This convention would apply to wholesale financial activity; we do not recommend a standard retail market convention.

### Settlement Basis

We recommend the adoption of a **spot/two day standard**.



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We note that this is the prevalent practice for inter-bank offer rate settlement for most EU currencies.

**Fixing Period for Derivatives Contracts**

We recommend the adoption of a two day rate fixing convention for derivatives contracts.

Most EU currencies currently provide for a two day period between the fixing of a new floating rate and the date when these new rates become effective (i.e. when the contract actually becomes "reset" to the new rates for the purposes of calculating payments). We believe that this practice should continue and that it would be impractical to shorten this cycle in the near term.

**Business Days**

We recommend that **TARGET operating days form the basis for euro business days**.

As a practical matter, we believe that the convention for euro business days and TARGET operating days should be identical, to ensure the availability of euro payments arrangements throughout *all* EMU area countries on a day identified as a euro business day. In order to facilitate financial activity throughout the EMU area, we recommend that the number of non euro business days be kept to a minimum and possibly be limited to 1 January and 25 December.

We note that this approach has implications for the operating days of commercial and investment banks and other financial market participants in the EMU area, may raise questions concerning national legislation governing bank holidays it would, for example, mean that institutions unable to make payments specified for a euro business day due to observance of a national holiday would be liable to pay interest for the period of delay.

Finally, we should note that parties to an instrument may well decide to agree to use national business day conventions for the euro, due to the likely absence of full payment services on euro business days in all EMU participant member states (at least in the short term) or if the use of national business days are more convenient for transactions with domestic counterparties.



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## CONVENTIONS FOR THE EURO BOND MARKETS

### Day Count Basis

We recommend adoption of an **actual/actual basis**.

While many EU markets currently use a 30/360 methodology, in volume terms act/act or act/365 is probably most prevalent in the EU, as it is the convention for French, British and Italian markets. Also, we note that this standard is used in the US and Japanese government bond markets. We note that this is a more exact basis than other methods and presents fewer calculation problems than a 30/360 basis, which largely developed due to systems calculation limitations which have since been overcome.

### Quotation Basis

We recommend adoption of **decimals**, rather than fractions, f**or bond quotation**.

Quotations in decimals provide for a more accurate and precise methodology of yield calculation, will unify price quotation for government and corporate debt, as well as being easier for screen displays.

### Business Days

We recommend that **TARGET operating days form the basis for euro business days**.

Please refer to the commentary above on euro business days in money markets.

### Coupon Frequency

We **do not recommend a standardised practice** in this area.

In our view, there are strong arguments for the use of either a semi-annual or annual payment basis as the standard for euro coupon frequency. Semi-annual coupons reduce the credit exposure of investors to issuers and on swaps linked to bonds. They are also attractive to institutional



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investors seeking regular income. In volume terms, it is the standard most widely used globally, employed in the US, Japan, UK and Italy. On the other hand, annual coupons are used by most EU countries, involve lower administrative costs and are attractive to some issuers and investors.

The competing merits of both payment bases, combined with a desire to allow flexibility to respond to issuer and investor preferences, leads us to conclude that in this particular area the case for harmonisation is less compelling. While the individual organisations have made recommendations in this area, the group does not recommend a standardised practice for coupon frequency.

### Settlement Dates

We recommend that the standard settlement date for internationally traded cross-border transactions for the euro remain on a **T plus 3 business day cycle**.

While we note that special value dates may be agreed between buyer and seller, we feel that the current T plus 3 day cycle currently in force should be retained for the euro. However, with the soon to be introduced real time gross settlement systems and the ever-increasing desire to reduce settlement risk, we believe that a move to ever shortening settlement cycles is inevitable. Nevertheless, we feel that it would be inappropriate to introduce such a change at the current time, due to other significant system changes posed by the introduction of the euro.

## CONVENTIONS FOR THE EURO FOREIGN EXCHANGE MARKETS

### Settlement Timing

We recommend the adoption of a spot convention.

International markets should move to a spot convention for settlement of foreign exchange transactions of the euro and interest accrual should then begin on the second day after the deal has been struck.



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**Foreign Exchange Quotation**

We recommend the adoption of the rule of "certain for uncertain".

In our view, the methodology for the quotation of foreign exchange rates should follow the rule of "certain for uncertain" (i.e 1 euro = x foreign currency). It may not be appropriate to harmonise domestic retail market conventions. This should be left to subsidiarity.

Reference Rate

We recommend that the ECB (or its national central banks) should be responsible for the publication of a daily reference rate.

There would be advantages in having one authoritative closing reference rate, produced at an appropriate time each day and published through a well known and established medium (e.g. a major screen based service).



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