

## BASE PROSPECTUS FOR SECURED NOTE PROGRAMME

21 December 2016

# MORGAN STANLEY & CO. INTERNATIONAL plc

*as issuer  
(incorporated with limited liability in England and Wales)*

## Up to U.S.\$ 5,000,000,000 Secured Note Programme

Under the programme (the "**Programme**") described in this base prospectus (the "**Base Prospectus**"), Morgan Stanley & Co. International plc ("**MSI plc**" or the "**Issuer**") may offer from time to time notes (the "**Notes**").

References herein to "this Base Prospectus" shall, where applicable, be deemed to be references to this Base Prospectus as supplemented or amended from time to time. To the extent not set forth in this Base Prospectus, the specific terms of any Notes will be included in the appropriate Issue Terms.

The Issuer is offering the Notes on a continuing basis (in such capacity, the "**Dealer**") and through any dealer that has agreed to subscribe and/or distribute any Tranche of Notes (together with the Dealer, the "**Dealers**"). The Dealers may resell any Notes as principal at prevailing market prices, or at other prices, as they determine. The Issuer or the Dealers may reject any offer to purchase Notes, in whole or in part. See "*Subscription and Sale*" beginning on page 119.

**Any person (an "Investor") intending to acquire or acquiring any securities from any person (an "Offeror") should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 ("FSMA"), the Issuer may be responsible to the Investor for the Base Prospectus under section 90 of FSMA only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Base Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents it should take legal advice.**

**An Investor intending to acquire or acquiring any securities from an Offeror will do so, and offers and sales of the securities to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with Investors (other than Dealers) in connection with the offer or sale of the securities and, accordingly, this Base Prospectus and any Issue Terms will not contain such information and an Investor must obtain such information from the Offeror. Information in relation to an offer to the public will be made available at the time such sub-offer is made, and such information will also be provided by the relevant Offeror.**

This base prospectus has been approved by the Central Bank of Ireland (the "**Central Bank**"), as competent authority under Directive 2003/71/EC, which expression shall include any amendments thereto, including Directive 2010/73/EU (the "**2010 PD Amending Directive**", to the extent implemented in the Relevant Member State (as defined below)) (the "**Prospectus Directive**"). The Central Bank only approves this base prospectus as meeting the requirements imposed under Irish and EU law pursuant to the Prospectus Directive. This document constitutes a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive. Application has been made to the Irish Stock Exchange for the Notes issued under the Programme within 12 months of this Base Prospectus to be admitted to the official list (the "**Official List**") and trading on its regulated market (the "**Main Securities Market**"). The Main Securities Market is a regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**"). No assurance can be given that any such application will be successful. Such approval relates only to the Notes issued under the Programme which are to be admitted to trading on the regulated market of the Irish Stock Exchange or other regulated markets for the purposes of Directive 2004/39/EC or which are to be offered to the public in any Member State of the European Economic Area.

Notwithstanding the foregoing, any Notes issued under the Programme which are to be admitted to trading on the Main Securities Market or other regulated market for the purposes of the Markets in Financial Instruments Directive or which are to be offered to the public in any Member State of the European Economic Area will be admitted to trading or offered by way of a drawdown prospectus (being a prospectus for the purposes of the

Prospectus Directive) (each a "**Drawdown Prospectus**") and not by way of final terms (as such term is understood for the purposes of Article 5(4) of the Prospectus Directive).

Notes may or may not be rated. Any credit rating applied for in relation to an issue of Notes will be specified in the applicable Issue Terms. Whether or not such credit ratings applied for will be issued by a credit rating agency established in the European Union and registered under Regulation 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") will be disclosed in the applicable Issue Terms. In general, European regulated investors are restricted from using a rating for regulatory purposes if such rating is not issued by a credit rating agency established in the European Union and registered under the CRA Regulation unless the rating is provided by a credit rating agency operating in the European Union before 7 June 2010 which has submitted an application for registration in accordance with the CRA Regulation and such registration is not refused.

The aggregate principal amount of Notes outstanding issued under the Programme shall not at any time exceed U.S.\$ 5,000,000,000.

The Notes will be governed by the laws of England and Wales.

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

**Investing in the Notes involves risks. See "*Risk Factors Relating to the Notes*" beginning on page 1 of this Base Prospectus.**

**THE NOTES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES. THE NOTES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS*".**

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

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

The previous paragraph should be read in conjunction with paragraph 4 on page (i) of this Base Prospectus.

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

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

Subject to the applicable Issue Terms, the Issuer does not intend to provide post-issuance information in respect of the Notes.

This Base Prospectus should be read and construed with any amendment or supplement thereto and with any other documents incorporated by reference therein.

This Base Prospectus does not constitute an offer of or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer that any recipient of this Base Prospectus should subscribe for or purchase any Notes. Each recipient of this Base Prospectus will be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and of the particular terms of any offered Notes.

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

All references in this Base Prospectus to "Sterling" and "£" are to the lawful currency of the United Kingdom, all references to "U.S. dollars", "U.S.\$" and "\$" are to the lawful currency of the United States of America, all references to "Japanese Yen" and "¥" are to the lawful currency of Japan, all references to "Australian dollars" and "AUD" are to the lawful currency of the Commonwealth of Australia, all references to "New Zealand dollars" and "NZD" are to the lawful currency of New Zealand, and all references to "euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of the European Economic and Monetary Union pursuant to the Treaty establishing the European Union, as amended (the "Treaty").

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

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## **RISK FACTORS RELATING TO THE NOTES**

*Prospective investors should read the entire Base Prospectus and any applicable Issue Terms. Words and expressions defined elsewhere in this Base Prospectus have the same meanings in this section.*

*Prospective investors should consider the section entitled "Risk Factors" in the Registration Document in respect of the Issuer (referred to in the section entitled "Incorporation by Reference" in this Base Prospectus) and the factors described below and consult with their own professional advisers if they consider it necessary. The Issuer believes that such factors represent the principal risks inherent in investing in Notes issued under the Programme but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons, which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate.*

**The Issuer disclaims any responsibility to advise prospective purchasers of any matters arising under the laws of the country in which they reside that may affect the purchase, holding, or receipt of payments on the Notes. Each investor should carefully consider whether the Notes, as described herein and in the applicable Issue Terms, are suited to its particular circumstances before deciding to purchase any Notes.**

### **1. RISKS RELATING TO THE NOTES**

#### **General risks**

##### **1.1 Investor suitability**

Investment in the Notes is only suitable for investors who:

- (i) have sufficient knowledge, experience and access to professional advisers to make their own legal, tax, accounting and financial evaluation of the merits and risks of investment in such Notes and consider the suitability of such Notes as an investment in light of their own circumstances and financial condition and that of any accounts for which they are acting;
- (ii) are capable of bearing the economic risk of an investment in the Notes;
- (iii) are acquiring the Notes for investment purposes, either for their own account or for the account of an investor for whom they are acting and who is acquiring the Notes for investment purposes, not with a view to resale, distribution or other disposition of the Notes; and
- (iv) recognise that it may not be possible to dispose of the Notes for a substantial period of time, if at all, as the Notes may be illiquid and not readily realisable.

None of the Issuer, any Dealer, the Trustee, nor any other party to any Issue Document is providing legal or tax advice to investors. Each prospective purchaser of Notes must determine, based on its own independent review (including as to the financial condition and affairs and its own appraisal of the creditworthiness of the Issuer) and such professional advice (including, without limitation, tax, accounting, credit, legal and regulatory advice) as it deems appropriate under the circumstances, whether an investment in the Notes is appropriate in its particular circumstances, having regard to factors such as (without limitation) its or its beneficiary's (if acquiring the Notes for the account of an investor for whom they are acting) financial needs, objectives and conditions, its applicable investment policies, guidelines and restrictions, the risks inherent in investing in the Notes and the consequences of purchasing, owning or transfer of any Notes (including whether any acquisitions of the Notes by a prospective investor complies with any law, regulation or regulatory policy applicable to it).

This Base Prospectus is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation or constituting an invitation or offer that any recipient of this Base Prospectus should purchase any Notes.

## 1.2 **Recourse and Credit risk**

The security for the Notes will be created over the Secured Assets and will be held by the Trustee on trust for the Noteholders in relation to such Series of Notes (as to which see "*Risks relating to the Secured Assets*"). No assurance can be made that the Realisation Proceeds will be sufficient to cover all amounts due and payable in respect of the Notes. If the Realisation Proceeds are insufficient to make all the payments in respect of the Notes, the Issuer shall remain liable for any shortfall. Any shortfall will constitute an unsecured claim against the Issuer. Investors should be aware that their recovery will be dependent on the creditworthiness of the Issuer and in the event of the insolvency of the Issuer, investors may lose some or all of their investment.

The Notes of each Series are direct, senior obligations of the Issuer and not of the officers, members, directors, employees, security holders or incorporator of the Issuer, the Trustee, the Agents, the Collateral Agents or the Collateral Obligors (as defined below) or their respective successors or assigns. The Notes will not be obligations or responsibilities of, and will not be guaranteed by, the Trustee, any Agent, any Collateral Agent or any affiliate of any of the foregoing.

## 1.3 **Noteholders will have limited ability to enforce rights with respect to the Notes or the Secured Assets**

Except in the limited circumstances set out in Condition 14.3 (*Enforcement*), Noteholders will have no contractual right to act directly with respect to the Secured Assets or to proceed directly against any obligors in respect of the Posted Collateral (each such obligor, a "**Collateral Obligor**" and together, the "**Collateral Obligors**"). Those rights are held by the Trustee who will act on the Noteholders' behalf and the ability to take any action in respect of the Posted Collateral will be limited to rights exercisable by the Trustee. The Trustee is required to act to exercise such rights if so directed by an Extraordinary Resolution of the holders a Series of Notes or the holders of at least 50 per cent. of the aggregate principal amount of the outstanding Notes, provided that it is indemnified and/or secured and/or pre-funded to its satisfaction by such Noteholders.

## 1.4 **General risks relating to third party agents**

The Issuer has appointed a number of third party agents under the Programme and is reliant on each agent to fulfil its obligations in respect of the Notes. If any agent becomes insolvent and/or otherwise fails to fulfil its contractual obligations to the Issuer in respect of the Notes, the Issuer may not be able to fulfil its obligations in respect of the Notes notwithstanding that the Issuer may have found replacement agent(s) and, where the Issuer is also insolvent, this may affect the ability of the Trustee (acting on behalf of the Noteholders) to recover amounts due from the Issuer in respect of the Notes.

In particular, prospective investors should also note that The Bank of New York Mellon and its affiliates have been appointed in a number of capacities under the Programme, including as trustee, custodian and principal paying agent. Any failure by The Bank of New York Mellon to fulfil its obligations in one capacity may result in a failure to fulfil its obligations in its other capacities under the Programme. This is likely to have an adverse affect on the ability of the Issuer to fulfil its obligations in respect of the Notes, for example (without limitation) the ability for the Issuer to maintain the aggregate Value of the Posted Collateral above the Minimum Collateralisation Value, to make withdrawals or substitutions of Posted Collateral from the Custody Account and to make payments due on the Notes, and/or, in the case where the Issuer is also insolvent, the ability for the Trustee (on behalf of the Noteholders) to recover any amounts from the Issuer in respect of the Notes.

Investors should note that the Trustee expressly does not undertake to review the financial condition or affairs of the Issuer, any Agent or any Collateral Agent for any Series of Notes during the life of the Programme.

## 1.5 Risks relating to the Custodian and sub-custodians

Posted Collateral (other than any Posted Cash) is to be segregated from the assets of the Custodian so as to be protected in the event of the Custodian's insolvency. However, any Posted Cash will not be protected in the event of the Custodian's insolvency and any claim to the Posted Cash will rank together with all other unsecured claims against the Custodian. Consequently, any enforcement action taken by the Trustee (for itself and on behalf of the Secured Creditors) in relation to the Posted Cash could be subject to delay and a Noteholder's recovery could be substantially less than the total value of any claim against the Custodian.

Under the terms of the Custody Agreement, the Custodian may appoint one or more sub-custodians to hold the Posted Collateral, which may be an affiliate of the Custodian. Posted Collateral held with a sub-custodian may be held in an omnibus client securities account and such Posted Collateral may be commingled with securities belonging to other clients of the Custodian held in such securities account. The Custodian will identify in its books and records any Posted Collateral held for the benefit of the Trustee in an omnibus client securities account with any sub-custodian. Unless otherwise specified in the applicable Issue Terms, neither the Issuer nor Trustee has a direct contractual relationship with the sub-custodians and the Custodian has not created security over its rights against the sub-custodians in favour of the Issuer or the Trustee.

In the event (i) of the insolvency of any sub-custodian or (ii) that the Trustee enforces the Security over the Posted Collateral, the Trustee will have no direct rights against any sub-custodians appointed by the Custodian but will need to rely on the rights it has with respect to the Custodian. Should there be a shortfall in the assets held by a sub-custodian after the appointment of a liquidator, administrator, an administrative receiver or other insolvency official in respect of a sub-custodian, the Custodian's recovery of assets held by such sub-custodian may be reduced pro-rata in proportion to the Trustee's original share of the original pool of securities held by such sub-custodian on the Custodian's behalf. This will, in the event that the Issuer is also insolvent and the Trustee has enforced the Security over the Posted Collateral, affect a Noteholder's recovery in respect of the Notes.

## 1.6 Risks relating to the Collateral Administrator

For each Series of Notes issued under the Programme, the Custodian will appoint MSI plc to act as collateral administrator (in such capacity, the "**Collateral Administrator**") in respect of the Posted Euroclear Collateral. The Custodian will grant a power of attorney in favour of the Collateral Administrator in respect of each Series of Notes (each a "**Euroclear Power of Attorney**") and pursuant to such Euroclear Power of Attorney, the Collateral Administrator may exercise any of the rights and undertake any of the obligations of the Custodian under the relevant Collateral Service Agreement. The Collateral Administrator and the Custodian have separately agreed in the Collateral Administration and Reporting Agreement to limit the scope of the Collateral Administrator's rights under any such Euroclear Power of Attorney. Noteholders will bear the risk of any actions taken by the Collateral Administrator on behalf of the Custodian that are not in accordance with the terms of the Issue Documents.

## 1.7 Potential application of U.S. withholding tax to certain Notes

U.S. federal tax rules commonly referred to as "FATCA" may impose a withholding tax of up to 30% on certain payments made after 31 December 2015 to certain foreign entities (including financial intermediaries) with respect to Notes issued or materially modified after the six-month anniversary of the filing of regulations under FATCA clarifying how FATCA applies to payments made by non-U.S. financial institutions, or that are not considered to be "obligations" for purposes of FATCA whenever issued, unless various U.S. information reporting and due diligence requirements have been satisfied.

If U.S. withholding tax is imposed under FATCA there is no requirement to pay any additional amounts or indemnify an investor with respect to the withheld tax. Prospective investors should consult their own advisors about these rules and review the discussion under "Taxation – United States Federal Taxation" below.

## 1.8 **Financial Transaction Tax Risk**

On 14 February 2013, the European Commission published a proposal (the "**Commission's Proposal**") for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced in its current form, apply to certain dealings in Notes (including secondary market transactions) and Posted Collateral (other than Posted Cash) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Notes and Posted Collateral (other than Posted Cash) where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

However, the FTT proposal remains subject to negotiation between the participating Member States. It may, therefore, be altered prior to implementation, the timing of which remains unclear. Additional EU Member States may decide to participate.

If, on or after the Trade Date in respect of a Series or Tranche of Notes, due to the implementation of the proposed Financial Transaction Tax or otherwise by the adoption of or any change in any applicable law or regulation (including, without limitation, any law or regulation implementing a system of financial transaction tax in any jurisdiction, including the European Union, relating to any tax payable in respect of the transfer of, or entry into or modification or unwind of, any financial instruments), the Issuer determines that it (directly or through an affiliate) would incur or has incurred a materially increased amount of tax, transfer tax, duty, stamp duty, stamp duty reserve tax, expense or fee (other than brokerage commissions) in relation to its obligations under the Notes or its related collateral or hedge positions (**Additional Tax**), the Issuer may (if the Conditions of the Notes so allow) adjust the Conditions of the Notes to reduce the amount otherwise payable under the Notes to holders of such Notes in order to pass on to the holders of such Notes the full amount of such Additional Tax imposed on the Issuer.

## 1.9 **Changes in Tax Law; No Gross-Up; General**

Although currently no withholding tax should be imposed on payments on the Notes (except as discussed in section 1.7 above), there can be no assurance that the law, regulations or any interpretation thereof will not change. In the event that any withholding tax is imposed on payments on the Notes, the Issuer will not "gross-up" payments to the holders of such Notes. Noteholders will bear such tax or withholding through a reduction of the amounts available for payment under the Notes.

## 1.10 **Credit Ratings**

The credit rating (if any) assigned to the Notes is based solely on the credit quality of the Issuer and not the Secured Assets (including the Posted Collateral). Credit ratings do not fully reflect all risks of an investment in the Notes. In addition, prospective purchasers should note that rating agencies may fail to make timely changes in credit ratings in response to subsequent events, and the credit quality of the Issuer may be worse than a credit rating indicates. A credit rating is not a recommendation to buy, sell or hold Notes and may be revised or withdrawn by the rating agency at any time.

## 1.11 **Limited Liquidity and Restrictions on Transfer**

Although there is currently a limited secondary market for notes representing collateralised securities similar to the Notes, there is currently no secondary market for the Notes themselves. Neither the Issuer nor any of its affiliates intend to make a market in the Notes. There can be no

assurance that any secondary market for any of the Notes will develop or, if a secondary market does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of such Notes.

If a secondary market was to develop it would be affected by, amongst other things, supply and demand for the Notes, interest rates and macroeconomic factors, and, accordingly, the Notes may be sold at a discount.

The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States. Consequently, the Notes may not be offered, sold, resold, delivered or transferred within the United States or to, or for the account or benefit of, U.S. Persons (as defined in Regulation S). In addition, the Issuer has not been and will not be registered as an "investment company" under the 1940 Act. Accordingly, the Notes may only be sold to a person that is an Eligible Purchaser. The Issuer may compel any beneficial owner of an interest in the Notes to sell its interest in such Notes, or may sell such interest on behalf of such holder, if such holder is not an Eligible Purchaser. See "*Subscription and Sale*" and "*No Ownership by U.S. Persons*" below.

#### 1.12 **Noteholders' Resolutions**

The Principal Trust Deed includes provisions for the passing of Resolutions (whether at a Noteholders' meeting by way of vote or by Written Resolution) of the Noteholders in respect of (among any other matters) amendments to the Conditions of the Notes and/or the Issue Documents. Such provisions include, among other things, (i) quorum requirements for the holding of Noteholders' meetings and (ii) voting thresholds required to pass resolutions at such meetings (or through Written Resolutions). The quorum required for a meeting of Noteholders (other than an adjourned meeting) to pass an Extraordinary Resolution (other than one relating to a Reserved Matter) is two or more persons holding or representing 50 per cent. of the aggregate of the aggregate principal amount outstanding of the Notes and at an adjourned meeting, two or more persons holding or representing Noteholders whatever the principal amount of the Notes held or represented. The voting threshold at any Noteholders' meeting in respect of an Extraordinary Resolution relating to a Reserved Matter is at least 62.5 per cent. of the aggregate principal amount outstanding of the Notes and at an adjourned meeting, one quarter. Accordingly, it is possible that, at any meeting of the Noteholders, an Extraordinary Resolution may be passed with less than 50 per cent. of all the Noteholders, in the case of an Extraordinary Resolution other than one relating to a Reserved Matter, and 62.5 per cent., in the case of an Extraordinary Resolution relating to a Reserved Matter. See Condition 19 (*Meetings of Noteholders, Modification, Waiver and Substitution*). Any Extraordinary Resolution duly passed by Noteholders of a Series will bind all the Noteholders of such Series.

#### 1.13 **Voting Rights upon an Event of Default and Enforcement**

If an Event of Default occurs and is continuing, the Trustee may, at its discretion and shall, if so requested by an Extraordinary Resolution or requested in writing by the Noteholders of a Series holding at least 50 per. cent of the aggregate principal amount of the outstanding Notes of such Series (subject, in each case, to being indemnified and/or secured and/or prefunded by the relevant Noteholders to its satisfaction), give notice to the Issuer that all the Notes of such Series are to be immediately due and payable. At any time after the Notes of a Series become due and payable and the security under the applicable Trust Deed becomes enforceable, the Trustee may, at its discretion, and shall if so directed by an Extraordinary Resolution or the Noteholders holding at least 50 per. cent of the aggregate principal amount of the outstanding Notes of such Series (subject as aforesaid), institute such proceedings against the Issuer as it may think fit to enforce the terms of the applicable Trust Deed and the Notes and pursuant and subject to the terms of the applicable Trust Deed and the Notes of such Series, realise and/or otherwise liquidate or sell the Secured Assets in whole or in part and/or take any other action to enforce the security over the Secured Assets. See Condition 14 (*Events of Default*). Any such direction to the Trustee will be binding on all Noteholder of such Series.

Except as provided in Condition 14.3 (*Enforcement*), no Noteholder shall be entitled to enforce the Security or to institute proceedings directly against the Issuer to enforce the provisions of the Security Documents unless, the Trustee, having become bound to enforce the Security or to

institute proceedings against the Issuer to enforce the provisions of the Security Documents, fails to do so within a reasonable period of time and such failure is continuing.

**1.14 No Fiduciary Role**

None of the Issuer, the Trustee, the Agents, the Collateral Agents or any of the parties to the Issue Documents or any of their respective affiliates is acting as an investment advisor, and none of them (other than the Trustee) assumes any fiduciary obligation, to any purchaser of Notes nor do they assume any responsibility for conducting or failing to conduct any investigation into the business, financial condition, prospects, creditworthiness, status and/or affairs of a Collateral Obligor.

None of such parties makes any representation or warranty, express or implied, as to any of such matters.

**1.15 Provision of Information**

The Issuer and the parties to the Issue Documents and any of their respective affiliates, whether by virtue of the types of relationships described herein or otherwise, may possess information in relation to any Collateral Obligor, any affiliate of a Collateral Obligor or any guarantor of a Collateral Obligor that is or may be material in the context of these Notes and that may or may not be publicly available or known. The Notes will not create any obligation on the part of any of the Issuer, the parties to the Issue Documents and any of their respective affiliates to disclose any such relationship or information (whether or not confidential) other than any such information contained in the Noteholder Reports. Each of such persons may have acquired, or during the term of the Notes may acquire, confidential information with respect to the Posted Collateral or Collateral Obligors. None of such persons is under any obligation to make such information available to Noteholders.

**1.16 Certain Conflicts of Interest between the Various Parties**

Various potential and actual conflicts of interest may arise from the overall management, investment and other activities of the Issuer, its affiliates and their clients and from the conduct by the other transaction parties and their affiliates of other transactions with the Issuer. The following briefly summarises some of these conflicts, but is not intended to be an exhaustive list of all such conflicts.

Each of the parties to the Issue Documents and any of their respective affiliates may have existing or future business relationships with each other, with any Collateral Obligor or the Noteholders of any Series of Notes and, in the ordinary course of its business may deal in any obligation, including any Posted Collateral, and may accept deposits from, make loans or otherwise extend credit to, and generally engage in any kind of commercial or investment banking, risk management, advisory or other business with, any other parties to the Issue Documents, any Collateral Obligor, its affiliates, any other person or entity having obligations relating to a Collateral Obligor or its affiliates and may act with respect to such business in the same manner as if any Notes did not exist (including holding directorships and officer positions in any Collateral Obligor), regardless of whether any such action might have an adverse effect (including, without limitation, any action which might give rise to a default under such Posted Collateral or any action which may negatively affect the value of any Posted Collateral) on a Collateral Obligor and/or its affiliates.

As a result of such relationships, various potential and actual conflicts of interest may arise between each of the parties to the Issue Documents and any of their respective affiliates on the one hand and any other of the parties to the Issue Documents and any of their respective affiliates, any Collateral Obligor or the Noteholders of any Series of Notes on the other. None of the Issuer, the parties to the Issue Documents, the Collateral Obligors nor any of their respective affiliates is required to resolve such conflicts of interest in favour of the Noteholders and may pursue actions and take such steps that it deems necessary or appropriate to protect its interests without regard to the consequences for the Noteholders.

1.17 **Notes may be redeemed prior to their scheduled maturity date**

In the event that the Issuer would be obliged to increase the amounts payable in respect of any Notes due to any withholding or deduction for or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or on behalf of any relevant jurisdiction, the Issuer may redeem all outstanding Notes in accordance with the Conditions at the redemption price specified in the applicable Issue Terms.

Further, the applicable Issue Terms may specify that the Notes are redeemable at the Issuer's option prior to their stated maturity. In such event, if the Issuer exercises its option to redeem the Notes, an investor may not be able to reinvest the redemption proceeds in a comparable security at an effective interest rate as high as that of the relevant Notes.

1.18 **Interest Rate Risk**

Investment in the Notes may involve interest rate risk. Interest rate fluctuations may cause the value of the Notes to change on a daily basis and the uncertain nature of these fluctuations creates interest rate risk. As the market interest rates increase, the interest rate risk that an investor may bear in the Notes will also increase, as a general rule.

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

1.19 **Currency Risk relating to the Notes**

Notes denominated in currencies other than the investor's home currency (namely the currency of the country in which such investor resides or in which such investor conducts its business) may be subject to the risk of significant changes in rates of exchange between such home currency and the other relevant currencies and the possibility of the imposition or modification of exchange controls by the relevant governmental authorities for example, fixing the exchange rates with respect to another currency, the imposition of regulatory controls or taxes, changes in interest rates to influence the exchange rates of their currencies, issuing a new currency to replace an existing currency or altering the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency.

These risks generally depend on economic and political events over which the Issuer has no control. Governmental intervention may change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders which in turn could adversely affect yields or payouts in an investor's home currency. Such actions may also affect the availability of the relevant currency to make payments in relation to the Notes.

Where the Notes are denominated in an emerging market currency, such currencies can be significantly more volatile than currencies of more developed markets. Emerging market currencies are more exposed than developed market currencies to the risk of a currency crisis which may affect an investor's return on the Notes.

The Notes and any non-contractual obligations arising out of or in connection with them shall be governed by English law. Although an English court has the power to grant judgment in the currency in which a Note is denominated, it may decline to do so in its discretion. If judgment were granted in a currency other than that in which a Note is denominated, the investor will bear the relevant currency risk.

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

Investors should consult their financial and legal advisers as to any specific risks entailed by an investment in Notes that are denominated or payable in a currency other than their home currency. Such Notes are not appropriate investments for investors who are not sophisticated with respect to foreign currency transactions.

#### 1.20 **Legal Risks relating to the Notes**

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

#### 1.21 **Risks relating to Notes in global form**

Notes issued under the Programme may be issued in global form and in such case, such global notes will be deposited with a common depositary or common safekeeper for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"). Except in the circumstances described in the relevant global notes, investors will not be entitled to receive definitive Notes. Euroclear and Clearstream, Luxembourg will maintain records of the beneficial interests in the global notes, including transfers of such beneficial interests which will only be tradable through Euroclear or Clearstream, Luxembourg.

While the Notes are in global form, the Issuer will discharge its payment obligations under the Notes by making payments through Euroclear and Clearstream, Luxembourg for distribution to their account holders. A holder of an interest in a global note must rely on the procedures of Euroclear or Clearstream, Luxembourg, as the case may be, to receive payments under the relevant Notes. The Issuer does not have responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the global notes.

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

## 2. **RISKS RELATING TO THE SECURED ASSETS**

### 2.1 **Valuation of the Posted Collateral and Margin Transfers**

Any prospective holder of a Series of Notes considering whether to invest in such Notes should evaluate, among other things, the criteria that the Posted Collateral is required to satisfy, as disclosed in this Base Prospectus and the Issue Terms relating to the particular Series of Notes. This Base Prospectus does not contain any information regarding the individual Posted Collateral on which the Notes will be secured from time to time. While a prospective investor in any of the Notes will have the opportunity to assess the relevant eligibility criteria with respect to a Series of Notes prior to purchasing the Notes, Noteholders will not generally have an opportunity to evaluate for themselves the relevant economic, financial and other information in relation to specific items of Eligible Collateral prior to such Eligible Collateral being posted by the Issuer.

As the Posted Collateral may comprise illiquid assets (as to which investors should review the applicable Collateral Schedule), it may be difficult to accurately and reliably value such Posted Collateral. The valuation of illiquid assets will be determined by one or more of the Collateral Verification Agents and may be effected by reference to the Issuer's own records and external and internal pricing sources. However, the ultimate liquidation value may be higher (or lower) than any such sources may ascribe to such asset at any given time.

### 2.2 **Currency Risk relating to the Posted Collateral**

Some or all of the Posted Collateral relating to a Series of Notes may be denominated in a different currency to that of the Notes. To the extent this is the case, the Noteholders will be subject to foreign exchange risk. The Minimum Collateralisation Value in respect of a Series of Notes is determined by reference to the Specified Currency of that Series of Notes and in determining the aggregate Value of the Posted Collateral, the Value of any Posted Collateral denominated in a currency other than the relevant Specified Currency will be converted to the

relevant Specified Currency at the applicable foreign exchange rate as determined in accordance with the Collateral Service Agreement and the Collateral Administration and Reporting Agreement. Such foreign exchange rates may be subject to the risk of significant fluctuations and/or the imposition or modification of exchange controls by the relevant governmental authorities. These risks are further described in Section 1.18 (*Currency Risk relating to the Notes*) above and the Issuer will take steps to mitigate this risk by maintaining the aggregate Value of the Posted Collateral at or above the Minimum Collateralisation Value on a daily basis.

However, if the Issuer is in default under the Notes and the Security over the Secured Assets is enforced, Noteholders will be exposed to any changes in exchange rates during the time it takes to enforce the security and liquidate the Posted Collateral which could materially adversely affect the return on the Notes.

### 2.3 **Insolvency considerations relating to the Issuer**

The ability of the Trustee to take action against the Issuer (including in respect of the Posted Collateral) will be subject to applicable insolvency and other laws.

The Issuer will, among other things, grant a security interest (the "**Series Security**") over the Posted Collateral relating to a particular Series of Notes to be held by the Trustee for, among others, the holders of the Notes of that Series. The Series Security is likely to constitute a floating charge for the purposes of the Companies Act 2006 and the applicable insolvency laws.

A number of insolvency and security laws do not apply to security interests created or arising under a "financial collateral arrangement" within the meaning of the Financial Collateral Arrangements (No. 2) Regulations 2003 (as amended from time to time) (the "**Regulations**"). For example, the Companies Act 2006 requires floating charges granted by English obligors to be registered in order to be enforceable against an administrator, liquidator or any creditor of the Issuer; however, such registration is not necessary if the charge is a financial collateral arrangement.

The Issuer believes that, to the extent that the Posted Collateral constitutes financial collateral, the Series Security will qualify as a financial collateral arrangement. However, because there is legal uncertainty regarding the exact application of the Regulations, it is possible that an English court would come to a different conclusion. The Issuer will register the Series Security to mitigate this risk.

If the Series Security is not a financial collateral arrangement, then, upon the Issuer's insolvency, Noteholders face the following risks:

- (a) An administrator of an English company has the power to dispose of property of the company which is subject to a floating charge as if it were not subject to that security interest. If the Issuer was placed into administration and the Series Security was found not to be a financial collateral arrangement, the Issuer's administrator could dispose of the Posted Collateral. The administrator's remuneration and expenses (which could be substantial with respect to a company such as the Issuer), together with any other preferential debts and statutory charges of the Issuer, would be payable out of the Issuer's assets (including the Posted Collateral) in priority to the obligations secured by the Series Security. In addition, expenses in relation to certain other insolvency procedures (e.g. if a full winding up takes place) may occur instead of and in addition to the costs set out above and such costs would also be paid in preference to a floating charge holder and out of assets subject to such floating charge.
- (b) Upon the appointment of an administrator, no step may be taken by either secured or unsecured creditors to enforce security (which is not a financial collateral arrangement) over the company's property, except with the consent of the administrator or leave of the court. If the Issuer becomes subject to administration proceedings and the Series Security is not a financial collateral arrangement, the Series Security could not be enforced without the leave of the court or consent of the administrator.

Accordingly, where the Series Security is found not to be a financial collateral arrangement, the Realisation Proceeds obtained by the Trustee (on the Noteholders' behalf) may be significantly less, and the process for obtaining such Realisation Proceeds may be significantly longer, than if the Series Security were a financial collateral arrangement.

#### 2.4 **Insolvency considerations relating to Posted Collateral**

If a Collateral Obligor defaults in respect of any Posted Collateral, such defaulted Posted Collateral ("**Defaulted Collateral**") shall no longer be Eligible Collateral and the Issuer is obliged to replace such Defaulted Collateral. Until such Defaulted Collateral is replaced by the Issuer, Noteholders shall bear the risk that the aggregate Value of the Posted Collateral may not be greater than or equal to the Minimum Collateralisation Value.

Should the Issuer become insolvent or otherwise fails to perform its obligations under the Notes and any Defaulted Collateral is not replaced by the Issuer, following the service of an Enforcement Notice by the Trustee, certain insolvency considerations relating to the Defaulted Collateral, including but not limited to the considerations set out below, could reduce the amount of money that the Trustee is able to recover on behalf of the Noteholders.

Defaulted Collateral may be subject to various laws enacted for the protection of creditors in the countries of the jurisdictions of incorporation of Collateral Obligors and, if different, in which the Collateral Obligors conduct business and in which they hold the assets, which may adversely affect such Collateral Obligors' abilities to make payment on a full or on a timely basis. These insolvency considerations will differ depending on the country in which each Collateral Obligor is located or domiciled and may differ depending on whether the Collateral Obligor is a non-sovereign or a sovereign entity.

#### 2.5 **Certain Set-off Considerations**

A Collateral Obligor to whom the Issuer owes other obligations may attempt to satisfy its payment obligation in respect of the relevant Posted Collateral by setting off its other obligations against such payment obligation. Set-off may be contractually agreed between the parties so that it will apply between certain obligations under a contract or across multiple contracts. Set-off of debts owing by an insolvent party may also occur mandatorily pursuant to applicable insolvency laws where either the Issuer or a Collateral Obligor is insolvent.

The occurrence of set-off, whether contractual set-off or on an insolvency of the Issuer or a Collateral Obligor, may reduce the amounts realised from the Posted Collateral upon an enforcement of the security in respect of the Notes.

#### 2.6 **Risks Relating to Specific Asset Classes**

The following risks relate to specific asset classes of Eligible Collateral that can constitute the Posted Collateral. The Issuer will take steps to mitigate these risks by substituting Posted Collateral (where it no longer meets the requirements of the relevant Eligibility Criteria, including where a default has occurred in respect of any Posted Collateral) and transferring further Eligible Collateral. This requirement involves the Issuer overcollateralising the Trustee by reference to the aggregate Value of the Posted Collateral as determined by the Collateral Verification Agents on each Business Day. The obligation of the Issuer to substitute any defaulted Posted Collateral on each Business Day further mitigates the risks pertaining to the Posted Collateral.

Fluctuations in the value of the Posted Collateral may result over time from the interaction of many factors directly or indirectly affecting economic and political conditions in the related countries, including economic and political developments in other countries. Of particular importance to potential risks are (i) rates of inflation; (ii) interest rate levels; (iii) balance of payments; and (iv) the extent of governmental surpluses or deficits in the relevant country. All of these factors are, in turn, sensitive to the monetary, fiscal and trade policies pursued by the related countries, the governments of the related countries, and other countries important to international trade and finance. Government intervention could materially and adversely affect the value of such Posted Collateral. Governments use a variety of techniques, such as

intervention by their central bank or imposition of regulatory controls or taxes to affect the trading of the underlying equity. Thus, a special risk in purchasing and holding such Posted Collateral is that their trading value and amount payable at maturity could be affected by the actions of governments, fluctuations in response to other market forces and the movement of currencies across borders. The value of emerging markets assets, such as any EM Collateral, may be more volatile than the assets in more developed markets.

## INCORPORATION BY REFERENCE

The following documents and/or information shall be deemed to be incorporated in, and to form part of, this Base Prospectus:

Document filed	Information incorporated by reference	Page
1. Registration Document dated 10 June 2016	(a) Risk Factors, excluding the paragraphs headed " <i>All material assets of MSBV are obligations of one or more companies in the Morgan Stanley group and MSBV's ability to perform its obligations is dependent upon such companies fulfilling their obligations to MSBV</i> " on page 11, " <i>Risks relating to insolvency proceedings in the Netherlands</i> " on pages 11 to 12 and " <i>As a finance subsidiary, MSFL has no independent operations and is expected to have no independent assets</i> " on page 12	1-14
	(b) Description of Morgan Stanley & Co. International plc	62-66
	(c) Selected Financial Information of Morgan Stanley & Co. International plc	67
2. First Supplement to the Registration Document dated 19 October 2016	Amendments to the description of Morgan Stanley & Co. International plc	5-6
3. Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended 30 September 2016	Quarterly Report on Form 10-Q	1-107
4. Report and Financial Statements for the year ended 31 December 2015	(a) Independent auditor's report	19-20
	(b) Consolidated income statement	21
	(c) Consolidated statement of comprehensive income	22
	(d) Consolidated statement of changes in equity	23

	(e)	Consolidated statement of financial position	24
	(f)	Consolidated statement of cash flows	25
	(g)	Notes to the consolidated financial statements	26-117
	(h)	MSI plc balance sheet	120
	(i)	Notes to MSI plc financial statements	121-158
5. Report and Financial Statements for the year ended 31 December 2014	(a)	Independent auditor's report	15-16
	(b)	Consolidated income statement	17
	(c)	Consolidated statement of comprehensive income	18
	(d)	Consolidated statement of changes in equity	19
	(e)	Consolidated statement of financial position	20
	(f)	Consolidated statement of cash flows	21
	(g)	Notes to the consolidated financial statements	22-124
	(h)	MSI plc balance sheet	125
	(i)	Notes to MSI plc financial statements	126-153

Where any information incorporated by reference constitutes only certain parts of a document, the parts of such document not incorporated into this Base Prospectus are either (i) not relevant to an investor in the Notes or (ii) covered elsewhere in this Base Prospectus.

Any statement contained in this Base Prospectus or any documents incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Base Prospectus to the extent that a statement contained in any document subsequently incorporated by reference and in respect of which a supplement to this Base Prospectus is prepared modifies or supersedes such statement.

The information about MSI plc incorporated by reference in this Base Prospectus (the "**Incorporated Information**") is considered to be part of this Base Prospectus. Following the publication of this Base Prospectus a supplement may be prepared by the Issuer and approved by the Central Bank in accordance with Article 16 of the Prospectus Directive. Statements contained in any such supplement (or contained in any document incorporated by reference therein) shall, to the extent applicable (whether expressly, by implication or otherwise), be deemed to modify or supersede statements contained in this Base Prospectus or in a document which is incorporated by reference in this Base Prospectus. Any statement so modified or superseded shall not, except as so modified or superseded, constitute a part of this Base Prospectus.

A copy of the documents incorporated by reference above can be accessed at the following locations:

<b>Documents</b>	<b>Location</b>
Registration Document dated 10 June 2016	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4636">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4636</a>
First Supplement to the Registration Document dated 19 October 2016	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4878">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4878</a>
Morgan Stanley's Quarterly Report on Form 10-Q for the quarter ended 30 September 2016	<a href="https://www.morganstanley.com/about-us-ir/shareholder/10q0916/10q0916.pdf">https://www.morganstanley.com/about-us-ir/shareholder/10q0916/10q0916.pdf</a>
Report and Financial Statements for the year ended 31 December 2015	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4642">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=4642</a>
Report and Financial Statements for the year ended 31 December 2014	<a href="http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=3775">http://www.morganstanleyiq.eu/EN/binaer_view.asp?binaernr=3775</a>

## KEY FEATURES OF THE NOTES

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

<b>Issuer</b> .....	MSI plc
<b>Dealers</b> .....	MSI plc and any other dealer that has agreed to subscribe for and/or distribute any Tranche of Notes.
<b>Principal Paying Agent</b> .....	The Bank of New York Mellon, London Branch.
<b>Registrar and Transfer Agent</b> .....	The Bank of New York Mellon (Luxembourg) S.A.
<b>Trustee</b> .....	BNY Mellon Corporate Trustee Services Limited
<b>Custodians</b> .....	The Bank of New York Mellon, London Branch (the " <b>Custodian</b> "). Any additional custodian may be appointed by the Trustee (with the consent of the Issuer) to hold Posted Collateral in respect of a Series of Notes, as specified in the applicable Issue Terms (each an " <b>Additional Custodian</b> " and together with the Custodian, the " <b>Custodians</b> ")
<b>Programme Amount</b> .....	U.S.\$ 5,000,000,000 or the equivalent amount thereof in other currencies. The maximum aggregate amount of Notes permitted to be outstanding at any one time under this Programme may be increased from time to time.
<b>Issuance in Series</b> .....	Notes will be issued in series (each, a " <b>Series</b> "). Each Series may comprise one or more tranches (" <b>Tranches</b> " and each, a " <b>Tranche</b> ") issued on different issue dates. The Notes of each Series will all be subject to identical terms, except that the issue date and the amount of the first payment of interest may be different in respect of different Tranches and each Series may comprise Notes of different denominations. The Notes of each Tranche will all be subject to identical terms in all respects save that a Tranche may comprise Notes of different denominations.
<b>Status</b> .....	Notes will be secured, direct and general obligations of the Issuer.
<b>Security</b> .....	In respect of each Series of Notes, the Issuer will grant security in favour of the Trustee over the Posted Collateral (as defined below) and certain other assets to secure its obligations in relation to the Notes, as specified in the Supplemental Trust Deed in relation to such Series of Notes and/or under any additional security document, as described in the applicable Issue Terms.

**Eligible Collateral and Posted Collateral**..... *In respect of each Series of Notes, the Issuer will provide collateral in respect of such Series, which may be any of or any combination of:*

cash in any Eligible Currency specified in Part C (the "**Collateral Schedule**") of the applicable Issue Terms;

any common shares or stock, preference shares or stock, convertible common shares or stock, convertible preference shares or stock, American depository receipts, global depository receipts, warrants or any other type of asset which represents a share of an equity interest in an entity, as further specified in the applicable Collateral Schedule ("**Equity Securities**") which may be Equity Securities which are component shares of an Eligible Index (as defined in the section of this Base Prospectus headed "*The Eligible Collateral*") or unlisted Equity Securities, (other than the EM Collateral that are Equity Securities) that meets the Equity Eligibility Criteria specified in the Collateral Schedule of the applicable Issue Terms (the "**Equity Collateral**");

any bonds, notes, commercial paper, deposits or certificates as further described in the section of this Base Prospectus headed "*The Eligible Collateral*" ("**Debt Securities**") (other than the EM Collateral that are Debt Securities or any Asset Backed Securities) which may be listed or unlisted and secured or unsecured that meets the Debt Eligibility Criteria specified in the Collateral Schedule of the applicable Issue Terms (the "**Debt Collateral**");

any Debt Security where the timing and/or amount of payments of interest and/or repayment of principal depend on the cash flow from a financial asset or a pool of financial assets; or payments of interest and/or repayment of principal are linked, directly or indirectly, to the credit of one or more obligors and/or value and/or price performance and/or cash flow of a financial asset or a pool of financial assets, and, in each case, by its terms may pay an amount in cash to its holder within a finite time period, and/or with such other rights or assets designed to assure the servicing or timely distribution of proceeds to holders of such Debt Security ("**Asset Backed Securities**") (other than the EM Collateral that are Asset Backed Securities) which may be listed or unlisted that meets the ABS Eligibility Criteria specified in the Collateral Schedule of the applicable Issue Terms (the "**ABS Collateral**");

any Equity Securities, Debt Securities or Asset Backed Securities issued by an entity incorporated in or otherwise constituted in an EM Jurisdiction, which may be listed or unlisted that meets the EM Eligibility Criteria specified in the Collateral Schedule of the applicable Issue Terms (the "**EM Collateral**"); and

any other assets meeting the relevant eligibility criteria, as specified in the Collateral Schedule of the applicable Issue Terms (together with the Equity Collateral, the Debt Collateral, the ABS Collateral and the EM Collateral, the

**"Eligible Collateral").**

*Any cash (the "Posted Cash"), Equity Collateral (the "Posted Equity Collateral"), Debt Collateral (the "Posted Debt Collateral"), ABS Collateral (the "Posted ABS Collateral"), EM Collateral (the "Posted EM Collateral") and any other Eligible Collateral provided by the Issuer in respect of such Series of Notes from time to time (together, the "Posted Collateral"), will be subject to the relevant eligibility criteria, as specified in the Collateral Schedule.*

*For further information about the type of assets that may constitute Eligible Collateral for the purposes of this Programme, see the section of this Base Prospected headed "The Eligible Collateral".*

**Custody Agreement** ..... Any Posted Collateral in respect of each Series of Notes will be held by the Custodian in an account designated for such Series in the name of the Trustee for the account of the Issuer (the "**Custody Account**"). Any Posted Cash will be held in a cash sub-account opened for such purpose (the "**Custody (Cash) Account**") and any Posted Equity Collateral, Posted Debt Collateral, Posted ABS Collateral and Posted EM Collateral will be held in one or more securities sub-accounts (the "**Custody (Securities) Account**"). The Custodian may appoint sub-custodians, including local sub-custodians in each EM Jurisdiction, that may be an Affiliate of the Custodian, to hold any Posted EM Collateral.

The Issuer, the Trustee and the Custodian (among others) entered into a custody agreement dated 20 December 2012 and as from time to time further amended and/or restated (the "**Custody Agreement**") which specifies the terms on which any Posted Collateral in respect of each Series of Notes will be held.

**Additional Custody Agreement(s)** ..... If the applicable Issue Terms specifies an Additional Custodian, an additional custody agreement shall be entered into on terms to be agreed between the Issuer, the Trustee, the relevant Additional Custodian and any relevant Dealer (if applicable).

**Collateral Administrator** ..... MSI plc has been appointed to act as the collateral administrator for the Custodian (in such capacity, the "**Collateral Administrator**"), in accordance with terms of the Collateral Administration and Reporting Agreement (as defined below), for each Series of Notes, to perform certain administrative functions in relation to the transfer of Eligible Collateral and Posted Euroclear Collateral (as defined below), the substitution of Posted Euroclear Collateral for other Eligible Collateral and withdrawal of Posted Euroclear Collateral, where "**Posted Euroclear Collateral**" means, in respect of a Series of Notes, the Posted Cash that is managed in accordance with the terms of the relevant Collateral Service Agreement (the "**Posted Euroclear Cash**"), the Posted Equity Collateral, the Posted Debt Collateral and the Posted ABS Collateral.

In relation to the Posted Euroclear Collateral in respect of each Series of Notes, the Custodian will grant a power of

attorney in favour of the Collateral Administrator (each a "**Euroclear Power of Attorney**") under which the Collateral Administrator may act as attorney for the Custodian under the Collateral Service Agreement (as defined below) and exercise any of the rights or undertake any of the obligations of the Custodian under the relevant Collateral Service Agreement.

The Custodian and the Collateral Administrator have, pursuant to the terms of the Collateral Administration and Reporting Agreement, agreed that the scope of the Collateral Administrator's rights under each Euroclear Power of Attorney shall be limited to certain tasks the Custodian is required to perform under the terms of the relevant Collateral Service Agreement, as further described in the Collateral Administration and Reporting Agreement (as described below).

**Collateral Administration and Reporting Agreement .....** The Issuer, the Trustee, the Custodian, MSI plc (in its capacity as the Collateral Administrator, the ABS Collateral Verification Agent (as defined below) and the EM Collateral Verification Agent (as defined below)) and The Bank of New York Mellon, London Branch, in its capacity as the collateral reporting agent (the "**Collateral Reporting Agent**") have entered into a collateral administration and reporting agreement dated 20 December 2012 and as from time to time amended and/or restated (the "**Collateral Administration and Reporting Agreement**") which sets out the terms on which the Collateral Administrator, the ABS Collateral Verification Agent, the EM Collateral Verification Agent and the Collateral Reporting Agent will perform certain collateral administration, verification and reporting tasks on behalf of the Issuer, the Trustee and the Custodian in respect of each Series of Notes.

**Transfer, withdrawal and substitution of Posted Collateral.....** The Trust Deed contains the terms governing the initial transfer of Eligible Collateral from the Issuer to the Trustee, the final transfer of the Posted Collateral from the Trustee to the Issuer, substitution and withdrawal of Posted Collateral from the Custody Account and the valuation of the Posted Collateral.

In respect of each Series of Notes, the Issuer will enter into a collateral service agreement with the Custodian, acting as agent for the Trustee, and Euroclear (in its capacities as collateral service provider (the "**Collateral Service Provider**") and as a collateral verification agent (the "**Debt and Equity Collateral Verification Agent**") to be dated on or about the relevant Issue Date (the "**Collateral Service Agreement**"). The Collateral Service Provider will provide certain services to the Issuer and the Custodian in relation to the valuation of the Posted Debt Collateral and the Posted Equity Collateral, substitution of Posted Collateral for other Eligible Collateral and withdrawal of Posted Collateral.

The transfer, withdrawal, substitution and valuation of Posted Collateral may, if specified in the applicable Issue Terms, be governed by the terms of an additional collateral management agreement, to be agreed by, among

others, the Issuer, the Trustee, the relevant entity acting as collateral manager in relation to the applicable Posted Collateral, the relevant Collateral Verification Agent (as defined below) and the relevant Dealer (if applicable) (such agreement, an "**Additional Collateral Management Agreement**").

In respect of each Series of Notes, the Issuer, in accordance with the terms of the Collateral Service Agreement, any Additional Collateral Management Agreement, the Collateral Administration and Reporting Agreement and the Trust Deed, may, at any time without the prior consent of the Trustee, substitute any Posted Collateral in the Custody Account with any Eligible Collateral, and shall substitute any Posted Collateral in the Custody Account that no longer meets the Eligibility Criteria, provided in each case, that following such substitution, the aggregate Value (as defined below) of all the Posted Collateral is greater than or equal to the Minimum Collateralisation Value. The Issuer may also, without the prior consent of the Trustee, withdraw any excess Posted Collateral if the aggregate Value of the Posted Collateral in respect of a Series of Notes exceeds the Minimum Collateralisation Value, provided however that the aggregate Value of the Posted Collateral following such withdrawal must be greater than or equal to the greater of (i) the aggregate of any early redemption amounts that the Issuer would be required to pay to Noteholders in respect of such Series of Notes and (ii) the Minimum Collateralisation Value.

In respect of a Series of Notes, any substitution of Posted Collateral (the "**Substituted Collateral**") with any Eligible Collateral (the "**Replacement Collateral**") which decreases the aggregate Value of the Posted Collateral shall be deemed to be a substitution of the Substituted Collateral with the Replacement Collateral and a withdrawal of any excess Substituted Collateral with such excess having a Value equal to the amount by which the aggregate Value of the Posted Collateral has been reduced following such substitution.

**Minimum Collateralisation Value**..... In relation to each Series of Notes, the Issuer will have the obligation to maintain the aggregate Value of the Posted Collateral, on each Collateral Valuation Date, so that such Value is equal to the Minimum Collateralisation Percentage (as specified in the applicable Issue Terms) multiplied by the Aggregate Principal Amount of the outstanding Notes.

**Collateral Verification Agents** ..... In respect of any Posted Cash (other than any Posted Euroclear Cash), the Issuer.

In respect of any Posted Euroclear Cash, Posted Debt Collateral and any Posted Equity Collateral, the Debt and Equity Collateral Verification Agent.

In respect of any Posted ABS Collateral, the Issuer (in its capacity as the Asset Backed Securities collateral verification agent, the "**ABS Collateral Verification**

**Agent").**

In respect of any Posted EM Collateral, the Issuer (in its capacity as the EM Collateral verification agent, the "**EM Collateral Verification Agent**").

Posted Collateral may be valued by any other collateral verification agent, as specified in the applicable Issue Terms (each an "**Additional Collateral Verification Agent**" and together with the Issuer, the Debt and Equity Collateral Verification Agent, the ABS Collateral Verification Agent and the EM Collateral Verification Agent, the "**Collateral Verification Agents**" and each a "**Collateral Verification Agent**").

**Collateral Reporting Agent** ..... The Bank of New York Mellon, London Branch.

**Valuation of Posted Collateral and Reporting** ..... Each Collateral Verification Agent will, unless otherwise specified in the applicable Issue Terms, value the relevant Posted Collateral for each Series of Notes in respect of which it is appointed a Collateral Verification Agent on a daily basis by calculating the product of (i) the market value of such Posted Collateral as determined by the relevant Collateral Verification Agent in accordance with the terms of the Trust Deed, Collateral Administration and Reporting Agreement, Collateral Service Agreement or Additional Collateral Management Agreement and (ii) the valuation percentage (the "**Valuation Percentage**") attributable to such Posted Collateral (such product, the "**Value**") and provide such Values to the Collateral Reporting Agent.

The Value of any Posted Cash (other than any Posted Euroclear Cash) shall be determined by the Issuer on or prior to the close of business in London one Business Day prior to the date of any Noteholder Report (as defined below). The Value of any Posted Euroclear Cash, Posted Equity Collateral and Posted Debt Collateral shall be determined by the Debt and Equity Collateral Verification Agent on or prior to 10:00 a.m. London time on the date of any Noteholder Report. The Value of the Posted ABS Collateral shall be determined by the ABS Collateral Verification Agent at the close of business in London one Business Day prior to the date of any Noteholder Report. The Value of the Posted EM Collateral shall be determined by the EM Collateral Verification Agent at the close of business in London on the day that is three Business Days prior to the date of any Noteholder Report.

The Collateral Reporting Agent, pursuant to the terms of the Collateral Administration and Reporting Agreement, shall be responsible for compiling the valuations of the Posted Collateral provided by each of the Collateral Verification Agents in respect of each Series of Notes and producing a report for each Series of Notes on each Business Day such Series of Notes remains outstanding (each a "**Noteholder Report**"). Each Noteholder Report will be made available to the Noteholders of such Series of Notes on the secured website specified in the applicable Issue Terms that is accessible only by way of unique password (which may be obtained from the Collateral

Reporting Agent by a Noteholder upon request, provided that such Noteholder provides the Collateral Reporting Agent with proof of its noteholding in a form satisfactory to the Collateral Reporting Agent, acting reasonably).

**Forms of Notes** ..... The Issuer may issue Notes either in bearer form to the extent it has been determined that such Notes should be classified as being in registered form for U.S. Federal income tax purposes ("**Bearer Notes**") or in registered form ("**Registered Notes**"). Bearer Notes may be in either definitive form or global form. Notes in definitive bearer form will be serially numbered. Registered Notes may be in either individual certificate form or in global certificate form.

*(i) Bearer Notes*

Bearer Notes with maturities of more than 183 days initially will be represented by a temporary global bearer note that the Issuer will deposit with a common depository or (if in new global note form (a "**New Global Note**" or "**NGN**")) a common safekeeper for Euroclear Bank SA/NV ("**Euroclear**"), Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**"), and/or any other relevant clearing system. Interests in each temporary global Bearer Note will be exchangeable for interests in permanent global Bearer Notes or for definitive bearer notes.

Bearer Notes with maturities of 183 days or less initially will be represented by a permanent global Bearer Note that the Issuer will deposit with a common depository or (if in New Global Note form) a common safekeeper for Euroclear, Clearstream, Luxembourg, and/or any other relevant clearing system.

Bearer Notes will only be issued if it has been determined that such Notes should be classified as being in registered form for U.S. Federal income tax purposes.

*(ii) Registered Notes*

Registered Notes will be in the form of either individual note certificates or global note certificates, in each case as specified in the applicable Issue Terms. Each global note certificate will either be: (a) in the case of Registered Notes which are not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a nominee of a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant global note certificate will be deposited on or about the issue date with the common depository; or (b) in the case of Registered Notes which are to be held under the New Safekeeping Structure, registered in the name of a nominee of a common safekeeper for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant global note certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream,

Luxembourg.

**Issue Terms and the Terms and Conditions** ..... Issue terms will be prepared in respect of each Tranche of Notes (each set of issue terms, the "**Issue Terms**"). The terms and conditions applicable to each Tranche will be those set out in this Base Prospectus under the heading "*Terms and Conditions of the Notes*", as supplemented, modified or replaced, in each case, by the applicable Issue Terms.

**Specified Currency** ..... Notes may be denominated or payable in any currency as set out in the applicable Issue Terms, subject to all applicable consents being obtained and compliance with all applicable legal and regulatory requirements.

**Issue Price** ..... Notes may be issued at any price, as specified in the applicable Issue Terms, subject to compliance with all applicable legal and regulatory requirements.

**Maturities** ..... Notes will have maturities as specified in the applicable Issue Terms, subject to compliance with all applicable legal and regulatory requirements.

Where Notes have a maturity of less than one year and either (i) the issue proceeds are received by the Issuer in the United Kingdom or (ii) the activity of issuing the Notes is carried on from an establishment maintained by the Issuer in the United Kingdom, such Notes must: (a) have a minimum redemption value of £100,000 (or its equivalent in other currencies) and be issued only to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses; or (b) be issued in other circumstances which do not constitute a contravention of section 19 of the FSMA by the Issuer.

**Redemption** ..... Notes may be redeemed at par or at such other redemption amount (detailed in a formula or otherwise), as may be specified in the applicable Issue Terms.

**Early Redemption** ..... The Notes may be redeemed prior to their scheduled maturity in any one of the following circumstances:

- (i) if specified in the applicable Issue Terms, upon the exercise of the Issuer's option to redeem the Notes pursuant to Condition 10.4 (*Redemption at the Option of the Issuer*);
- (ii) if specified in the applicable Issue Terms, upon the exercise of the Noteholder of its option to redeem the Notes pursuant to Condition 10.6 (*Redemption at the Option of the Noteholders*);
- (iii) in the event of the insolvency of the Custodian as further described in Condition 10.7 (*Early Redemption in the event of the insolvency of the Custodian*); or
- (iv) in the event of that the Issuer, in its sole and

absolute discretion, determines that performance of its obligations shall have or will become illegal, as further described in Condition 15 (*Force majeure and Illegality*).

Early redemption will also be permitted for taxation reasons as mentioned in Condition 10 (*Redemption and Purchase*) but will otherwise be permitted only to the extent specified in the applicable Issue Terms.

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

**Denominations** ..... Notes will be issued in denominations of at least U.S.\$ 500,000 (or the equivalent amount thereof in other currencies), as may be specified in the applicable Issue Terms, subject to compliance with all applicable legal and regulatory requirements.

**Taxation**..... Payments made by the Issuer, in respect of any Notes will be made without withholding or deduction for, or on account of, any present or future tax, assessment or governmental charge ("**Taxes**"), unless the withholding or deduction of those Taxes is required by law (including any withholding tax imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code, as amended, and any applicable U.S. Treasury regulations promulgated thereunder or published administrative guidance implementing such sections (including withholding resulting from any inter-governmental agreement in connection with such sections, regulations and/or guidance)).

**Benefit Plan**  
**Investors**..... The Notes may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), any individual retirement account or plan subject to Section 4975 of the United States Internal Revenue Code of 1986, as amended, or any entity whose underlying assets include "plan assets" within the meaning of ERISA by reason of any such plan's or account's investment therein.

**Use of Proceeds** ..... The net proceeds from the sale of the Notes will be used for the Issuer's funding purposes.

**Listing**..... Applications have been made to admit the Notes offered under the Programme to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange. The applicable Issue Terms will specify whether a Tranche of Notes will be admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange or admitted to listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system or will be unlisted, as the Issuer and any Dealer may agree.

A drawdown prospectus (each a "**Drawdown Prospectus**") will be prepared by the Issuer in respect of

any Tranche of Notes admitted to the Official List and to trading on the Main Securities Market of the Irish Stock Exchange. Each Drawdown Prospectus will include the applicable set of Issue Terms prepared in respect of such Tranche of Notes.

- Clearing Systems** ..... Euroclear, Clearstream, Luxembourg and/or any other clearing system as may be specified in the applicable Issue Terms.
- Governing Law** ..... Unless otherwise specified in the applicable Issue Terms, the Notes and any non-contractual obligations arising out of or in connection with them shall be governed by English law.
- Selling Restrictions** ..... **The Notes may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account of U.S. Persons (as defined in either Regulation S under the Securities Act).** For a description of certain restrictions on offers, sales and deliveries of the Notes and on the distribution of offering material in the United States and in certain other countries, see "*Subscription and Sale*" and "*No Ownership by U.S. Persons*".

## **DESCRIPTION OF THE ISSUER**

Information in relation to the Issuer can be found on pages 62 to 67 of the Registration Document (incorporated by reference into this Base Prospectus on page 12).

## TERMS AND CONDITIONS OF THE NOTES

*The following is the text of the terms and conditions which, as supplemented by the applicable Issue Terms, will be endorsed on each Note in definitive form (if any) issued under the Programme. The terms and conditions applicable to any Note issued in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "Summary of Provisions Relating to the Notes while in Global Form" below.*

### 1. INTRODUCTION

- 1.1 *Programme:* Morgan Stanley & Co. International plc ("**MSI plc**" or, in its capacity as issuer, the "**Issuer**") has established a Programme (the "**Programme**") for the issuance of up to U.S.\$ 5,000,000,000 in aggregate principal amount of secured notes which are expressed to be governed by English law (the "**Notes**").
- 1.2 *Issue Terms:* Notes issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Notes. Each Tranche is the subject of a set of issue terms (each set, "**Issue Terms**") which supplement these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Notes are these Conditions as supplemented by the applicable Issue Terms. In the event of any inconsistency between these Conditions and the applicable Issue Terms, the applicable Issue Terms shall prevail.
- 1.3 *Agency Agreement:* The Notes are the subject of an agency agreement dated on or about 20 December 2012 and as from time to time further amended and/or restated (the "**Agency Agreement**") between the Issuer, MSI plc, in its capacity as the determination agent (in such capacity, the "**Determination Agent**"), The Bank of New York Mellon (Luxembourg) S.A. as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Notes and any successors and any assigns), the transfer agents named therein (the "**Transfer Agents**", which expression includes any successor and assigns or additional transfer agents appointed from time to time in connection with the Notes) and The Bank of New York Mellon, London Branch as principal paying agent (the "**Principal Paying Agent**", which expression includes any successor Principal Paying Agent appointed from time to time in connection with the Notes and any successor and any assigns and together with any additional paying agents appointed pursuant thereto, the "**Paying Agents**", which expression includes any successor paying agents appointed from time to time in connection with the Notes and any successors and assigns). The Principal Paying Agent is also appointed as initial calculation agent (the "**Calculation Agent**", which expression includes any additional or successor Calculation Agent appointed from time to time in connection with the Notes). In these Conditions references to the "**Agents**" are to the Paying Agents, the Calculation Agent, the Determination Agent, the Registrar and the Transfer Agents and any reference to an "**Agent**" is to any one of them.
- 1.4 *Trust Deed:* The Notes are constituted by and the obligations of the Issuer under the Notes have the benefit of security created by a trust deed dated on or about 20 December 2012 and as from time to time further amended and/or restated (the "**Principal Trust Deed**") between the Issuer and BNY Mellon Corporate Trustee Services Limited (the "**Trustee**" which expression shall include any co-Trustee and any successor Trustee appointed pursuant to the Principal Trust Deed and any successors and assignees), as supplemented by a supplemental trust deed in respect of each Series of Notes (substantially in the form scheduled to the Principal Trust Deed) dated on or about the Issue Date specified in the applicable Issue Terms between, among others, the Issuer and the Trustee (each a "**Supplemental Trust Deed**" and together with the Principal Trust Deed, the "**Trust Deed**").
- The applicable Issue Terms may also specify that security in respect of a Series of Notes is created pursuant to any additional security document (each an "**Additional Security Document**").
- 1.5 *Custody Agreement:* The Issuer, the Trustee, the Collateral Administrator and The Bank of New York Mellon, London Branch, in its capacity as the custodian (the "**Custodian**" which expression includes any successor and assigns) have entered into a Custody Agreement dated on or about 20

December 2012 and as from time to time further amended and/or restated (the "**Custody Agreement**") pursuant to which the Trustee has appointed the Custodian to perform certain custodial functions relating to the Posted Collateral in respect of each Series of Notes. Pursuant to the terms of the Custody Agreement, the Custodian may appoint one or more sub-custodians, including local sub-custodians in each applicable EM Jurisdiction.

The Trustee (with the consent of the Issuer) may appoint an additional custodian to hold any applicable Posted Collateral (each an "**Additional Custodian**") pursuant to an additional custody agreement on terms to be agreed between the Issuer, the Trustee and the applicable Additional Custodian (each an "**Additional Custody Agreement**").

- 1.6 *Collateral Administration and Reporting Agreement:* The Issuer, the Trustee, the Custodian, the Bank of New York Mellon, London Branch in its capacity as collateral reporting agent (the "**Collateral Reporting Agent**" which expression includes any successors and assigns) and MSI plc in its capacity as the collateral administrator (the "**Collateral Administrator**") which expression includes any successors and assigns, the ABS Collateral Verification Agent and the EM Collateral Verification Agent (each as defined below) have entered into a collateral administration and reporting agreement dated on or about 20 December 2012 and as from time to time further amended and/or restated (the "**Collateral Administration and Reporting Agreement**"). Pursuant to the Collateral Administration and Reporting Agreement, the Collateral Administrator, the ABS Collateral Verification Agent and EM Collateral Verification Agent, in relation to each Series of Notes, have agreed to perform certain administrative functions on behalf of the Issuer and the Custodian in respect of the Posted Cash that is managed in accordance with the terms of the relevant Collateral Service Agreement (the "**Posted Euroclear Cash**"), the Posted Equity Collateral, the Posted Debt Collateral and the Posted ABS Collateral (together, the "**Posted Euroclear Collateral**") (in the case of the Collateral Administrator) and certain valuation functions in relation to the Posted ABS Collateral and the Posted EM Collateral (in the case of the ABS Collateral Verification Agent and the EM Collateral Verification Agent, respectively) on behalf of the Issuer. In addition, the Issuer has appointed the Collateral Reporting Agent to perform certain reporting functions relating to the Posted Collateral in respect of each Series of Notes.

- 1.7 *Collateral Service Agreement:* In relation to each Series of Notes, the Issuer, the Custodian and Euroclear Bank SA/NV ("**Euroclear**") in its capacities as a collateral service provider (the "**Collateral Service Provider**") and a collateral verification agent (the "**Debt and Equity Collateral Verification Agent**") will enter into a collateral service agreement to be dated on or about the relevant Issue Date (the "**Collateral Service Agreement**") pursuant to which the Issuer and the Custodian will appoint the Collateral Service Provider to perform certain management and valuation tasks in relation to the Posted Euroclear Cash, the Posted Debt Collateral, the Posted Equity Collateral and Posted ABS Collateral (in relation to the management tasks only) for each such Series of Notes.

The Issuer and the Custodian (with the consent of the Trustee), if specified in the applicable Issue Terms, may enter into an additional collateral management agreement with respect to a Series of Notes (each an "**Additional Collateral Management Agreement**") with the Custodian, any Additional Custodian or the applicable sub-custodian appointed to hold the relevant Posted Collateral, the applicable collateral manager appointed to manage such Posted Collateral (each an "**Additional Collateral Manager**" which expression includes any successors and assigns) and the applicable Collateral Verification Agent.

In these Conditions references to the "**Collateral Agents**" are to the Custodian, the Collateral Service Provider, the Collateral Administrator, the Collateral Verification Agents, the Collateral Reporting Agent, any Additional Custodian, any Additional Collateral Manager and any Additional Collateral Verification Agent (as defined below) and any reference to a "**Collateral Agent**" is to any one of them.

- 1.8 *The Notes:* All subsequent references in these Conditions to "Notes", "Noteholders" or "holders of Notes", unless otherwise expressly specified, are to the Notes or, as appropriate, to the holders of the Notes, which are the subject of the applicable Issue Terms, Supplemental Trust Deed, Collateral Service Agreement, Additional Custody Agreement (if any), Additional Collateral

Management Agreement (if any), Additional Security Document (if any) and any other agreement entered into by the Issuer in connection with a Series of Notes.

- 1.9 *Summaries:* Certain provisions of these Conditions are summaries of the Agency Agreement, the Principal Trust Deed, the Collateral Administration and Reporting Agreement, and the Custody Agreement and are subject to their detailed provisions. The holders of the Notes (the "**Noteholders**") and the holders of the related interest coupons, if any, (the "**Couponholders**" and the "**Coupons**", respectively) are bound by, and are deemed to have notice of, all the provisions of the Agency Agreement, the Principal Trust Deed, the Collateral Administration and Reporting Agreement and the Custody Agreement applicable to them.
- 1.10 *Documents available for inspection:* Copies of the Agency Agreement, the Principal Trust Deed, the Collateral Administration and Reporting Agreement and the Custody Agreement are available for inspection by Noteholders during normal business hours at the Specified Offices of each of the Paying Agents, the initial Specified Offices of which are set out below. Copies of the applicable Issue Terms, Supplemental Trust Deed, Collateral Service Agreement, Additional Custody Agreement, Additional Collateral Management Agreement, Additional Security Document and any other agreement entered into by the Issuer in connection with a Series of Notes are available for inspection by Noteholders during normal business hours at the Specified Office of the Principal Paying Agent, the initial Specified Office of which is set out below provided that if the relevant Notes are neither admitted to trading on a regulated market in the European Economic Area nor offered in the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Issue Terms, Supplemental Trust Deed, Collateral Service Agreement, Additional Custody Agreement, Additional Collateral Management Agreement, Additional Security Document and any other agreement entered into by the Issuer in connection with such Notes will only be obtainable by a Noteholder holding such Note and such Noteholder must produce evidence satisfactory to the Issuer as to its identity and the holding of such Notes.

## 2. **INTERPRETATION**

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

"**ABS Collateral**" means, in respect of a Series of Notes, the Asset Backed Securities meeting the ABS Eligibility Criteria;

"**ABS Eligibility Criteria**" means the criteria that the ABS Collateral must fulfil, as specified in the Collateral Schedule;

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

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

"**Additional Security Document**" means, in respect of a Series of Notes, any additional security document as specified in the applicable Issue Terms;

"**Asset Backed Securities**" shall have the meaning given to it in the Trust Deed;

"**Business Day**" means any day, other than a Saturday or Sunday,

- (i) that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close (a) in The City of New York or in London, or (b) for Notes denominated in a Specified Currency other than U.S. dollars, euro or Australian dollars, in the principal financial centre of the country of the Specified Currency, or (c) for Notes denominated in Australian dollars, in Sydney, and in each (if any) Additional Business Centre.
- (ii) for Notes denominated in euro, that is also a TARGET Settlement Day and a day that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in each (if any) Additional Business Centre;

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

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

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

**"Calculation Amount"** means the Specified Denomination unless otherwise specified in the applicable Issue Terms;

**"Collateral Schedule"** means, in respect of a Series of Notes, Part C of the applicable Issue Terms that sets out certain information in relation to the Eligible Collateral and the Posted Collateral relating to such Notes (and as reproduced in the Supplemental Trust Deed);

**"Collateral Valuation Date"** means, in respect of a Series of Notes, each Business Day from (but excluding) the Issue Date to (but excluding) the Maturity Date, unless otherwise specified in the applicable Issue Terms;

**"Collateral Verification Agent"** means, in respect of a Series of Notes, each of the Debt and Equity Collateral Verification Agent (in relation to the Posted Euroclear Cash, the Posted Equity Collateral and the Posted Debt Collateral), the Issuer (in relation to the Posted Cash (other than the Posted Euroclear Cash, the Posted ABS Collateral (in such capacity, the **"ABS Collateral Verification Agent"**)) and the Posted EM Collateral (in such capacity, the **"EM Collateral Verification Agent"**)), and any other collateral verification agent appointed in relation to any applicable Posted Collateral pursuant to any Additional Collateral Management Agreement or

any other agreement relating to such Series of Notes, as specified in the applicable Issue Terms, in each case which expression includes any successor and assigns (each an "**Additional Collateral Verification Agent**" and together, the "**Collateral Verification Agents**");

"**Coupon Sheet**" means, in respect of a Note, a coupon sheet relating to the Note;

"**Custody Account**" means, in relation to a Series of Notes, the account maintained by the Custodian in the name of the Trustee in which the Posted Collateral is held pursuant to the terms of the Custody Agreement, with such details as set out in the Supplemental Trust Deed;

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

- (i) if "**Actual/Actual**" is so specified, means the actual number of days in the Calculation Period divided by 365 (or, if any portion of the Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365);
- (ii) if "**Actual/365 (Fixed)**" is so specified, means the actual number of days in the Calculation Period divided by 365;
- (iii) if "**Actual/360**" is so specified, means the actual number of days in the Calculation Period divided by 360;
- (iv) if "**30/360**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D<sub>1</sub> is greater than 29, in which case D<sub>2</sub> will be 30;

- (v) if "**30E/360**" or "**Eurobond Basis**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D<sub>2</sub> will be 30; and

- (vi) if "**30E/360 (ISDA)**" is so specified, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\text{Day Count Fraction} = \frac{[360x(Y_2 - Y_1)] + [30x(M_2 - M_1)] + (D_2 - D_1)}{360}$$

where:

"**Y<sub>1</sub>**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y<sub>2</sub>**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M<sub>1</sub>**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M<sub>2</sub>**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D<sub>1</sub>**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D<sub>1</sub> will be 30; and

"**D<sub>2</sub>**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D<sub>2</sub> will be 30,

*provided, however, that* in each such case the number of days in the Calculation Period is calculated from and including the first day of the Calculation Period to but excluding the last day of the Calculation Period;

"**Debt Collateral**" means, in respect of a Series of Notes, the Debt Securities meeting the Debt Eligibility Criteria;

"**Debt Eligibility Criteria**" means, in respect of a Series of Notes, the criteria that the Debt Collateral must fulfil, as specified in the Collateral Schedule;

"**Debt Securities**" shall have the meaning given to it in the Trust Deed;

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

**"Early Redemption Amount"** means (1) in the case of Zero Coupon Notes, such amount as may be specified in the applicable Issue Terms or, if applicable, determined in accordance with Condition 10.8 (*Early Redemption of the Zero Coupon Notes*) and (2) in the case of any other Notes, such amount as may be specified in the applicable Issue Terms or, if no other amount is specified, the Final Redemption Amount which would have been payable on the Maturity Date;

**"Eligible Collateral"** means, in respect a Series of Notes, any cash in an Eligible Currency, Equity Collateral, Debt Collateral, ABS Collateral, EM Collateral or any other assets specified in the applicable Issue Terms;

**"Eligible Currency"** means, in respect of a Series of Notes, any currency in which the Issuer can post cash collateral as specified in the applicable Issue Terms;

**"EM Collateral"** means, in respect of a Series of Notes, any Equity Securities, Debt Securities or Asset Backed Securities issued by an obligor in an EM Jurisdiction which satisfy the relevant criteria in the Collateral Schedule or which are specified in the Collateral Schedule;

**"EM Jurisdiction"** means each of the Republic of Hungary, the Republic of Poland or any other jurisdiction specified in the Collateral Schedule;

**"Equity Collateral"** means, in respect of a Series of Notes, the Equity Securities meeting the Equity Eligibility Criteria;

**"Equity Eligibility Criteria"** means, in respect of a Series of Notes, the criteria that the Equity Collateral must fulfil, as specified in the Collateral Schedule;

**"Equity Securities"** shall have the meaning given to it in the Trust Deed;

**"Extraordinary Resolution"** has the meaning given in the Trust Deed;

**"Final Redemption Amount"** means, in respect of any Note, its principal amount (and interest accrued in respect of such principal amount to (and including) the Maturity Date, if any) or such other amount as may be specified in, or determined in accordance with, the applicable Issue Terms;

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

**"Implementation of Financial Transaction Tax Event"** means that, on or after the Trade Date of any Tranche or Series of Notes, due to the adoption of or any change in any applicable law or regulation (including without limitation any law or regulation implementing a system of financial transaction taxes in any jurisdiction, including the European Union relating to any tax, payable in respect of the transfer of, or issue or modification or redemption of, any financial instruments), the Issuer determines (acting in good faith and in a commercially reasonable manner) that either it or any of its Affiliates would incur or has incurred a materially increased amount of tax, transfer tax, duty, stamp duty, stamp duty reserve tax, expense or fee (other than brokerage commissions) to (A) enter into, modify or unwind the Notes or any part thereof, or perform its obligations under such Notes, including for the avoidance of doubt any obligation or exercise of any right to deliver any asset including any Eligible Collateral or any other assets comprising collateral in respect of the relevant Notes or (B) acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transaction(s) or asset(s) it deems necessary to hedge the risk of entering into and performing its obligations with respect to the relevant Notes or (C) realize, recover or remit the proceeds of any such transaction(s) or asset(s), **provided that** the Issuer has determined that the nature of the adoption of or any change in law or regulation is such that it is applicable to investors generally when carrying out similar trading or hedging activities in the relevant jurisdiction.

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

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

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

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

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

**"Interest Period"** means, subject as otherwise provided in these Conditions or the applicable Issue Terms, each period beginning on (and including) the Interest Commencement Date or any Interest Payment Date and ending on (but excluding) the next Interest Payment Date, provided that if "Unadjusted" is specified in the applicable Issue Terms, no adjustment will be made to the Interest Period, notwithstanding the adjustment to the relevant Interest Payment Date following the application of the relevant Business Day Convention;

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

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

**"Issue Documents"** means, in respect of a Series of Notes, the Agency Agreement, the Trust Deed, any Additional Security Documents, the Custody Agreement, the Collateral Administration and Reporting Agreement, the Collateral Service Agreement, any Additional Custody Agreement, any Additional Collateral Management Agreement and any other agreement entered into in connections with such Series of Notes in so far as such agreement relates to such Series of Notes;

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

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

**"Minimum Collateralisation Percentage"** means, in respect of a Series of Notes, the percentage specified in the applicable Issue Terms;

**"Minimum Collateralisation Value"** means, in respect of a Series of Notes and on any Collateral Valuation Date, the value equal to the Minimum Collateralisation Percentage multiplied by the Aggregate Principal Amount of the outstanding Notes;

**"Optional Redemption Amount (Call)"** means, in respect of any Note, its principal amount (and interest accrued in respect of such principal amount to (and including) the Maturity Date, if any) or such other amount as may be specified in, or determined in accordance with, the applicable Issue Terms;

**"Optional Redemption Amount (Put)"** means, in respect of any Note, its principal amount (and interest accrued in respect of such principal amount to (and including) the Maturity Date, if any)

or such other amount as may be specified in, or determined in accordance with, the applicable Issue Terms;

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

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

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

**"Payment Business Day"** means:

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

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

**"Posted ABS Collateral"** means, in respect of a Series of Notes, the ABS Collateral posted by the Issuer from time to time to secure its obligations under such Notes;

**"Posted Cash"** means, in respect of a Series of Notes, cash in an Eligible Currency posted by the Issuer from time to time to secure its obligations under such Series of Notes, including any Posted Euroclear Cash;

**"Posted Collateral"** means, in respect of a Series of Notes, the Posted Cash, Posted Equity Collateral, Posted Debt Collateral, Posted ABS Collateral, Posted EM Collateral and any other Eligible Collateral posted by the Issuer from time to time to secure its obligations under such Series of Notes;

**"Posted Debt Collateral"** means, in respect of a Series of Notes, the Debt Collateral posted by the Issuer from time to time to secure its obligations under such Series of Notes;

**"Posted EM Collateral"** means, in respect of a Series of Notes, the EM Collateral posted by the Issuer from time to time to secure its obligations under such Series of Notes;

**"Posted Equity Collateral"** means, in respect of a Series of Notes, the Equity Collateral posted by the Issuer from time to time to secure its obligations under such Series of Notes;

**"Posted Euroclear Cash"** shall have the meaning given to it in Condition 1.6;

**"Posted Euroclear Collateral"** means, in respect of a Series of Notes, the Posted Euroclear Cash, the Posted Equity Collateral, the Posted Debt Collateral and the Posted ABS Collateral;

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

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

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

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

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

**"Realisation Proceeds"** means the proceeds of realisation of, or enforcement of the Security relating to the Secured Assets;

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

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

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

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

**"Register"** means, in respect of a Series of Registered Notes, the register of the Holders of such Registered Notes maintained by the Registrar;

**"Relevant Clearing System"** means, as appropriate, Euroclear SA/NV ("**Euroclear**"), Clearstream, Luxembourg, *société anonyme* ("**Clearstream Luxembourg**") and/or such other relevant clearing system, as the case may be, through which interests in Notes are to be held and through an account at which the Notes are to be cleared, as specified in the applicable Issue Terms;

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

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

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

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

**"Reserved Matter"** shall have the meaning given to it in the Trust Deed:

**"Rights"** means, in relation to any agreement or asset, all rights, title and interest of the relevant person in, to and under such agreement or asset;

**"Secured Assets"** means, in relation to a Series of Notes, the Posted Collateral, the Issuer's Rights under the Agency Agreement, the Custody Agreement, the Collateral Administration and Reporting Agreement and the Collateral Service Agreement and any other assets over which any Security is created by the Issuer to secure its obligations under the Notes;

**"Security"** means, in relation to a Series of Notes, a mortgage over the Posted Collateral (other than the Posted Cash), a charge over the Posted Cash, an assignment by way of security of Issuer's Rights under the Agency Agreement, the Custody Agreement, the Collateral Administration and Reporting Agreement and the Collateral Service Agreement and the Security Interests created, or intended to be created at any time, in favour of the Trustee under the Security Documents in respect of any other Secured Asset;

**"Security Documents"** means the Trust Deed and any Additional Security Document in respect of a Series of Notes;

**"Security Interest"** means any mortgage, sub-mortgage, standard security, charge, sub-charge, assignment, assignation in security, pledge, lien, right of set-off or other encumbrance or security interest;

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

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

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

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

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

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

**"Supplemental Trust Deed"** shall have the meaning given to it in Condition 1.4, as amended, supplemented or restated from time to time;

**"Talon"** means a talon for further Coupons;

**"TARGET2"** means the Trans-European Automated Real-time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007;

**"TARGET Settlement Day"** means any day on which TARGET2 is open for the settlement of payments in euro;

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

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

"**Treaty**" means the Treaty establishing the European Union, as amended;

"**Valuation Percentage**" means, in relation to a Series of Notes and any item of Posted Collateral, the percentage specified in the Collateral Schedule, provided that such percentage shall not exceed 100 per cent.;

"**Value**" means, on any Collateral Valuation Date and in relation to any item of Posted Collateral, the product of (i) the fair market value of such Posted Collateral as determined by the relevant Collateral Verification Agent in accordance with the terms of the Trust Deed, the Collateral Service Agreement, the Collateral Administration and Reporting Agreement or any Additional Collateral Management Agreement (as the case may be) and (ii) the relevant Valuation Percentage;

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

2.2 *Interpretation:* In these Conditions:

- (i) if the Notes are Zero Coupon Notes, references to Coupons and Couponholders are not applicable;
- (ii) in respect of Notes in bearer form, if Talons are specified in the applicable Issue Terms as being attached to the Notes at the time of issue, references to Coupons shall be deemed to include references to Talons;
- (iii) in respect of Notes in bearer form, if Talons are not specified in the applicable Issue Terms as being attached to the Notes at the time of issue, references to Talons are not applicable;
- (iv) any reference to principal shall be deemed to include the Redemption Amount, any additional amounts in respect of principal which may be payable under Condition 13 (*Taxation*), any premium payable in respect of a Note and any other amount in the nature of principal payable pursuant to these Conditions;
- (v) any reference to interest shall be deemed to include any additional amounts in respect of interest which may be payable under Condition 13 (*Taxation*) and any other amount in the nature of interest payable pursuant to these Conditions;
- (vi) references to Notes being "outstanding" shall be construed in accordance with the Trust Deed;
- (vii) references in these Conditions to taking proceedings against the Issuer shall be deemed to include references to proving in the winding up of the Issuer;
- (viii) references in the Conditions to any action, remedy or method of proceeding for the enforcement of the rights of creditors shall be deemed to include, in respect of any jurisdiction other than England, references to such action, remedy or method of proceeding for the enforcement of the rights of creditors available or appropriate in such jurisdiction as shall most nearly approximate to such action, remedy or method of proceeding described or referred to in the Conditions;
- (ix) words denoting the singular include the plural and vice versa;
- (x) words denoting one gender only include the other genders;
- (xi) words denoting persons only include firms and corporations and vice versa; and
- (xii) if an expression is stated in Condition 2.1 (*Definitions*) to have the meaning given in the applicable Issue Terms, but the applicable Issue Terms gives no such meaning or specifies that such expression is "not applicable" then such expression is not applicable to the Notes.

### 3. **FORM, DENOMINATION AND TITLE**

3.1 *Form:* The Issuer may issue Notes in bearer form ("**Bearer Notes**") to the extent it has been determined that such Notes should be classified as being in registered form for U.S. Federal income tax purposes or in registered form ("**Registered Notes**").

#### 3.2 *Bearer Notes*

3.2.1 *Form:* Bearer Notes in definitive form will be serially numbered in the Specified Denomination(s) with Coupons and, if specified in the applicable Issue Terms, Talons attached at the time of issue. In the case of a Series of Bearer Notes with more than one Specified Denomination, Bearer Notes of one Specified Denomination will not be exchangeable for Bearer Notes of another Specified Denomination.

3.2.2 *Title:* Title to the Bearer Notes and the Coupons attaching thereto will pass by delivery. In respect of any Bearer Note, "**Holder**" means the holder of such Bearer Note and "**Noteholder**" and "**Couponholder**" shall be construed accordingly.

3.2.3 *Ownership:* The holder of any Bearer Note or Coupon attaching thereto shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

#### 3.3 *Registered Notes*

3.3.1 *Form:* Registered Notes may be in either individual certificate form or in global certificate form. Registered Notes are in the Specified Denomination(s), which may include a minimum denomination specified in the applicable Issue Terms and higher integral multiples of a smaller amount specified in the applicable Issue Terms.

3.3.2 *Title:* Title to the Registered Notes passes by registration in the Register which is kept by the Registrar in accordance with the provisions of the Agency Agreement. A certificate (each, a "**Note Certificate**") will be issued to each Holder of Registered Notes in respect of its registered holding. Each Note Certificate will be numbered serially with an identifying number which will be recorded in the Register. "**Holder**" means, in the case of Registered Notes, the person in whose name such Registered Note is for the time being registered in the Register (or, in the case of a joint holding, the first named thereof) and "**Noteholder**" shall be construed accordingly.

3.3.3 *Ownership:* The Holder of any Registered Note shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing on the Note Certificate relating thereto (other than the endorsed form of transfer) or any notice of any previous loss or theft thereof) and no Person shall be liable for so treating such holder.

3.3.4 *Transfers:* Subject to Conditions 3.3.7 (*Closed Periods*) and 3.3.8 (*Regulations concerning transfers and registration*) below, a Registered Note may be transferred upon surrender of the relevant Note Certificate, with the endorsed form of transfer duly completed, at the Specified Office of the Registrar or any Transfer Agent, together with such evidence as the Registrar or (as the case may be) such Transfer Agent may reasonably require to prove the title of the transferor and the authority of the individuals who have executed the form of transfer; provided, however, that a Registered Note may not be transferred unless the principal amount of Registered Notes transferred and (where not all of the Registered Notes held by a holder are being transferred) the principal amount of the balance of Registered Notes not transferred are Specified Denominations. Where not all the Registered Notes represented by the surrendered Note Certificate are the subject of the transfer, a new Note Certificate in respect of the balance of the Registered Notes will be issued to the transferor.

- 3.3.5 *Registration and Delivery:* Within five business days of the surrender of a Note Certificate in accordance with Condition 3.3.4 (*Transfers*) above, the Registrar will register the transfer in question and deliver a new Note Certificate of a like principal amount to the Registered Notes transferred to each relevant holder at its Specified Office or (as the case may be) the Specified Office of any Transfer Agent or (at the request and risk of any such relevant holder) by uninsured first class mail (airmail if overseas) to the address specified for the purpose by such relevant holder. In this Condition 3.3.5, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in the city where the Registrar or (as the case may be) the relevant Transfer Agent has its Specified Office.
- 3.3.6 *No charge:* The transfer of a Registered Note will be effected without charge by or on behalf of the Issuer or the Registrar or any Transfer Agent but against such indemnity as the Registrar or (as the case may be) such Transfer Agent may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such transfer.
- 3.3.7 *Closed Periods:* Holders of Registered Notes may not require transfers to be registered during the period of 15 days ending on the due date for any payment of principal or interest in respect of the Registered Notes.
- 3.3.8 *Regulations concerning transfers and registration:* All transfers of Registered Notes and entries on the Register are subject to the detailed regulations concerning the transfer of Registered Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer with the prior written approval of the Registrar. A copy of the current regulations will be mailed (free of charge) by the Registrar to any holder of Registered Notes who requests in writing a copy of such regulations.

#### 4. **STATUS**

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

#### 5. **SECURITY**

- 5.1 *Security:* Each Series of Notes will have the benefit of security granted by the Issuer over a pool of Posted Collateral and other Secured Assets, as specified in the applicable Issue Terms for such Series of Notes and the Security Documents, in favour of the Trustee for the benefit of itself and the Noteholders and the Couponholders to secure the Issuer's obligations under the Notes and the Coupons (if any) comprising such Series of Notes. The Posted Collateral and the Security created in respect of it is intended to constitute a security financial collateral arrangement pursuant to the Financial Collateral Arrangements (No.2) Regulations 2003 (as amended from time to time). Any Security shall be created by the Security Documents, as agreed between the Issuer and the Trustee, from time to time and will be held on trust by the Trustee for itself and the Noteholders under the terms of the Trust Deed and any Additional Security Document.
- 5.2 *Minimum Collateralisation Value:* All Posted Collateral over which Security will be created by the Issuer in favour of the Trustee (for the benefit of itself and the Noteholders) of each Series of Notes will be transferred by the Issuer to the Custody Account pursuant to the terms of the Custody Agreement and the Trust Deed. In respect of each Series of Notes, the Issuer shall deliver Eligible Collateral or shall procure that Eligible Collateral is delivered to the Custodian, so that the aggregate Value of the Posted Collateral for such Series of Notes is, on each Collateral Valuation Date, greater than or equal to the Minimum Collateralisation Value. The Issuer, in respect of each Series of Notes, shall deliver further Eligible Collateral, or shall procure that further Eligible Collateral is delivered, to the Custodian in respect of any Collateral Valuation Date on which the aggregate Value of the Posted Collateral for such Series of Notes is less than the Minimum Collateralisation Value so that after such delivery, the aggregate Value of the Posted Collateral for such Series of Notes is greater than or equal to the Minimum Collateralisation Value. If, on any Collateral Valuation Date, the aggregate Value of the Posted Collateral for such Series of Notes is greater than the Minimum Collateralisation Value, the

Issuer may request, or may take such steps as may be reasonably required to procure, the withdrawal of such Posted Collateral, as permitted, in accordance with Condition 5.3 below.

- 5.3 *Substitution and Withdrawal of Posted Collateral:* On any Collateral Valuation Date in respect of a Series of Notes, the Issuer may, without the consent of the Trustee, substitute Posted Collateral with other Eligible Collateral and shall substitute any Posted Collateral that does not meet the Eligibility Criteria with other Eligible Collateral, subject to the provisions of the Trust Deed, the Collateral Service Agreement, any Additional Collateral Management Agreement and the applicable Issue Terms. The Issuer, may, on any Collateral Valuation Date in respect of a Series of Notes, withdraw any Posted Collateral from the Custody Account without the consent of the Trustee provided that following any such withdrawal the aggregate Value of the Posted Collateral for such Series of Notes is greater than or equal to the greater of (i) the aggregate of any early redemption amounts that the Issuer would be required to pay to Noteholders in respect of such Series of Notes and (ii) the Minimum Collateralisation Value.

For the purposes of this Condition 5.3, any substitution of Posted Collateral (the "**Substituted Collateral**") with other Eligible Collateral (the "**Replacement Collateral**") which results in a reduction of the aggregate Value of the Posted Collateral shall be deemed to be a substitution of the Substituted Collateral with the Replacement Collateral and a withdrawal of any excess Substituted Collateral with such excess having a Value equal to the amount by which the aggregate Value of the Posted Collateral has been reduced following such substitution.

- 5.4 *Valuation of Posted Collateral:* In accordance with the terms of the Trust Deed, the Collateral Administration and Reporting Agreement, the Collateral Service Agreement and any Additional Collateral Management Agreement, each Collateral Verification Agent will determine, on each Collateral Valuation Date, the Value of the Posted Collateral for each Series of Notes in respect of which it is so appointed and provide a report of such determination to the Collateral Reporting Agent.
- 5.5 *Noteholder Reports:* On each Collateral Valuation Date, the Collateral Reporting Agent shall prepare a report in respect of each Series of Notes (a "**Noteholder Report**") detailing, among other things, the Value of each individual item of Posted Collateral, the aggregate Value of each type of Posted Collateral and the aggregate Value of the Posted Collateral in the Custody Account. Each Noteholder Report will be made available to the Noteholders on the secured website specified in the applicable Issue Terms that is accessible only by way of unique password (which may be obtained from the Collateral Reporting Agent by a Noteholder upon request, provided that such Noteholder provides the Collateral Reporting Agent with proof of its noteholding in a form satisfactory to the Collateral Reporting Agent, acting reasonably).
- 5.6 *Realisation of the Secured Assets following an Event of Default:* If the Security created by the Security Documents in relation to the Secured Assets with respect to a Series of Notes becomes enforceable in accordance with these Conditions and the Security Documents, the Trustee, may at its discretion or, if so directed by an Extraordinary Resolution of the Noteholders or if so requested, in writing, by holders of not less than 50 per cent. of the aggregate principal amount outstanding of such Notes, shall (subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction) enforce the Security and/or take such action as may be permitted under the applicable laws against any obligor in respect of the Secured Assets. The Trustee will not have any liability as to the consequences of such action and will not have regard to the effect of such action on any individual Noteholder or Couponholder.
- 5.7 *Application of proceeds following enforcement:* The Realisation Proceeds shall be held by the Trustee on trust to be applied in the following order of priority, after the payment of any amounts due to the Collateral Service Provider in relation to such Series of Notes from the realisation proceeds relating to the Posted Euroclear Collateral, (unless otherwise specified in the applicable Issue Terms):
- (a) *firstly*, in and towards payment of all amounts due to the Trustee and/or any appointee and/or any receiver in relation to such Series of Notes, including any costs, expenses and taxes properly incurred in connection with enforcement or realisation of the Secured Assets in accordance with the Security Documents;

- (b) *secondly*, in and towards payment of all amounts, on a *pari passu* and *pro rata* basis, due to the Agents and the Collateral Agents (other than the Collateral Service Provider) in relation to such Series of Notes;
- (c) *thirdly*, in and towards payment of all amounts of principal and interest due but unpaid to the Noteholders and the Couponholders (if any) of such Series of Notes, including any Early Redemption Amount, on a *pari passu* and *pro rata* basis; and
- (d) *finally*, the balance, if any, to the Issuer.

5.8 *Shortfall of proceeds*: In the event that, following the application of the Realisation Proceeds in respect of a Series of Notes in accordance with Condition 5.7, the amount payable to a Noteholder in respect of each Note is less than the Early Redemption Amount, together with any interest accrued to the date fixed for redemption (such amount, the "**Shortfall**"), the Issuer shall remain liable for such Shortfall but Noteholders shall not have recourse to the Secured Assets in respect of any other Series of Notes in relation to such Shortfall.

## 6. FIXED RATE NOTE PROVISIONS

6.1 *Application*: This Condition 6 (*Fixed Rate Note Provisions*) is applicable to the Notes only if the Fixed Rate Note Provisions are specified in the applicable Issue Terms as being applicable.

6.2 *Accrual of interest*: The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments - Bearer Notes*) and 12 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation or, in the case of a Registered Note, upon such due date, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this Condition 6 (*Fixed Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment).

6.3 *Fixed Coupon Amount*: The amount of interest payable in respect of each Note for any Interest Period shall be the relevant Fixed Coupon Amount and, if the Notes are in more than one Specified Denomination, shall be the relevant Fixed Coupon Amount in respect of the relevant Specified Denomination.

6.4 *Regular Interest Periods*: If all of the Interest Payment Dates fall at regular intervals between the Issue Date and the Maturity Date, then:

6.4.1 the Notes shall for the purposes of this Condition 6 (*Fixed Rate Note Provisions*) be "**Regular Interest Period Notes**";

6.4.2 the day and month (but not the year) on which any Interest Payment Date falls shall, for the purposes of this Condition 6 (*Fixed Rate Note Provisions*), be a "**Regular Date**"; and

6.4.3 each period from and including a Regular Date falling in any year to but excluding the next succeeding Regular Date shall, for the purposes of this Condition 6 (*Fixed Rate Note Provisions*), be a "**Regular Period**".

6.5 *Irregular first or last Interest Periods*: If the Notes would be Regular Interest Period Notes but for the fact that either or both of:

6.5.1 the interval between the Issue Date and the first Interest Payment Date; and

6.5.2 the interval between the Maturity Date and the immediately preceding Interest Payment Date

is longer or shorter than a Regular Period, then the Notes shall nevertheless be deemed to be Regular Interest Period Notes, **provided, however, that** if the interval between the Maturity Date and the immediately preceding Interest Payment Date is longer or shorter than a Regular Period, the day and month on which the Maturity Date falls shall not be a "**Regular Date**".

6.6 *Irregular Interest Amount:* If the Notes are Regular Interest Period Notes, the amount of interest payable in respect of each Note for any period which is not a Regular Period shall be calculated by applying the Rate of Interest to the Calculation Amount, multiplying the product by the relevant Day Count Fraction and rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards). For this purpose a "**sub-unit**" means, in the case of any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.

6.7 *Day Count Fraction:* In respect of any period which is not a Regular Period the relevant day count fraction (the "**Day Count Fraction**") shall be determined in accordance with the following provisions:

6.7.1 if the Day Count Fraction is specified in the applicable Issue Terms as being 30/360, the relevant Day Count Fraction will be the number of days in the relevant period (calculated on the basis of a year of 360 days consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) divided by 360;

6.7.2 if the Day Count Fraction is specified in the applicable Issue Terms as being Actual/Actual (ICMA) and the relevant period falls during a Regular Period, the relevant Day Count Fraction will be the number of days in the relevant period divided by the product of (A) the number of days in the Regular Period in which the relevant period falls and (B) the number of Regular Periods in any period of one year; and

6.7.3 if the Day Count Fraction is specified in the applicable Issue Terms as being Actual/Actual (ICMA) and the relevant period begins in one Regular Period and ends in the next succeeding Regular Period, interest will be calculated on the basis of the sum of:

(a) the number of days in the relevant period falling within the first such Regular Period divided by the product of (1) the number of days in the first such Regular Period and (2) the number of Regular Periods in any period of one year; and

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

6.8 *Number of days:* For the purposes of this Condition 6 (*Fixed Rate Note Provisions*), unless the Day Count Fraction is specified in the applicable Issue Terms as being 30/360 (in which case the provisions of Condition 6.7.1 above shall apply), the number of days in any period shall be calculated on the basis of actual calendar days from and including the first day of the relevant period to but excluding the last day of the relevant period.

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

## 7. **FLOATING RATE NOTE PROVISIONS**

7.1 *Application:* This Condition 7 (*Floating Rate Note Provisions*) is applicable to the Notes only if the Floating Rate Note Provisions are specified in the applicable Issue Terms as being applicable.

7.2 *Accrual of interest:* The Notes bear interest from the Interest Commencement Date at the Rate of Interest payable in arrear on each Interest Payment Date, subject as provided in Conditions 11 (*Payments - Bearer Notes*) and 12 (*Payments - Registered Notes*). Each Note will cease to bear interest from the due date for final redemption unless, upon due presentation or, in the case of a Registered Note, upon such due date, payment of the Redemption Amount is improperly withheld or refused, in which case it will continue to bear interest in accordance with this

Condition 7 (*Floating Rate Note Provisions*) (as well after as before judgment) until whichever is the earlier of (i) the day on which all sums due in respect of such Note up to that day are received by or on behalf of the relevant Noteholder and (ii) the day which is seven days after the Principal Paying Agent has notified the Noteholders that it has received all sums due in respect of the Notes up to such seventh day (except to the extent that there is any subsequent default in payment). The Rate of Interest in respect of all or any Interest Periods shall, if so specified in the applicable Issue Terms, be zero.

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

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

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

7.3.3 if, in the case of Condition 7.3.1 above, such rate does not appear on that page or, in the case of Condition 7.3.2 above, fewer than two such rates appear on that page or if, in either case, the Relevant Screen Page is unavailable, the Calculation Agent will:

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

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

7.3.4 if fewer than two such quotations are provided as requested, the Calculation Agent will determine the arithmetic mean of the rates (being the nearest to the Reference Rate, as determined by the Calculation Agent) quoted by major banks in the Principal Financial Centre of the Specified Currency, selected by the Calculation Agent, at approximately 11.00 a.m. (local time in the Principal Financial Centre of the Specified Currency) on the first day of the relevant Interest Period for loans in the Specified Currency to leading European banks for a period equal to the relevant Interest Period and in an amount that is representative for a single transaction in that market at that time,

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

7.4 *ISDA Determination:* If ISDA Determination is specified in the applicable Issue Terms as the manner in which the Rate(s) of Interest is/are to be determined, the Rate of Interest applicable to the Notes for each Interest Period will be the sum of the Margin and the relevant ISDA Rate where "ISDA Rate" in relation to any Interest Period means a rate equal to the Floating Rate (as defined in the ISDA Definitions) that would be determined by the Calculation Agent under an interest rate swap transaction if the Calculation Agent were acting as calculation agent for that interest rate swap transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

7.4.1 the Floating Rate Option (as defined in the ISDA Definitions) is as specified in the applicable Issue Terms;

- 7.4.2 the Designated Maturity (as defined in the ISDA Definitions) is a period specified in the applicable Issue Terms; and
- 7.4.3 the relevant Reset Date (as defined in the ISDA Definitions) is either (A) if the relevant Floating Rate Option is based on the London inter-bank offered rate (LIBOR) for a currency, the first day of that Interest Period or (B) in any other case, as specified in the applicable Issue Terms.
- 7.5 *Maximum or Minimum Rate of Interest:* If any Maximum Rate of Interest or Minimum Rate of Interest is specified in the applicable Issue Terms, then the Rate of Interest shall in no event be greater than the maximum or be less than the minimum so specified.
- 7.6 *Calculation of Interest Amount:* The Calculation Agent will, as soon as practicable after the time at which the Rate of Interest is to be determined in relation to each Interest Period, calculate the Interest Amount payable in respect of each Note for such Interest Period. The Interest Amount will be calculated by applying the Rate of Interest for such Interest Period to the Calculation Amount, multiplying the product by the relevant Day Count Fraction, rounding the resulting figure to the nearest sub-unit of the Specified Currency (half a sub-unit being rounded upwards) and multiplying such rounded figure by a fraction equal to the Specified Denomination of the relevant Note divided by the Calculation Amount. For this purpose a "**sub-unit**" means, in the case of any currency other than euro, means the lowest amount of such currency that is available as legal tender in the country of such currency and, in the case of euro, means one cent.
- 7.7 *Calculation of other amounts:* If the applicable Issue Terms specify that any other amount is to be calculated by the Calculation Agent, the Calculation Agent will, as soon as practicable after the time or times at which any such amount is to be determined, calculate the relevant amount. The relevant amount will be calculated by the Calculation Agent in the manner specified in the applicable Issue Terms.
- 7.8 *Publication:* The Calculation Agent will cause each Rate of Interest and Interest Amount determined by it, together with the relevant Interest Payment Date, and any other amount(s) required to be determined by it together with any relevant payment date(s) to be notified to the Paying Agents and each listing authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation as soon as practicable after such determination but (in the case of each Rate of Interest, Interest Amount and Interest Payment Date) in any event not later than the first day of the relevant Interest Period. Notice thereof shall also promptly be given to the Noteholders. The Calculation Agent will be entitled to recalculate any Interest Amount (on the basis of the foregoing provisions) without notice in the event of an extension or shortening of the relevant Interest Period. If the Calculation Amount is less than the minimum Specified Denomination the Calculation Agent shall not be obliged to publish each Interest Amount but instead may publish only the Calculation Amount and the Interest Amount in respect of a Note having the minimum Specified Denomination.
- 7.9 *Notifications etc:* All notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of this Condition 7 (*Floating Rate Note Provisions*) by the Calculation Agent will (in the absence of manifest error) be binding on the Issuer, the Paying Agents, the Noteholders and the Couponholders and (subject as aforesaid) no liability to any such Person will attach to the Calculation Agent in connection with the exercise or non-exercise by it of its powers, duties and discretions for such purposes.
8. **ZERO COUPON NOTE PROVISIONS**
- 8.1 *Application:* This Condition 8 (*Zero Coupon Note Provisions*) is applicable to the Notes only if the Zero Coupon Note Provisions are specified in the applicable Issue Terms as being applicable.
- 8.2 *Late payment on Zero Coupon Notes:* If the Redemption Amount payable in respect of any Zero Coupon Note is improperly withheld or refused, the Redemption Amount shall thereafter be an amount equal to the sum of:
- 8.2.1 the Reference Price; and

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

## 9. DUAL CURRENCY NOTE PROVISIONS

9.1 *Application:* This Condition 9 (*Dual Currency Note Provisions*) is applicable to the Notes only if the Dual Currency Note Provisions are specified in the applicable Issue Terms as being applicable.

9.2 *Rate of Interest:* If the rate or amount of interest fails to be determined by reference to an exchange rate, the rate or amount of interest payable shall be determined in the manner specified in the applicable Issue Terms.

## 10. REDEMPTION AND PURCHASE

10.1 *Scheduled Redemption.* Unless previously redeemed, or purchased and cancelled, and unless otherwise specified in the applicable Issue Terms, the Notes will be redeemed at their Final Redemption Amount on the Maturity Date, subject as provided in Conditions 11 (*Payments — Bearer Notes*) and 12 (*Payments — Registered Notes*).

10.2 *Tax Redemption.* The Notes may be redeemed in whole (but not in part), at the option of the Issuer at any time prior to maturity, upon the giving of a notice of redemption as described below, if the Issuer determines, in its sole discretion, that, it is or will become required by law or agreement with a taxing authority to make any withholding or deduction with respect to the Notes, as described in Condition 13 (*Taxation*), including (but not limited to) any withholding tax imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code, as amended, and any applicable U.S. Treasury regulations promulgated thereunder or published administrative guidance implementing such sections (including withholding resulting from any inter-governmental agreement in connection with such sections, regulations and/or guidance).

The Notes will be redeemed at the Early Redemption Amount. The Issuer will give notice of any tax redemption in accordance with Condition 22 (*Notices*).

10.3 Prior to the Issuer giving notice of redemption under Condition 10.2 (*Tax Redemption*), it will deliver to the Principal Paying Agent and the Trustee:

10.3.1 a certificate stating that it is entitled to effect the redemption and setting forth a statement of facts showing that the conditions precedent to its right to so redeem have occurred (the date on which that certificate is delivered to the Principal Paying Agent is the "**Redemption Determination Date**"); and

10.3.2 an opinion of independent legal counsel of recognised standing to that effect based on the statement of facts.

Notice of redemption will be given not less than 30 nor more than 60 days prior to the date fixed for redemption. The date and the applicable Early Termination Amount will be specified in the notice.

In relation to any Notes if any date fixed for redemption is a date prior to the date (the "**Exchange Date**") that is 40 days after the date on which the Issuer receives the proceeds of the sale of a Note, definitive bearer notes will be issuable on and after that redemption date as if that redemption date had been the Exchange Date. Bearer Notes in definitive form will be redeemed as described above.

10.4 *Redemption at the Option of the Issuer.* If the Call Option is specified in the applicable Issue Terms as being applicable, the Notes may be redeemed at the option of the Issuer in whole or, if so specified in the applicable Issue Terms, in part on any Optional Redemption Date (Call) at the

relevant Optional Redemption Amount (Call) on the Issuer's giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable and shall oblige the Issuer to redeem the Notes specified in such notice on the relevant Optional Redemption Date (Call) at the Optional Redemption Amount (Call) plus accrued interest (if any) to such date).

- 10.5 *Partial Redemption.* If the Notes are to be redeemed in part only on any date in accordance with Condition 10.4 (*Redemption at the Option of the Issuer*), the Notes to be redeemed shall be selected by the drawing of lots in such place as the Principal Paying Agent approves and in such manner as the Principal Paying Agent considers appropriate, subject to compliance with applicable law and the rules of each listing authority, stock exchange and/or quotation system by which the Notes have then been admitted to listing, trading and/or quotation, and the notice to Noteholders referred to in Condition 10.4 (*Redemption at the Option of the Issuer*) shall specify the serial numbers of the Notes so to be redeemed; and
- 10.6 *Redemption at the Option of Noteholders.* If the Put Option is specified in the applicable Issue Terms as being applicable, the Issuer shall, at the option of the holder of any Note redeem such Note on the Optional Redemption Date (Put) specified in the relevant Put Option Notice at the relevant Optional Redemption Amount (Put), together with interest (if any) accrued to such date.

In order to exercise the option contained in this Condition 10.6 (*Redemption at the Option of Noteholders*) the holder of a Note must, not less than 30 nor more than 60 days before the relevant Optional Redemption Date (Put), deposit such Note (together with all unmatured Coupons relating thereto) with, in the case of a Bearer Note, any Paying Agent or, in the case of a Registered Note, the Registrar, and a duly completed Put Option Notice in the form obtainable from any Paying Agent. The Paying Agent with which a Note is so deposited shall deliver a duly completed Put Option Receipt to the depositing Noteholder. No Note, once deposited with a duly completed Put Option Notice in accordance with this Condition 10.6 (*Redemption at the Option of Noteholders*), may be withdrawn; provided, however, that if, prior to the relevant Optional Redemption Date (Put), any such Note becomes immediately due and payable or, upon due presentation of any such Note on the relevant Optional Redemption Date (Put), payment of the redemption moneys is improperly withheld or refused, the relevant Paying Agent shall mail notification thereof to the depositing Noteholder at such address as may have been given by such Noteholder in the relevant Put Option Notice and shall hold such Note at its Specified Office for collection by the depositing Noteholder against surrender of the relevant Put Option Receipt. For so long as any outstanding Note is held by a Paying Agent in accordance with this Condition 10.6 (*Redemption at the Option of Noteholders*), the depositor of such Note and not such Paying Agent shall be deemed to be the holder of such Note for all purposes.

- 10.7 *Early Redemption in the event of the insolvency of the Custodian:* The Notes may be redeemed in whole (but not in part), at the option of the Issuer at any time prior to maturity, upon the giving of a notice of redemption as described below, if the Issuer determines, in its sole discretion, that (i) the Custodian becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Custodian or the whole or a substantial part of the undertaking, assets and revenues of the Custodian is appointed (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent), (iii) the Custodian takes any action for a composition with or for the benefit of its creditors generally, or (iv) an order is made or an effective resolution is passed for the winding up, liquidation or dissolution of the Custodian (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent). The Issuer shall give at least 30 days' notice (but not more than 60 days' notice) to the Noteholders of any redemption under this Condition 10.7 (*Early Redemption in the event of the insolvency of the Custodian*) in accordance with Condition 22 (*Notices*), specifying the date on which the Notes shall be redeemed (such date, the "**Early Redemption (Custodian Insolvency) Date**"). The Notes will be redeemed at the relevant Early Redemption Amount on the Early Redemption (Custodian Insolvency) Date.
- 10.8 *Early Redemption of Zero Coupon Notes:* Unless otherwise specified in the applicable Issue Terms, the Redemption Amount payable on redemption of a Zero Coupon Note at any time before the Maturity Date shall be an amount equal to the sum of:

10.8.1 the Reference Price; and

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

Where such calculation is to be made for a period which is not a whole number of years, the calculation in respect of the period of less than a full year shall be made on the basis of such Day Count Fraction as may be specified in the applicable Issue Terms for the purposes of this Condition 10.8 (*Early Redemption of Zero Coupon Notes*) or, if none is so specified, a Day Count Fraction of 30E/360.

10.9 *Purchase*: The Issuer, Morgan Stanley or any of their Subsidiaries may at any time purchase Notes in the open market or otherwise and at any price.

10.10 *Cancellation*: All Notes so redeemed shall, and all Notes so purchased by Morgan Stanley, the Issuer or any of their respective Subsidiaries may, at the discretion of the relevant purchaser, be cancelled (together with all unmatured Coupons attached to or surrendered with them). All Notes so redeemed, and all Notes so purchased and cancelled, may not be reissued or resold.

## 11. PAYMENTS - BEARER NOTES

This Condition 11 (*Payments – Bearer Notes*) is only applicable to Bearer Notes.

11.1 *Principal*: Payments of principal shall be made only against presentation and (**provided that** payment is made in full) surrender of Bearer Notes at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency. Such payment shall be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Bearer Notes. On each occasion on which a payment of principal or interest is made in respect of a Global Note, the Issuer shall procure that the same is noted in a schedule thereto. No Issuer or any Paying Agent shall under any circumstances be liable for any acts or defaults of the Relevant Clearing System in the performance of the Relevant Clearing System's duties in relation to the Notes. Notwithstanding the foregoing, payment on any Bearer Note will not be made (1) by cheque mailed to any address in the United States; or (2) by wire transfer to an account maintained with a bank located in the United States.

11.2 *Interest*: Payments of interest shall, subject to Condition 11.8 (*Payments other than in Respect of Matured Coupons*) below, be made only against presentation and (**provided that** payment is made in full) surrender of the appropriate Coupons at the Specified Office of any Paying Agent outside the United States in the manner described in Condition 10.1 (*Scheduled Redemption*) above.

11.3 *Payments in New York City*: Payments of principal or interest may be made at the Specified Office of a Paying Agent in New York City if (i) the Issuer has appointed Paying Agents outside the United States with the reasonable expectation that such Paying Agents will be able to make payment of the full amount of the interest on the Bearer Notes in the currency in which the payment is due when due, (ii) payment of the full amount of such interest at the offices of all such Paying Agents is illegal or effectively precluded by exchange controls or other similar restrictions and (iii) payment is permitted by applicable United States law without adverse United States federal tax consequences or other adverse consequences to the Issuer.

11.4 *Payments Subject to Fiscal Laws*: All payments in respect of the Bearer Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment and to the rules and procedures of the Relevant Clearing System, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

- 11.5 *Deductions for Unmatured Coupons:* If the applicable Issue Terms specify that the Fixed Rate Note Provisions are applicable and a Bearer Note in definitive form is presented without all unmatured Coupons relating thereto:
- 11.5.1 if the aggregate amount of the missing Coupons is less than or equal to the amount of principal due for payment, a sum equal to the aggregate amount of the missing Coupons will be deducted from the amount of principal due for payment, **provided, however, that** if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of such missing Coupons which the gross amount actually available for payment bears to the amount of principal due for payment;
- 11.5.2 if the aggregate amount of the missing Coupons is greater than the amount of principal due for payment:
- (a) so many of such missing Coupons shall become void (in inverse order of maturity) as will result in the aggregate amount of the remainder of such missing Coupons (the "**Relevant Coupons**") being equal to the amount of principal due for payment, **provided, however, that** where this sub-paragraph would otherwise require a fraction of a missing Coupon to become void, such missing Coupon shall become void in its entirety; and
- (b) a sum equal to the aggregate amount of the Relevant Coupons (or, if less, the amount of principal due for payment) will be deducted from the amount of principal due for payment, **provided, however, that**, if the gross amount available for payment is less than the amount of principal due for payment, the sum deducted will be that proportion of the aggregate amount of the Relevant Coupons (or, as the case may be, the amount of principal due for payment) which the gross amount actually available for payment bears to the amount of principal due for payment.
- Each sum of principal so deducted shall be paid in the manner provided in paragraph (a) above against presentation and (**provided that** payment is made in full) surrender of the relevant missing Coupons.
- 11.6 *Unmatured Coupons Void:* If the applicable Issue Terms specify that this Condition 11.6 (*Unmatured Coupons Void*) is applicable or that the Floating Rate Note Provisions are applicable, on the due date for final redemption of any Note in definitive form or early redemption of such Note pursuant to Condition 10.2 (*Tax Redemption*), Condition 10.6 (*Redemption at the Option of Noteholders*), Condition 10.4 (*Redemption at the Option of the Issuer*) or Condition 14 (*Events of Default*), all unmatured Coupons relating thereto (whether or not still attached) shall become void and no payment will be made in respect thereof.
- 11.7 *Payments on Payment Business Days:* If the due date for payment of any amount in respect of any Bearer Note or Coupon is not a Payment Business Day in the place of presentation, the holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further interest or other payment in respect of any such delay.
- 11.8 *Payments other than in Respect of Matured Coupons:* Payments of interest other than in respect of matured Coupons shall be made only against presentation of the relevant Bearer Notes at the Specified Office of any Paying Agent outside the United States (or in New York City if permitted by Condition 11.3 (*Payments in New York City*) above).
- 11.9 *Partial Payments:* If a Paying Agent makes a partial payment in respect of any Bearer Note or Coupon presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.
- 11.10 *Exchange of Talons:* On or after the maturity date of the final Coupon which is (or was at the time of issue) part of a Coupon Sheet relating to the Bearer Notes in definitive form, the Talon forming part of such Coupon Sheet may be exchanged at the Specified Office of the Principal

Paying Agent during regular business hours for a further Coupon Sheet (including, if appropriate, a further Talon but excluding any Coupons in respect of which claims have already become void pursuant to Condition 16 (*Prescription*)). Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note shall become void and no Coupon will be delivered in respect of such Talon.

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

- (i) of the Specified Currency for U.S. dollars for settlement on the payment date;
- (ii) in the aggregate amount of the Specified Currency payable to those holders or beneficial owners of Notes; and
- (iii) at which the applicable dealer commits to execute a contract.

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

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

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

## 12. **PAYMENTS - REGISTERED NOTES**

This Condition 12 (*Payments – Registered Notes*) is only applicable to Registered Notes.

12.1 *Principal:* Payments of principal shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth (15<sup>th</sup>) day before the due date for any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

12.2 *Interest:* Payments of interest shall be made by cheque drawn in the currency in which the payment is due drawn on, or, upon application by a holder of a Registered Note to the Specified Office of the Principal Paying Agent not later than the fifteenth (15<sup>th</sup>) day before the due date for

any such payment, by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London) and (in the case of interest payable on redemption) upon surrender (or, in the case of part payment only, endorsement) of the relevant Note Certificates at the Specified Office of any Paying Agent.

- 12.3 *Payments Subject to Fiscal Laws:* All payments in respect of the Registered Notes are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 13 (*Taxation*). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- 12.4 *Payments on Payment Business Days:* Where payment is to be made by transfer to an account, payment instructions (for value the due date, or, if the due date is not a Payment Business Day, for value the next succeeding Payment Business Day) will be initiated and, where payment is to be made by cheque, the cheque will be mailed (i) (in the case of payments of principal and interest payable on redemption) on the later of the due date for payment and the day on which the relevant Note Certificate is surrendered (or, in the case of part payment only, endorsed) at the Specified Office of a Paying Agent and (ii) (in the case of payments of interest payable other than on redemption) on the due date for payment. A holder of a Registered Note shall not be entitled to any interest or other payment in respect of any delay in payment resulting from (A) the due date for a payment not being a Payment Business Day or (B) a cheque mailed in accordance with this Condition 12 (*Payments – Registered Notes*) arriving after the due date for payment or being lost in the mail.
- 12.5 *Partial payments:* If a Paying Agent makes a partial payment in respect of any Registered Note, the Issuer shall procure that the amount and date of such payment are noted on the Register and, in the case of partial payment upon presentation of a Note Certificate, that a statement indicating the amount and the date of such payment is endorsed on the relevant Note Certificate.
- 12.6 *Record date:* Each payment in respect of a Registered Note will be made to the person shown as the holder in the Register at the opening of business in the place of the Registrar's Specified Office on the fifteenth (15<sup>th</sup>) day before the due date for such payment (the "**Record Date**"). Where payment in respect of a Registered Note is to be made by cheque, the cheque will be mailed to the address shown as the address of the holder in the Register at the opening of business on the relevant Record Date.

### 13. **TAXATION**

- 13.1 All payments in respect of the Notes or Coupons will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer, or any Paying Agent or, where applicable, the Trustee is required by applicable law, regulation, rule or agreement to make any payment in respect of the Notes or Coupons subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature (including any withholding tax imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code, as amended, and any applicable U.S. Treasury regulations promulgated thereunder or published administrative guidance or agreements implementing such sections (including withholding resulting from any inter-governmental agreement in connection with such sections, regulations and/or guidance)).

In that event, the Issuer, any Paying Agent, or the Trustee (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant taxing authorities or other governmental agencies for the amount so required to be withheld or deducted. Neither the Issuer, nor any Paying Agent, nor the Trustee will be obliged to make any additional payments to the Noteholders or the Couponholders in respect of such withholding or deduction, but Condition 10.2 (*Tax Redemption*) will apply. The Issuer or any Paying Agent may require Holders to provide such certification and other documents as required by applicable law or reasonably requested pursuant to Condition 13.2 below in order to qualify for exemption, reduction or refund of any withholding taxes or other taxes imposed by any taxing authority or governmental agency.

13.2 The Issuer, the Trustee or any Agent acting on its behalf may require Noteholders to provide any certifications or other documents as required by law or reasonably requested pursuant to this Condition 13.2 in order to qualify for exemption, reduction or refund of any withholding taxes or other taxes imposed by any taxing authority or governmental agency. Each Noteholder or any third party having an interest in the Notes or Coupons shall furnish (including by way of updates in such form and at a such time as is reasonably requested) any information, representations and forms as shall reasonably be requested to assist in obtaining any exemption, reduction or refund of any withholding or other taxes imposed by any taxing authority or other governmental agency upon the Issuer including any withholding tax imposed under Sections 1471 through 1474 of the U.S. Internal Revenue Code, as amended, and any applicable U.S. Treasury regulations promulgated thereunder or published administrative guidance or agreement implementing such sections (including withholding resulting from any inter-governmental agreement in connection with such sections, regulations and/or guidance), amounts paid to the Issuer, or amounts distributable by the Issuer to Noteholders.

13.3 If "**Implementation of Financial Transaction Tax Event**" is specified in the applicable Issue Terms to be applicable to any Series of Notes, then upon the occurrence of an Implementation of Financial Transaction Tax Event, the Issuer may (i) in its sole discretion, with immediate effect amend the Conditions of the Notes by adjusting downward any amount payable and/or any other value or term of the Conditions to account for the economic impact of the Implementation of Financial Transaction Tax on the Issuer and its affiliates in relation to the Notes, and (ii) to the extent that at any time thereafter the Issuer determines (acting in good faith and in a commercially reasonable manner) that it (including its affiliates) has incurred additional loss as a result of the Implementation of Financial Transfer Tax Event that has not been accounted for through the adjustment made pursuant to sub-paragraph (i) (such amount, "**Additional Increased Tax**"), it may reduce the amount otherwise payable on the Notes on the next payment date (and any payment date thereafter) by an amount up to the Additional Increased Tax amount. Any such adjustments shall be notified to Noteholders as soon as reasonably practicable.

#### 14. **EVENTS OF DEFAULT**

14.1 If any of the following events (each, an "**Event of Default**") occurs in respect of a Series of Notes and is continuing:

14.1.1 *Non-payment*: the Issuer fails to pay any amount in respect of the Notes within ten days of the due date for payment thereof; or

14.1.2 *Breach of Other Obligations*: (a) the Issuer defaults in the performance or observance of any of its other obligations under or in respect of the Notes or the Issue Documents relating to the Notes (other than a failure to deliver Eligible Collateral as described in Condition 14.1.4 (*Failure to deliver Eligible Collateral*) below) and (b) such default remains unremedied for sixty days (or such longer period as the Trustee may permit) after written notice thereof, addressed to the Issuer by the Trustee (acting on the direction by Extraordinary Resolution or on the request, in writing of Noteholders of not less than 50 per cent. in aggregate principal amount of the outstanding Notes of the relevant Series), has been delivered to the Issuer and to the Specified Office of the Principal Paying Agent (except where, in the opinion of the Trustee, such failure is not capable of remedy when no continuation of such failure or notice served by the Trustee shall be required);

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

14.1.4 *Failure to deliver Eligible Collateral:* the Issuer fails to make, when due, any transfer of Eligible Collateral required to be made by it and such failure continues for three days after notice of such failure is given to it by the Trustee; or

14.1.5 *Other specified events of default:* any other event specified as an Event of Default in the applicable Issue Terms,

then the Trustee may or if directed by an Extraordinary Resolution of the Noteholders or if so requested, in writing, by Noteholders of not less than 50 per cent. in aggregate principal amount of the outstanding Notes shall (subject to the Trustee being indemnified and/or secured and/or prefunded to its satisfaction), by written notice (in accordance with Condition 14.3 below), declare the Notes of such Series to be immediately due and payable, whereupon they shall become so due and payable at their Early Redemption Amount (or in accordance with any other provisions specified in the applicable Issue Terms) without further action or formality. Notice of any such declaration shall promptly be given to the Noteholders.

14.2 *Annulment of Acceleration and Waiver of Defaults.* If any Event of Default, other than the non-payment of the principal of the Notes of a Series that has become due as a result of an acceleration, have been cured, waived or otherwise remedied, then holders of such Series of Notes by Extraordinary Resolution or if so requested, in writing, by holders of not less than 50 per cent. of the aggregate principal amount outstanding of such Notes, may annul past declarations of acceleration of or waive past defaults of the Notes. However, any continuing default in payment of principal of or any premium or interest on those Notes may not be waived.

14.3 *Enforcement:*

(a) Following the occurrence of an Event of Default in respect of a Series of Notes and the Notes of such Series becoming immediately due and payable pursuant to Condition 14.1 (but subject to Condition 14.2), the Trustee at its discretion may, or if so directed by Extraordinary Resolution or if so requested by the holders of no less than 50 per cent. of the aggregate principal amount outstanding of a Series of Notes, shall (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction) give notice (the "**Enforcement Notice**") to the Issuer (with a copy to the Principal Paying Agent, the Registrar, the Custodian, any Additional Custodian, any Additional Collateral Manager (as applicable)) that the Security in respect of the Notes of such Series shall become immediately enforceable.

(b) Following the delivery of the Enforcement Notice, the Trustee may at any time, at its discretion and without notice, take such action under or in connection with any of the Security Documents against the Issuer or the Secured Assets as it may think fit but shall not be bound to take any such action unless it shall have been (i) directed by Extraordinary Resolution or requested in writing to do so by the holders of no less than 50 per cent. of the aggregate principal amount outstanding of the Notes and (ii) indemnified and/or secured and/or prefunded to its satisfaction.

(c) No Noteholder shall be entitled to enforce the Security or to institute proceedings directly against the Issuer to enforce the provisions of the Security Documents unless, the Trustee, having become bound to enforce the Security or to institute proceedings against the Issuer to enforce the provisions of the Security Documents, fails to do so within a reasonable period of time and such failure is continuing. In such event to the extent permitted by the applicable law, any Noteholder may, on giving an indemnity, security and/or pre-funding satisfactory to the Trustee, in the name of the Trustee (but not otherwise) institute proceedings to the same extent and in the same jurisdiction as the Trustee would have been entitled to do in respect of the Notes and/or the Security Document.

## 15. **FORCE MAJEURE AND ILLEGALITY**

15.1 The Issuer shall have the right to terminate the Notes if it shall have determined, in its sole and absolute discretion, that its performance thereunder shall have become or will be unlawful in whole or in part as a result of compliance in good faith by the Issuer with any applicable present

or future law, rule, regulation, judgment, order or directive of any governmental, administrative, legislative or judicial authority or power ("**applicable law**").

- 15.2 In such circumstances the Issuer will, however, if and to the extent permitted by applicable law, pay to each Noteholder in respect of each Note held by him an amount equal to the Final Redemption Amount that would have been payable on the Maturity Date (ignoring such illegality). In the case of any Notes in global form, payment will be made to the Relevant Clearing System in such manner as shall be notified to the Noteholders in accordance with Condition 22 (*Notices*).

16. **PRESCRIPTION**

Claims for principal in respect of Bearer Notes shall become void unless the relevant Bearer Notes are presented for payment within ten years of the appropriate Relevant Date. Claims for interest in respect of Bearer Notes shall become void unless the relevant Coupons are presented for payment within five years of the appropriate Relevant Date. Claims for principal and interest on redemption in respect of Registered Notes shall become void unless the relevant Note Certificates are surrendered for payment within ten years of the appropriate Relevant Date.

17. **REPLACEMENT OF NOTES AND COUPONS**

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

18. **AGENTS**

- 18.1 In acting under the Agency Agreement, the Trust Deed, the Custody Agreement, the Collateral Administration and Reporting Agreement and the Collateral Service Agreement and in connection with the Notes and the Coupons, the Agents and the Collateral Agents (other than the Custodian, who acts as an agent of the Trustee and the Collateral Administrator, who acts as an agent of the Custodian, the Trustee and the Issuer) act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for or with any of the Noteholders or Couponholders. All calculation and determination functions required of or the relevant Agent or Collateral Agent (as the case may be) may be delegated to such persons as the relevant Agent or Collateral Agent (as the case may be) may decide and all notifications, opinions, determinations, certificates, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the Notes by the Agents or the Collateral Agents or the Issuer shall (in the absence of manifest error or wilful misconduct) be binding on the Issuer and the Noteholders and (subject as aforesaid) no liability to the Noteholders (or any of them) shall attach to the Agents, the Collateral Agents or the Issuer in connection with the exercise or non-exercise by any of them of their powers, duties and discretions for such purposes.

- 18.2 The initial Agents and the initial Collateral Agents and their initial Specified Office are listed on the inside back cover of the Base Prospectus. The initial Calculation Agent is the Principal Paying Agent. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Principal Paying Agent, Registrar, Calculation Agent, Determination Agent, Custodian, Collateral Service Provider, Collateral Verification Agent and additional or successor paying agents, custodians, collateral manager or collateral verification agents; **provided, however, that:**

18.2.1 there shall at all times be a Principal Paying Agent, a Registrar and a Custodian appointed in respect of the Notes;

18.2.2 if a Calculation Agent or a Determination Agent is specified in the applicable Issue Terms, the Issuer shall at all times maintain a Calculation Agent or a Determination Agent (as applicable);

18.2.3 if and for so long as the Notes are admitted to listing, trading and/or quotation by any listing authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent or a Transfer Agent (as the case may be) in any particular place, the Issuer shall maintain a Paying Agent or a Transfer Agent (as the case may be) having its Specified Office in the place required by such listing authority, stock exchange and/or quotation system; and

18.2.4 notice of any change in any of the Paying Agents or in their Specified Offices shall promptly be given to the Noteholders in accordance with Condition 22 (*Notices*).

## 19. MEETINGS OF NOTEHOLDERS AND MODIFICATION

19.1 *Meetings of Noteholders:* The Trust Deed contains provisions for convening meetings of Noteholders to consider matters relating to the Notes, including the modification of any provision of these Conditions. Any such modification may be made if sanctioned by an Extraordinary Resolution. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by it upon the request in writing of Noteholders holding not less than one-tenth of the aggregate principal amount of the outstanding Notes. The quorum at any meeting convened to vote on an Extraordinary Resolution will be two or more Persons holding or representing half of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons holding or representing Noteholders whatever the principal amount of the Notes held or represented, **provided, however, that** Reserved Matters may only be sanctioned by an Extraordinary Resolution passed at a meeting of Noteholders at which two or more Persons holding or representing not less than 62.5 per cent. or, at any adjourned meeting, one quarter of the aggregate principal amount of the outstanding Notes form a quorum. Any Extraordinary Resolution duly passed at any such meeting shall be binding on all the Noteholders and Couponholders, whether present or not.

For voting on any matters other than voting on an Extraordinary Resolution, the quorum will be two or more Persons holding or representing Noteholders holding one tenth of the aggregate principal amount of the outstanding Notes or, at any adjourned meeting, two or more Persons holding or representing Noteholders whatever the principal amount of the Notes held or represented.

In addition, a resolution in writing signed by or on behalf of Noteholders holding sixty two and a half per cent. (62.5) of the aggregate principal amount of the outstanding Notes who for the time being are entitled to receive notice of a meeting of Noteholders will take effect as if it were an Extraordinary Resolution. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

19.2 *Modification:*

The Trustee may, at any time, without the consent of the Secured Creditors of any Series concur with the Issuer in making any modification:

- (a) (other than the definition of "Reserved Matter") to the Conditions or any of the Issue Documents which in the opinion of the Trustee it is proper to make, provided that the Trustee is of the opinion that such modification will not be materially prejudicial to the interests of the Secured Creditors of such Series (in relation to which it is Trustee); or
- (b) to the Conditions or any Issue Documents if in the opinion of the Trustee such modification is of a formal, minor or technical nature or to correct a manifest error.

Any such modification may be made on such terms and subject to such conditions as may seem fit and proper to the Trustee, shall be binding upon the Holders of such Series and any other Secured Creditor relating to such Series and, unless the Trustee agrees otherwise, shall be notified by the Issuer to the relevant Holders in accordance with Condition 22 (*Notices*) and the other Secured Creditors as soon as practicable thereafter.

- 19.3 *Interests of Noteholders and Couponholders:* In connection with the Conditions, the Trustee shall have regard to the interests of the Noteholders and the Couponholders as a class. In particular, but without limitation, the Trustee shall not have regard to the consequences for individual Noteholders or Couponholders resulting from such individual Noteholders or Couponholders being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory.
- 19.4 *Modifications binding on Noteholders and Couponholders:* Any modifications made to the Notes, the Conditions, the Trust Deed and the Security Documents, pursuant to the Trust Deed, shall be binding upon the Noteholders and shall be notified by the Issuer to the Noteholders in accordance with Condition 22 (*Notices*) as soon as practicable thereafter.
- 19.5 *Severance:* Should any of the provisions contained in these Conditions be or become invalid, the validity of the remaining provisions shall not be affected in any way.

20. **THE TRUSTEE – INDEMNIFICATION, POTENTIAL CONFLICTS OF INTEREST AND RETIREMENT AND REMOVAL**

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking action unless indemnified, secured and/or prefunded to its satisfaction.

The Trust Deed also contains provisions pursuant to which the Trustee is entitled, inter alia, (a) to enter into business transactions with the Issuer and/or any of its subsidiaries and/or any other persons and to act as trustee for the holders of any other securities issued by, or relating to, the Issuer and/or any of its subsidiaries and/or any other persons, (b) to exercise and enforce its rights, comply with its obligations and perform its duties under or in relation to any such transactions or, as the case may be, any such trusteeship without regard to the interests of, or consequences for, the Noteholders or Couponholders and (c) to retain and not be liable to account for any profit made or any other amount or benefit received thereby or in connection therewith.

The Trust Deed contains provisions allowing the Trustee to retire at any time on giving not less than 90 days' prior written notice to the Issuer without giving any reason and without being responsible for any Expenses (as defined in the Trust Deed) incurred by such retirement. The Noteholders may by Extraordinary Resolution remove any trustee or trustees of the Notes. The Trust Deed provides that the retirement or removal of any such Trustee shall not become effective until a successor trustee (being a trust corporation) is appointed. The Trust Deed provides that, in the event of the Security Trustee giving notice of retirement or being removed by Extraordinary Resolution under the Trust Deed, the Issuer shall use all reasonable endeavours to procure that a new trustee is appointed as soon as reasonably practicable. If no appointment has become effective within 90 days of such notice or Extraordinary Resolution, the Trust Deed provides that the Trustee shall be entitled to appoint a trust corporation as the new trustee. No appointment of a Trustee shall take effect unless previously approved by an Extraordinary Resolution. Notice of any such change shall be given to the Noteholders in accordance with Condition 22 (*Notices*) as soon as practicable thereafter.

The Trust Deed also contains provisions protecting the Trustee from responsibility or liability for selecting any Eligible Collateral posted to the Custody Account and for monitoring the compliance of the Issuer with provisions in the Trust Deed relating to Eligible Collateral and the Posted Collateral. The Trust Deed provides that the Trustee shall have no responsibility or liability arising from the fact that any Posted Collateral is registered in its name or held by it or in an account with Euroclear or Clearstream, Luxembourg or any similar clearing system in accordance with that system's rules or is otherwise held in safe custody by any bank or custodian selected by the Issuer with the consent of the Trustee nor shall the Trustee have responsibility for insuring and/or monitoring the adequacy or otherwise of any insurance arrangements in respect of the Posted Collateral.

21. **FURTHER ISSUES**

The Issuer may from time to time, without the consent of the Noteholders or the Couponholders, create and issue further notes having the same terms and conditions as the Notes in all respects

(or in all respects except for the first payment of interest) so as to form a single series with the Notes.

## 22. NOTICES

- 22.1 *Bearer Notes:* Notices to holders of Bearer Notes shall be valid if published in a leading English language daily newspaper published in Dublin or, if such publication is not practicable, in a leading English language daily newspaper having general circulation in Europe. Any such notice shall be deemed to have been given on the date of first publication (or if required to be published in more than one newspaper, on the first date on which publication shall have been made in all the required newspapers) or the first date on which such notice would in the ordinary course be delivered. Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes.
- 22.2 *Registered Notes:* Notices to holders of Registered Notes shall be sent to them by first class mail (or its equivalent) or (if posted to an overseas address) by airmail at their respective addresses on the Register. Any such notice shall be deemed to have been given on the fourth day after the date of mailing.
- 22.3 *Listed Notes:* Notices to Noteholders of Notes admitted to listing on the Official List of the Irish Stock Exchange and, for so long as it is a requirement of applicable law or regulations, such notices shall also be filed with the Companies Announcement Office of the Irish Stock Exchange. The Issuer shall ensure that all notices are duly published in a manner which complies with the rules, regulations and guidelines of any listing authority, stock exchange and/or quotation system on which the Notes are listed.
- 22.4 *Unlisted Notes:* Notices to Noteholders of non-listed Notes may be published, as specified in the applicable Issue Terms, in newspapers, on a website or otherwise.

## 23. LOSSES

In no event shall the Issuer, the Trustee, the Agents or the Collateral Agents have any liability for indirect, incidental, consequential or other damages (whether or not it may have been advised of the possibility of such damages) other than interest until the date of payment on sums not paid when due in respect of any Notes or assets not delivered when due. Noteholders are entitled to damages only and are not entitled to the remedy of specific performance in respect of any Note.

## 24. CURRENCY INDEMNITY

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

## 25. ROUNDING

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the applicable Issue Terms), (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. rounded up to 0.00001 per cent.), (b) all U.S. dollar amounts used

in or resulting from such calculations will be rounded to the nearest cent (with one-half cent rounded upward), (c) all Japanese Yen amounts used in or resulting from such calculations will be rounded downward to the next lower whole Japanese Yen amount and (d) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency (with 0.005 rounded up to 0.01).

26. **REDENOMINATION, RENOMINALISATION AND RECONVENTIONING**

26.1 *Application:* This Condition 26 (*Redenomination, Renominalisation and Reconventioning*) is applicable to the Notes only if it is specified in the applicable Issue Terms as being applicable.

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

26.3 *Redenomination:* Notwithstanding the other provisions of these Conditions, with effect from the Redenomination Date:

26.3.1 the Notes shall be deemed to be redenominated into euro in the denomination of euro 0.01 with a principal amount for each Note equal to the principal amount of that Note in the Specified Currency, converted into euro at the rate for conversion of such currency into euro established by the Council of the European Union pursuant to the Treaty (including compliance with rules relating to rounding in accordance with European Community regulations); **provided, however, that**, if the Issuer determines, with the agreement of the Principal Paying Agent that the then market practice in respect of the redenomination into euro 0.01 of internationally offered securities is different from that specified above, such provisions shall be deemed to be amended so as to comply with such market practice and the Issuer shall promptly notify the Noteholders and Couponholders, each listing authority, stock exchange and/or quotation system (if any) by which the Notes have been admitted to listing, trading and/or quotation and the Paying Agents of such deemed amendments;

26.3.2 if Notes have been issued in definitive form:

- (a) all unmatured Coupons denominated in the Specified Currency (whether or not attached to the Notes) will become void with effect from the date (the "**Euro Exchange Date**") on which the Issuer gives notice (the "**Euro Exchange Notice**") to the Noteholders that replacement Notes and Coupons denominated in euro are available for exchange (**provided that** such Notes and Coupons are available) and no payments will be made in respect thereof;
- (b) the payment obligations contained in all Notes denominated in the Specified Currency will become void on the Euro Exchange Date but all other obligations of the Issuer thereunder (including the obligation to exchange such Notes in accordance with this Condition 26 (*Redenomination, Renominalisation and Reconventioning*)) shall remain in full force and effect;
- (c) new Notes and Coupons denominated in euro will be issued in exchange for Notes and Coupons denominated in the Specified Currency in such manner as the Principal Paying Agent may specify and as shall be notified to the Noteholders in the Euro Exchange Notice; and
- (d) all payments in respect of the Notes (other than, unless the Redenomination Date is on or after such date as the Specified Currency ceases to be a sub-division of the euro, payments of interest in respect of periods commencing before the Redenomination Date) will be made solely in euro by cheque drawn on, or by credit or transfer to a euro account (or any other account to which euro

may be credited or transferred) maintained by the payee with, a bank in the principal financial centre of any Member State of the European Communities.

26.4 *Interest:* Following redenomination of the Notes pursuant to this Condition 26 (*Redenomination, Renominalisation and Reconventioning*), where Notes have been issued in definitive form, the amount of interest due in respect of such Notes will be calculated by reference to the aggregate principal amount of the Notes presented (or, as the case may be, in respect of which Coupons are presented) for payment by the relevant holder.

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

## 27. **SUBSTITUTION**

27.1 Subject to the conditions in the Trust Deed relating to substitution of the Issuer but without the consent of the holders of Notes MSI plc may, subject to the Notes being unconditionally and irrevocably guaranteed by MSI plc, substitute any other company (incorporated in any jurisdiction) (which may or may not be a subsidiary of Morgan Stanley or of MSI plc) in place of MSI plc as principal debtor under the Notes.

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

27.3 In the event of such substitution, any reference in these Conditions to the Issuer shall be construed as a reference to the entity substituted in accordance with this Condition 27 (*Substitution*). Such substitution shall be promptly notified to the Noteholders in accordance with Condition 22 (*Notices*). In connection with such right of substitution, the Issuer shall not be obliged to have regard to the consequences of the exercise of such right for individual Noteholders in particular, without limitation, any consequences resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory, and no Noteholder shall be entitled to claim from the Issuer any indemnification or payment in respect of any tax or other consequence of any such substitution upon such Noteholder.

## 28. **GOVERNING LAW AND JURISDICTION**

28.1 *Governing Law:* The Notes and any non-contractual obligations arising out of or in connection with them shall be governed by and construed in accordance with English law.

28.2 *Jurisdiction:* The Issuer agrees for the benefit of the Noteholders that the courts of England shall have jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with the Notes (respectively, "**Proceedings**" and "**Disputes**") and, for such purposes, irrevocably submits to the jurisdiction of such courts.

28.3 *Non-exclusivity:* The submission to the jurisdiction of the courts of England shall not (and shall not be construed so as to) limit the right of any Noteholder to take Proceedings in any other court of competent jurisdiction, nor shall the taking of Proceedings in any one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not) if and to the extent permitted by law.

## 29. **RIGHTS OF THIRD PARTIES**

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

## PRO FORMA ISSUE TERMS FOR THE NOTES

Issue Terms dated [•]

**Morgan Stanley & Co. International plc**

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

under the Up to U.S.\$ 5,000,000,000 Secured Note Programme

[These Issue Terms and the related Drawdown Prospectus has been prepared on the basis that any offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") (and any amendments, including Directive 2010/73/EU (the "**2010 PD Amending Directive**"), to the extent implemented in the Relevant Member State) will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Notes. Accordingly any person making or intending to make an offer in that Relevant Member State of the Notes may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Notes in any other circumstances.]<sup>1</sup>

### PART A – CONTRACTUAL TERMS

THE NOTES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES. THE NOTES DESCRIBED HEREIN MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT). SEE "*SUBSCRIPTION AND SALE*" AND "*NO OWNERSHIP BY U.S. PERSONS*" IN THE BASE PROSPECTUS DATED 21 DECEMBER 2016. IN PURCHASING THE NOTES, PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. [THE NOTES ARE NOT RATED.]<sup>2</sup>

This document constitutes Issue Terms relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Base Prospectus dated 21 December 2016 [and the supplemental Base Prospectus[es] dated [•] ([each a]/ [the] "**Supplemental Base Prospectus**" [and, together the "**Supplemental Base Prospectuses**"])] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Issue Terms of the Notes described herein and must be read in conjunction with such Base Prospectus [as so supplemented] and, in the case of Notes admitted to the Official List and to trading on the Main Securities Market, admitted to trading on any other regulated market for the purposes of Directive 2004/39/EC (the "**Markets in Financial Instruments Directive**") or offered to the public in any Relevant Member State, are the Issuer Terms which form a part of the related Drawdown Prospectus. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Issue Terms, the related Drawdown Prospectus and the Base Prospectus. Copies of the Base Prospectus dated 21 December 2016 (and any Supplemental Base Prospectus[es]) are available from the

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<sup>1</sup> Notes issued under this Programme are expected to have a Specified Denomination at least U.S.\$ 500,000 or be issued in circumstances where an offer is made is otherwise subject to an exemption from the requirement to publish a prospectus under the Prospectus Directive (as amended by the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State). If this is not the case, a prospectus or Drawdown Prospectus will need to be prepared.

<sup>2</sup> Delete if Notes are rated

offices of Morgan Stanley & Co. International plc at 25 Cabot Square, Canary Wharf, London, E14 4QA and on the Issuer's website (morganstanleyiq.eu).

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

1. Issuer: Morgan Stanley & Co. International plc
2. [(i)] Series Number: [•]  
 [(ii)] [Tranche Number:] [•]  
 (If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).]
3. Specified Currency or Currencies: [•]
4. Aggregate Principal Amount of the Notes: [•]  
 [(i)] Series: [•]  
 [(ii)] Tranche: [•]
5. Issue Price [•] per cent. of par per Note/[•] per Note
6. (i) Specified Denominations (Par): [•]  
*[the Specified Denomination of Notes issued under this Programme should be at least U.S.\$500,000. If the Specified Denomination is less than this amount, additional disclosure will need to be made]*  
 (ii) Calculation Amount:
7. (i) Issue Date: [•]  
 (ii) Trade Date: [•]  
 (iii) Interest Commencement Date [Specify/Issue Date/Not Applicable]
8. Maturity Date: [•], [provided that where one party gives notice to the other party pursuant to the provisions of paragraph 12(i) (Redemption at the option of the Issuer) or paragraph 12(ii) (Redemption at the option of the Noteholders), the Maturity Date shall be the Early Redemption Date (as determined in accordance with the provisions of 12(i) (Redemption at the option of the Issuer) or 12(ii) (Redemption at the option of the Noteholders) as relevant)]
9. Interest Basis: [[•]% Fixed Rate]  
 [[specify reference rate] +/- [•]% Floating Rate]

- [Zero Coupon]
- [Dual Currency Interest]
- [Other (*specify*)]
- (further particulars specified below)
- [*include all that apply*]
10. Redemption/Payment Basis: [Redemption at par]
- [Dual Currency Redemption]
- [Other (*specify*)]
- [*include all that apply*]
11. Change of Interest or Redemption/Payment Basis: [*Specify details of any provision for convertibility of Notes into another interest or redemption/payment basis*]
12. Put/Call Options:
- (i) Redemption at the option of the Issuer: [Applicable/Not Applicable]
- (Condition 10.4) [Condition 10.4 (*Redemption at the Option of the Issuer*) shall be deleted and replaced with the following:
- The Notes may be redeemed in whole at the option of the Issuer on any Business Day prior to the Maturity Date if the Issuer gives notice of such optional redemption (the "**Issuer Redemption Notice**"). The Issuer Redemption Notice will specify a date (the "**Early Redemption Date**") which will be a day falling at least [367] calendar days after the date on which the Issuer Redemption Notice is delivered in accordance with the provisions of Condition 22 (*Notices*) as amended by this paragraph 12.
- Upon giving an Issuer Redemption Notice, the Issuer shall be obliged to redeem each Note on the Early Redemption Date at an amount per Note equal to the principal amount of such Note and interest accrued in respect of such principal amount but not paid in respect of such Note to (and including) the Early Redemption Date.
- The following shall be added to Condition 22.2:
- "Notwithstanding the forgoing, if a beneficial holder of 100% of the Notes has notified the Issuer in writing of:

(i) proof of such beneficial holder's beneficial interest in the Notes (in form and substance satisfactory to the Issuer); and

(ii) a fax number and/or an e-mail address

then an Issuer Redemption Notice sent by the Issuer to such beneficial holder (the "**Beneficial Noteholder**") at such fax and/or e-mail address shall constitute a valid Issuer Redemption Notice.

If an Issuer Redemption Notice is sent:

(a) by fax, it will be deemed effective on the date it is sent (and proof of transmission will be met by a transmission report generated by the sender's fax machine); and

(b) by email, it will be deemed effective on the date it is sent [unless the Issuer receives an error message or other electronic notification that delivery of such e-mail has not occurred].

The Issuer will provide the Registrar with a copy of any Issuer Redemption Notice given by fax or e-mail pursuant to this Condition 22.2.

From and including the date on which the Beneficial Noteholder (the "**Original Beneficial Noteholder**") supplies the Issuer with the information set out above, the Issuer shall be entitled to assume that the Original Beneficial Noteholder remains the Beneficial Noteholder unless and until it is notified to the contrary by the Original Beneficial Noteholder or a subsequent beneficial holder of some or all of the Notes which provides proof of its beneficial holding of the Notes (in form and substance satisfactory to the Issuer).

Any notification to the Issuer pursuant to this Condition 22.2 shall be made either

(a) in writing to:

Structured Secured Funding  
Morgan Stanley & Co. International plc  
25 Cabot Square  
Canary Wharf  
London  
E14 4QA; or

(b) by email to:

[securedfunding\\_firm@morganstanley.com](mailto:securedfunding_firm@morganstanley.com).

with a copy in writing to the address set out above.

The Issuer shall not be liable in the event that any facsimile transmission or e-mail communication is not received, or is mutilated, illegible, interrupted, duplicated, incomplete, unauthorised or delayed for any reason, including (but not limited to) electronic or telecommunications failure." ]

(ii) Redemption at the option of the Noteholders:

[Applicable/Not Applicable]

(Condition 10.6)

[Condition 10.6 (*Redemption at the Option of Noteholders*) shall be deleted and replaced with the following:

The Notes may be redeemed in whole at the option of 100% of the beneficial holders of the Notes on any Business Day prior to the Maturity Date if:

(i) 100% beneficial holders of the Notes deliver to the Issuer (in accordance with the Redemption Notice Contact Details provided in sub-paragraph (iii) below) prior to 17.00 (*London time*) on any Business Day (such day being the "**Noteholder Redemption Notice Date**" *provided that*, if either the Noteholder Redemption Notice or the Proof of Holding is delivered after 17.00 (*London Time*) on any Business Day, it shall be deemed to be delivered at 10.00 (*London Time*) on the immediately following Business Day and such Business Day shall be the Noteholder Redemption Notice Date):

(A) notice of such intention to redeem in the form set out in Part D – Form of Noteholder Redemption Notice (the "**Noteholder Redemption Notice**") specifying a date (the "**Early Redemption Date**") which will be a day falling at least [367] calendar days after the date of delivery of the Noteholder Redemption Notice Date; and

(B) proof of the holding of the Notes on the Noteholder Redemption Notice Date in form reasonably satisfactory to the Issuer ("**Proof of Holding**"); and

(ii) an instruction to redeem the Notes is simultaneously sent by or on behalf of

such beneficial holders of the Notes to Euroclear or Clearstream, Luxembourg, as applicable, in the form required by such clearing system.

For the avoidance of doubt, the Noteholder Redemption Notice shall constitute a "duly completed Put Option Notice" for the purposes of Clause 9.2 (*Exercise of put option*) of the Agency Agreement.

Provided that the Issuer has received both the Noteholder Redemption Notice and the Proof of Holding prior to 17.00 (*London time*) on the Noteholder Redemption Notice Date, the Issuer shall, as soon as reasonably practicable thereafter, notify the Registrar, the Trustee, the Principal Paying Agent and the Irish Stock Exchange of the Early Redemption Date and the Issuer shall be obliged to redeem each Note on the Early Redemption Date at an amount per Note equal to the principal amount of such Note and interest accrued in respect of such principal amount but not paid in respect of such Note to (and including) the Early Redemption Date.]

(iii) Redemption Notice Contact Details:

[Not Applicable]

[In the case of the Issuer, by email to:

[securedfunding\\_firm@morganstanley.com](mailto:securedfunding_firm@morganstanley.com).

or such other Redemptions Notice Contact Details as may be notified to the Noteholders pursuant to Condition 22.

In the case of the Principal Paying Agent, by email to:

[CT\\_PutOption@bnymellon.com](mailto:CT_PutOption@bnymellon.com)]

(iv) Other Put/Call Options:

[Applicable/Not Applicable]

13. Status of the Notes:

Condition 4 applies.

(Condition 4)

14. Method of distribution:

[Syndicated/Non-syndicated]

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

15. **Fixed Rate Note Provisions**

[Applicable/Not Applicable]

(Condition 6)

*(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/ other (specify)] in arrear]
- (ii) Interest Period: [As set out in Condition 2] / [Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period]
- (iii) Interest Payment Date(s): [•] in each year [adjusted in accordance with [specify Business Day Convention and any applicable Business Centre(s) for the definition of "Business Day"]/not adjusted]
- (iv) Fixed Coupon Amount[(s)]: [•] per Calculation Amount
- (v) Broken Amount(s): [•] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [•]
- (vi) Day Count Fraction: [Actual/Actual; Actual/365(Fixed); Actual/360; 30/360; 30E/360, Eurobond Basis; Actual/ICMA; other]
- (vii) Other terms relating to the method of calculating interest for Fixed Rate Notes: [Not Applicable/give details]
16. **Floating Rate Note Provisions** [Applicable/Not Applicable]
- (Condition 7) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Interest Payment Dates: [•]
- (ii) First Interest Payment Date: *[delete if not applicable]*
- (iii) Interest Period: [As set out in Condition 2] / [Insert "Unadjusted" if the application of the relevant Business Day Convention is not intended to affect the Interest Period]
- (iv) Business Day Convention: [Floating Rate Convention/ Following Business Day Convention/ Modified Following Business Day Convention/ Preceding Business Day Convention/ other (give details)]
- (v) Additional Business Centre(s): [•]
- (vi) Manner in which the Rate(s) of Interest is/are to be determined: [Screen Rate Determination/ISDA Determination/other (give details)]
- (vii) Party responsible for calculating the Rate(s) of Interest and/or Interest Amount(s) (if not the Calculation Agent): [•]
- (viii) Screen Rate Determination:

- Reference Rate: [•]
  - Interest Determination Date(s): [•]  
 [Following the designation of an Early Redemption Date (in accordance with the provisions of 12(i) (*Redemption at the Option of the Issuer*) or 12 (ii) (*Redemption at the Option of the Noteholders*) as relevant), there shall be no Interest Determination Date until the Early Redemption Date and the Notes shall bear interest at the Rate of Interest applicable at the time of such designation until the Early Redemption Date.]
  - Relevant Screen Page: [•]
- (ix) ISDA Determination
- Floating Rate Option: [•]
  - Designated Maturity: [•]
  - Reset Date: [•]
- (x) Margin(s): [+/-][•] per cent. per annum
- (xi) Minimum Rate of Interest: [•] per cent. per annum
- (xii) Maximum Rate of Interest: [•] per cent. per annum
- (xiii) Day Count Fraction: [•]
- (xiv) Fallback provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions: [•]
17. **Zero Coupon Note Provisions** [Applicable/Not Applicable]  
 (Condition 8) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Accrual Yield: [•] per cent. per annum
  - (ii) Reference Price: [•]
  - (iii) Any other formula/basis of determining amount payable: [•]
18. **Dual Currency Note Interest Provisions** [Applicable/Not Applicable]  
 (Condition 9) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Rate of Exchange/method of [give details]

calculating Rate of Exchange:

- (ii) Party, if any, responsible for calculating the Rate(s) of interest and/or Interest Amount(s) (if not the Calculation Agent): [•]
- (iii) Provisions applicable where calculation by reference to Rate of Exchange impossible or impracticable or otherwise disrupted: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions.]*
- (iv) Person at whose option Specified Currency(ies) is/are payable: [•]
- (v) Other special terms and conditions: [•]

19. [Implementation of Financial Transaction Tax Event] [Applicable/Not Applicable]

(Condition 13.3)

#### PROVISIONS RELATING TO REDEMPTION

20. **Call Option** [Applicable/Not Applicable]  
(Condition 10.4) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
  - (iii) Notice period: [•]
21. **Put Option** [Applicable/Not Applicable]  
(Condition 10.6) *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
- (i) Optional Redemption Date(s): [•]
  - (ii) Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s): [•] per Calculation Amount
  - (iii) Notice period: [•]
22. **Final Redemption Amount of each Note** [[•] per Calculation Amount]  
(Condition 10.1)
23. **Dual Currency Redemption Provisions** [Applicable (give details)/Not Applicable]  
(Condition 9)
- (i) Rate of Exchange/method of [give details]

calculating Rate of Exchange:

- (ii) Determination Agent responsible for calculating the Final Redemption Amount: [•]
- (iii) Provisions for determining Final Redemption Amount: [•]
- (iv) Provisions for determining Final Redemption Amount where calculation by reference to Rate of Exchange is impossible or impracticable or otherwise disrupted: *[Need to include a description of market disruption or settlement disruption events and adjustment provisions.]*
- (v) Person at whose option Specified Currency(ies) is/are payable: [•]
- (vi) Other special terms and conditions: [•]

24. **Events of Default:** [As set out in Condition 14/[Each of]  
*(Condition 14)* The following shall be an additional Event of Default for the purposes of Condition 14:  
  
*(provide details of additional Event(s) of Default)*

25. **a. Early Redemption Amount upon Event of Default** As set out in Condition 2.  
  
*(Condition 14)*

**b. Early Redemption Amount upon Early Redemption**

*(Conditions 10.2 and 10.7)*

Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or other early redemption and/or the method of calculating the same (if required or if different from that set out in the Conditions): *[specify if the definition in Condition 2 is applicable/ specify any other provisions applicable to determining the Early Redemption Amount]*

**c. Early Redemption Amount upon Redemption at the option of the Issuer (Call Option):**

*(Condition 10.4)*

Early Redemption Amount(s) payable on redemption at the option of the Issuer: An amount per Note equal to the principal amount of such Note and interest accrued in respect of such principal amount but not paid in respect of such Note to (and including) the Early Redemption Date.

**d. Early Redemption Amount upon Redemption at the option of the Noteholders (Put Option):**

(Condition 10.6)

Early Redemption Amount(s) payable on redemption at the option of the Noteholders:

An amount per Note equal to the principal amount of such Note and interest accrued in respect of such principal amount but not paid in respect of such Note to (and including) the Early Redemption Date.

26. **Governing Law:** [English law/*other (specify)*]

**GENERAL PROVISIONS APPLICABLE TO THE NOTES**

27. **Form of Notes:** [Bearer Notes:

(Condition 3)

[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]

[Temporary Global Note exchangeable for Definitive Notes on [•] days' notice]

[Permanent Global Note exchangeable for Definitive Notes on [•] days' notice/at any time/in the limited circumstances specified in the Permanent Global Note]]

[*Note: Bearer Notes may only be issued if it has been determined that they should be classified as being in registered form for U.S. Federal income tax purposes.*]

[Registered Notes:

[Global Note Certificate registered in the name of [a nominee for] [a common depository for Euroclear and Clearstream, Luxembourg]/[a common safekeeper for Euroclear and Clearstream, Luxembourg (that is, held under the New Safekeeping Structure (NSS))] <sup>3</sup>, exchangeable for Individual Note Certificates on [•] days notice/at any time/ in the limited circumstances

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<sup>3</sup> To be included for Registered Notes in global form which are to be held under the NSS.

			described in the Global Note Certificate]
			[Individual Note Certificates]]
28.	(i)	Security:	<i>[provide details of security as granted by the Supplemental Trust Deed in respect of the Series of Notes and/or any security created pursuant to any Additional Security Document(s)]</i>
	(ii)	Additional Security Document(s):	[Not Applicable/ <i>provide details</i> ]
	(iii)	Custodian(s)/Additional Custodian:	[The Bank of New York Mellon, London Branch/ <i>(insert details of any additional custodians)</i> ]  <i>(delete as appropriate)</i>
	(iv)	Additional Custody Agreement:	[Not Applicable/ <i>provide details</i> ]
	(v)	Additional Collateral Management Agreement:	[Not Applicable/ <i>provide details</i> ]
	(vi)	Additional Collateral Verification Agent:	[Not Applicable/ <i>provide details</i> ]
	(vii)	Eligible Collateral:	As specified in Part C – Collateral Schedule
	(viii)	Collateral Administrator:	[MSI plc/ <i>insert name of Collateral Administrator, if different</i> ]
	(ix)	EM Collateral Verification Agent:	[MSI plc/ <i>insert name of EM Collateral Verification Agent, if different</i> ]
	(x)	ABS Collateral Verification Agent:	[MSI plc/ <i>insert name of ABS Collateral Verification Agent, if different</i> ]
	(xi)	Minimum Collateralisation Percentage:	<i>[insert relevant percentage]</i>
	(xii)	Collateral Valuation Date(s):	[Condition 2 shall apply/ <i>insert alternative valuation frequency</i> ]  <i>(select "Condition 2 shall apply" if the Posted Collateral is to be valued daily)</i>
	(xiii)	Noteholder Reports available at:	<i>[insert website]</i>
	(xiv)	[Substitution:	[Condition 5.3 shall apply/ See Part C (Collateral Schedule)]]  <i>(specify "Part C (Collateral Schedule)" if any other provisions relating to substitution are to apply. When amending the terms in relation to substitution, consider the effect on the Security)</i>
	(xv)	[Withdrawal:	[Condition 5.3 shall apply/ See Part C (Collateral Schedule)]]

(specify "Part C (Collateral Schedule)" if any other provisions relating to withdrawal are to apply. When amending the terms in relation to withdrawal, consider the effect on the Security)

- |        |   |  |
|--------|---|--|
| (xvi)  | Application Proceeds:   | [Condition 5.7 shall apply/ specify alternative payment priority if Condition 5.7 will not apply]  |
| (xvii) | Other issue terms relating to Security:   | [Not Applicable/ include any other Issue Terms in relation to the Security]  |
| 29.    | Additional Business Centre(s) or other special provisions relating to Payment Dates:                              | [Not Applicable/give details. Note that this item relates to the date and place of payment, and not interest period end dates, to which items 15 (ii) and 16(iv)] <sup>4</sup> |
| 30.    | 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]   |
| 31.    | Redenomination, renominatisation and reconventioning provisions:  | [Not Applicable/The provisions [in Condition 26] [annexed to these Issue Terms] apply]   |
| 32.    | Restrictions on free transferability of the Notes:  | [None][give details]   |
| 33.    | Other issue terms:  | [See Part C - Collateral Schedule / give details of any other issue terms]   |
| 34.    | If syndicated, names of Dealers:  | [Not Applicable/give names]  |
| 35.    | If non-syndicated, name of Dealer (if not MSI plc):   | [Not Applicable/give name]   |
| 36.    | U.S. Selling Restrictions:  | Reg. S Compliance Category; TEFRA not applicable   |
| 37.    | Additional selling restrictions:  | [Not Applicable/give details]  |

## PURPOSE OF ISSUE TERMS

These Issue Terms comprise the issue terms required for issue [and] [admission to trading on [the Irish Stock Exchange's Main Securities Market/ specify relevant regulated market] of the Notes described herein pursuant to the Up to U.S.\$ 5,000,000,000 Secured Note Programme of Morgan Stanley & Co. International plc.

## RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Issue Terms. [(Relevant third party information) has been extracted from • (specify source)]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, and is able to ascertain from information

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<sup>4</sup> This should specify "Not applicable" unless, exceptionally, location of Principal Paying Agent is to be included as a business day for the purposes of payments whilst Notes are in global form in the clearing systems.

published by [•], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of the Issuer:

By: .....  
Duly authorised

## PART B – OTHER INFORMATION

### 1. LISTING

Listing and admission to Trading: [Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be admitted to trading on the Irish Stock Exchange's Main Securities Market and to be listed on the Official List with effect from [•].]

[Application [has been made/is expected to be made] by the Issuer (or on its behalf) for the Notes to be [admitted to trading/listed] on [*insert details of listing, quotation system or exchange*] with effect from [•].]

[Not Applicable.]

[Where documenting a fungible issue, need to indicate that original Notes are already admitted to trading.]

### 2. RATINGS

Ratings: The Notes to be issued have been rated:

[S & P: [•]]

[[Standard & Poor's Credit Market Services]<sup>5</sup> is established in the EEA and is registered under Regulation (EU) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.]

[Moody's: [•]]

[[Moody's Investor Service Ltd]<sup>6</sup> is established in the EEA and is registered under Regulation (EU) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.]

[Fitch: [•]]

[[Fitch Ratings Limited]<sup>7</sup> is established in the EEA and is registered under Regulation (EU) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.]

[[Other]: [•]]

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<sup>5</sup> Please confirm the exact S&P entity issuing the rating and amend this paragraph as required.

<sup>6</sup> Please confirm exact Moody's entity issuing the rating and amend this paragraph as required.

<sup>7</sup> Please confirm exact Fitch entity issuing the rating and amend this paragraph as required.

*[Option 1*

*[Insert legal name of rating agency]* is established in the EEA and is registered under Regulation (EU) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies.

*Option 2*

*[Insert legal name of rating agency]* is not established in the EEA and is not certified under Regulation (EU) No 1060/2009, as amended (the "**CRA Regulation**") and the rating it has given to the [Notes]/[unsecured, unsubordinated long term debt securities of the Issuer [to be issued under the Programme]] is not endorsed by a credit rating agency established in the EEA and registered under the CRA Regulation.]

*Option 3*

*[Insert legal name of rating agency]* is established in the European Union which is endorsed by *[insert name of relevant EU registered rating agency]*, a rating agency which [is registered under Regulation (EU) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies].

*Option 4*

*[Insert legal name of rating agency]* is not established in the European Union and has not applied to be registered under Regulation (EU) No 1060/2009 of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the "**CRA Regulation**") but is certified in accordance with the CRA Regulation.]<sup>8</sup>

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

[The Notes will not be rated].

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

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

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

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<sup>8</sup> Edit and delete options as appropriate for the relevant rating agency/agencies providing the rating(s).

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

[(i) Reasons for the offer: [•]

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

[(ii) Estimated net proceeds: [•]

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

[(iii) Estimated total expenses: [•]

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

5. **[Fixed Rate Notes only – YIELD**

Indication of yield: [•]

The yield is calculated at the Issue Date on the basis of the Issue Price. It is not an indication of future yield.]

6. **[Floating Rate Notes only - HISTORIC INTEREST RATES**

Details of historic [LIBOR/EURIBOR/other] rates can be obtained from [Reuters].]

7. **[Dual Currency Notes only – PERFORMANCE OF RATE[S] OF EXCHANGE**

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

8. **OPERATIONAL INFORMATION**

ISIN Code: [•]

Common Code: [•]

New Global Note: [Yes][No]

Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking *société anonyme* and the relevant identification number(s): [Not Applicable/give name(s) and number(s)]

Delivery: Delivery [against/free of] payment

Names and addresses of initial Paying Agent(s) [•]

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

Intended to be held in a manner which would allow Eurosystem eligibility: [Yes][No]

[Note that designation "yes" simply means that the Notes are intended upon issue to be deposited with one of the ICSDs<sup>9</sup> as common safekeeper [, and registered in the name of a nominee of one of the ICSDs acting as common safekeeper]<sup>10</sup> and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either on issue or subsequently. Such recognition will depend on satisfaction of Eurosystem eligibility criteria]<sup>11</sup>

[Note that whilst the designation is specified as "no" at the date of these Final Terms, should the Eurosystem eligibility criteria be amended in the future such that the Notes are capable of meeting them the Notes may then be deposited with one of the ICSDs as common safekeeper [(and registered in the name of a nominee of one of the ICSDs acting as common safekeeper,)]<sup>12</sup>. Note that this does not necessarily mean that the Notes will then be recognised as eligible collateral for Eurosystem monetary policy and intra day credit operations by the Eurosystem at any time during their life. Such recognition will depend upon the ECB being satisfied that Eurosystem eligibility criteria have been met.]<sup>13</sup>

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<sup>9</sup> International Central Securities Depositories.

<sup>10</sup> To be included for Registered Notes

<sup>11</sup> Include this text if "yes" selected, in which case the Bearer Notes must be issued in NGN form

<sup>12</sup> To be included for Registered Notes

<sup>13</sup> Include this text if "no" selected

## PART C – COLLATERAL SCHEDULE

### ELIGIBLE COLLATERAL

- (i) Cash [Applicable/Not Applicable]  
*(if Not Applicable, delete the sub-paragraphs below)*
- (a) Eligible Currencies: [provide details of the Eligible Currencies in which the Issuer can post cash]
- (b) Valuation Percentage(s): [•]%
- (ii) Equity Collateral [Applicable/Not Applicable]  
*(if Not Applicable, delete the sub-paragraphs below)*
- (a) Criteria: Paragraph[s] 2 [•] of the Schedule 8 of the Trust Deed are applicable.  
*(if paragraph 2(h) is applicable, please insert details of the relevant equity interest and the relevant eligibility criteria. Consider whether any additional risk factors need to be included in a drawdown prospectus)*  
*(insert details of the applicable Equity Eligibility Criteria from the Supplemental Trust Deed e.g. whether eligible Equities Securities must be listed, whether they must be fully paid etc.)*
- (b) Eligible Indices: [Each Eligible Index as defined in Schedule 8 of the Trust Deed [other than [list all the non-applicable indices] [and including [insert any additional indexes]]/ Each Eligible Index as set out below: /Not Applicable]  
*(When including additional eligible indices are included, information regarding the index should be included)*
- (c) Valuation Percentage(s): [•]%
- (iii) Debt Collateral [Applicable/Not Applicable]  
*(if Not Applicable, delete the sub-paragraphs below)*
- (a) Criteria: Paragraph[s] 3 [•] of Schedule 8 of the Trust Deed are applicable.  
*(if paragraph 3(h) is applicable, please insert details of the relevant debt instrument and the relevant eligibility criteria. Consider whether any additional risk factors need to be included in a drawdown prospectus)*  
*(insert details of the applicable Debt Eligibility Criteria from the Supplemental Trust Deed e.g. whether eligible Debt Securities must be listed, whether they must be secured etc.)*

- (b) Valuation Percentage(s): [•]%
- (iv) ABS Collateral [Applicable/ Not Applicable]  
*(if Not Applicable, delete the sub-paragraphs below)*
- (a) Criteria: Paragraph 4 of Schedule 8 of the Trust Deed is applicable  
*(insert details of the applicable ABS Eligibility Criteria from the Supplemental Trust Deed, including any modifications to the standard criteria set out in Schedule 8 of the Principal Trust Deed)*
- (b) Valuation Percentage(s): [•]%
- (v) EM Collateral [Applicable/Not Applicable]  
*(if Not Applicable, delete the sub-paragraphs below)*
- (a) Criteria: *(insert details of the applicable EM Eligibility Criteria from the Supplemental Trust Deed. Consider whether any additional risk factors or disclosure needs to be included in a drawdown prospectus)*
- (b) EM Jurisdictions: [specify applicable EM Jurisdictions]
- (c) Valuation Percentage(s): [•]%
- (vi) Other Eligible Collateral [Applicable/Not Applicable]  
*(if Not Applicable, delete the sub-paragraphs below)*
- (a) Criteria: Other Eligible Collateral shall meet the following criteria:  
 1. [insert details of relevant criteria];  
*(When including any Other Eligible Collateral, consider whether any additional risk factors or disclosure needs to be included in a drawdown prospectus)*
- (b) Valuation Percentage(s): [•]%
- (vii) Other general criteria applicable to the Eligible Collateral [Not Applicable/ Applicable]  
 [Paragraph 7 of Schedule 8 of the Trust Deed is applicable.]  
*(please specify any amendments to or additions to the general criteria specified in paragraph 7 of Schedule 8 of the Principal Trust Deed)*

**PROVISIONS RELATING TO SUBSTITUTION**

- (i) [*insert any applicable Issue Terms items, otherwise delete*]

**PROVISIONS RELATING TO WITHDRAWAL**

- (i) [*insert any applicable Issue Terms items, otherwise delete*]

**PART D – FORM OF NOTEHOLDER REDEMPTION NOTICE**

**BY EMAIL**

To: Structured Secured Funding  
Morgan Stanley & Co. International plc (the "Issuer")  
([securedfunding\\_firm@morganstanley.com](mailto:securedfunding_firm@morganstanley.com))

Copy to: Put Team  
The Bank of New York Mellon, London Branch (the "Principal Paying Agent")  
([CT\\_PutOption@bnymellon.com](mailto:CT_PutOption@bnymellon.com))

Date: [•]

Dear Sirs

**MORGAN STANLEY & CO. INTERNATIONAL PLC**

**Issue of Series [•] [•] Secured [Fixed/Floating] Rate Notes due [•] with ISIN Code [•] under the Up to U.S.\$5,000,000,000 Secured Note Programme (the "Notes")**

**NOTEHOLDER REDEMPTION NOTICE**

By delivering this duly completed Noteholder Redemption Notice to the Issuer, with a copy to the Principal Paying Agent, in relation to the Notes in accordance with Condition 10.6 (*Redemption at the Option of Noteholders*), the undersigned Holder of the principal amount of the Notes specified below hereby exercises its option to have such Notes redeemed in accordance with Condition 10.6 (*Redemption at the Option of Noteholders*) on [date].

This Noteholder Redemption Notice relates to Note(s) in the aggregate principal amount of [•] [full amount] which are credited to [name and number of Euroclear/Clearstream account], such account being in the name of "[name of Holder]".

Yours faithfully

.....

[Name of Holder]

## THE ELIGIBLE COLLATERAL

This section of the Base Prospectus entitled "*The Eligible Collateral*" is an extract of the criteria relating to the Eligible Collateral, as set out in Schedule 8 of the Principal Trust Deed.

The Eligible Collateral in respect of a Series of Notes may consist of the following, or any combination of the following, types of assets described below, and any other assets as otherwise specified in the applicable Issue Terms.

### 1. ELIGIBLE CASH

Cash in any Eligible Currency (as specified in the applicable Issue Terms) may be Eligible Collateral.

### 2. EQUITY ELIGIBILITY CRITERIA

Equity securities may include any one (or combination) of the following (as specified in the applicable Issue Terms):

- (a) common shares or stock;
- (b) preference shares or stock;
- (c) convertible common shares or stock;
- (d) convertible preference shares or stock;
- (e) American depositary receipts ("**ADRs**");
- (f) global depositary receipts ("**GDRs**");
- (g) warrants; or
- (h) any other type of asset which represents a share of an equity interest in an entity, as further specified in the applicable Issue Terms,

(each type of asset, an "**Equity Security**" and together, the "**Equity Securities**").

In order to constitute Equity Collateral, the relevant asset (i) must be an Equity Security that is not EM Collateral, (ii) may be unlisted or issued by an entity whose share is a component of an Eligible Index and (iii) may or may not confer voting rights on the holder thereof.

The relevant Collateral Schedule will specify the criteria that will determine whether an Equity Security constitutes Equity Collateral in respect of a Series of Notes (such criteria, the "**Equity Eligibility Criteria**").

In respect of a Series of Notes, an "**Eligible Index**" means each of the indices listed in Table 1 (*The Eligible Indices*) that is specified as an Eligible Index in the applicable Issue Terms and any further indices so specified as an "**Eligible Index**" in such Issue Terms.

**Table 1 – The Eligible Indices**

Information relating to the component shares or stocks of the Eligible Indices listed below can be found at the website specified in the column headed "URL". Prospective Noteholders requiring any further information in relation to any of component shares or stocks of the Eligible Indices may contact the Issuer.

<b>Ticker</b>	<b>Official Name of Index</b>	<b>Index Sponsor</b>	<b>URL</b>
AEX INDEX	AEX-Index	NYSE Euronext	<a href="http://www.euronext.com/landing/indexMarket-18812-EN.html">http://www.euronext.com/landing/indexMarket-18812-EN.html</a>
AMX INDEX	AMSTERDAM MIDKAP INDEX	NYSE Euronext	<a href="http://www.euronext.com/landing/indexMarket-18812-EN.html">http://www.euronext.com/landing/indexMarket-18812-EN.html</a>
ASE INDEX	Athens Stock Exchange General Index or Athex Composite 60	Athenx Exchange S.A.	<a href="http://www.londonstockexchange.com/exchange/prices-and-markets/international-markets/indices/home/athex.html">http://www.londonstockexchange.com/exchange/prices-and-markets/international-markets/indices/home/athex.html</a>
AS25 INDEX	S&P/ASX 100	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
AS26 INDEX	S&P/ASX 20	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>  The S&P/ ASX 20 is comprised of the 20 largest stocks by market capitalisation in the Australian equities market. A full list of stocks can be found at:  <a href="http://www.asx.com.au/">http://www.asx.com.au/</a>
AS51 INDEX	S&P/ASX 200	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
AS52 INDEX	S&P/ASX 300	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>

<b>Ticker</b>	<b>Official Name of Index</b>	<b>Index Sponsor</b>	<b>URL</b>
AS31 INDEX	S&P/ASX 50	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
AS30 INDEX	S&P/ASX All Ordinaries Index	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
FTSEM INDEX	FTSE ATHEX Mid Cap Index	FTSE International Limited; Athens Stock Exchange, S.A.	<a href="http://www.ase.gr/content/en/Indices/Composition/">http://www.ase.gr/content/en/Indices/Composition/</a>
FTASE INDEX	FTSE Athex Large Cap	FTSE International Limited; Athens Stock Exchange, S.A.	<a href="http://www.ase.gr/content/en/Indices/Composition/">http://www.ase.gr/content/en/Indices/Composition/</a>
ATX INDEX	Austrian Traded Index in EUR - ATX	Wiener Borse AG	<a href="http://en.wienerborse.at/">http://en.wienerborse.at/</a>
CAC INDEX	CAC 40	NYSE Euronext	<a href="http://www.euronext.com/landing/indexMarket-18812-EN.html">http://www.euronext.com/landing/indexMarket-18812-EN.html</a>
DAX INDEX	DAX Index	Deutsche Borse AG	<a href="http://www.dax-indices.com/EN/index.aspx?pageID=1">http://www.dax-indices.com/EN/index.aspx?pageID=1</a>
SXXE INDEX	EURO STOXX Index	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SX5E INDEX	EURO STOXX 50 Index	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SX3E INDEX	EURO STOXX Food & Beverage	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
DJI INDEX	Dow Jones Industrial Average	Dow Jones Indexes, a part of CME Group Index Services, LLC	<a href="http://www.djaverages.com/?go=industrial-overview">http://www.djaverages.com/?go=industrial-overview</a>
SX5P INDEX	STOXX Europe 50 Index	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXXP INDEX	STOXX Europe 600 Index	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXAP INDEX	STOXX Europe 600 Automobiles	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>

<b>Ticker</b>	<b>Official Name of Index</b>	<b>Index Sponsor</b>	<b>URL</b>
	& Parts		
SXOP INDEX	STOXX Europe 600 Construction & Materials	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SX7E INDEX	EURO STOXX Banks	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXPP INDEX	STOXX Europe 600 Basic Resources	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SX4P INDEX	STOXX Europe 600 Chemicals	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXFP INDEX	STOXX Europe 600 Financial Services	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SX3P INDEX	STOXX Europe 600 Food & Beverage	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXDP INDEX	STOXX Europe 600 Health Care	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXDE INDEX	EURO STOXX Health Care	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXNP INDEX	STOXX Europe 600 Industrial Goods & Services	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXIE INDEX	EURO STOXX Insurance	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXIP INDEX	STOXX Europe 600 Insurance	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
LCXP INDEX	STOXX Europe Large 200	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXMP INDEX	STOXX Europe 600 Media	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXME INDEX	EURO STOXX Media	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>

<b>Ticker</b>	<b>Official Name of Index</b>	<b>Index Sponsor</b>	<b>URL</b>
MCXP INDEX	STOX Europe Mid 200	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXEE INDEX	EURO STOXX Oil & Gas	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXQP INDEX	STOXX Europe 600 Personal & Household Goods	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXRP INDEX	STOXX Europe 600 Retail	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXRE INDEX	EURO STOXX Retail	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SCXP INDEX	STOXX Europe Small 200	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SX8P INDEX	STOXX Europe 600 Technology	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXKP INDEX	STOXX Europe 600 Telecommunications	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXKE INDEX	EURO STOXX Telecommunications	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SXTP INDEX	STOXX Europe 600 Travel & Leisure	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
SX6P INDEX	STOXX Europe 600 Utilities	STOXX Limited	<a href="http://www.stoxx.com/indices/types/introduction.html">http://www.stoxx.com/indices/types/introduction.html</a>
MCX INDEX	FTSE 250 Index	FTSE International Limited	<a href="http://www.ftse.com/Indices/index.jsp">http://www.ftse.com/Indices/index.jsp</a>
AXX INDEX	FTSE AIM All-Share Index	FTSE International Limited	<a href="http://www.ftse.com/Indices/index.jsp">http://www.ftse.com/Indices/index.jsp</a>
ASX INDEX	FTSE All-Share Index	FTSE International Limited	<a href="http://www.ftse.com/Indices/index.jsp">http://www.ftse.com/Indices/index.jsp</a>
E100 INDEX	FTSE Eurotop 100 Index	FTSE International Limited	<a href="http://www.ftse.com/Indices/index.jsp">http://www.ftse.com/Indices/index.jsp</a>
E300 INDEX	FTS Eurofirst 300 INDEX	FTSE International Limited	<a href="http://markets.ft.com/research/Markets/Tearsheets/Constituents?s=F">http://markets.ft.com/research/Markets/Tearsheets/Constituents?s=F</a>

<b>Ticker</b>	<b>Official Name of Index</b>	<b>Index Sponsor</b>	<b>URL</b>
			TPP:FSI
ITLMS INDEX	FTSE Italia All Share Index	FTSE International Limited	<a href="http://www.borsaitaliana.it/borsa/azioni/tutti-gli-indici.html?lang=en">http://www.borsaitaliana.it/borsa/azioni/tutti-gli-indici.html?lang=en</a>
ITMC INDEX	FTSE Italia Mid Cap Index	FTSE International Limited	<a href="http://www.borsaitaliana.it/borsa/azioni/tutti-gli-indici.html?lang=en">http://www.borsaitaliana.it/borsa/azioni/tutti-gli-indici.html?lang=en</a>
FTSEMIB INDEX	FTSE MIB Index	FTSE International Limited	<a href="http://www.borsaitaliana.it/borsa/azioni/tutti-gli-indici.html?lang=en">http://www.borsaitaliana.it/borsa/azioni/tutti-gli-indici.html?lang=en</a>
SMX INDEX	FTSE SmallCap Index	FTSE International Limited	<a href="http://www.ftse.com/Indices/index.jsp">http://www.ftse.com/Indices/index.jsp</a>
STI INDEX	Straits Times Index	FTSE International Limited	<a href="http://www.ftse.com/Indices/index.jsp">http://www.ftse.com/Indices/index.jsp</a>
UKX INDEX	FTSE 100 Index	FTSE International Limited	<a href="http://www.ftse.com/Indices/index.jsp">http://www.ftse.com/Indices/index.jsp</a>
HSI INDEX	Hang Seng Index	Hang Seng Indexes Company Limited	<a href="http://www.hsi.com.hk/HSI-Net/">http://www.hsi.com.hk/HSI-Net/</a>
HSCI INDEX	Hang Seng Composite Index	Hang Seng Indexes Company Limited	<a href="http://www.hsi.com.hk/HSI-Net/">http://www.hsi.com.hk/HSI-Net/</a>
HDAX INDEX	HDAX Index	Deutsche Borse AG	<a href="http://www.dax-indices.com/EN/index.aspx?pageID=1">http://www.dax-indices.com/EN/index.aspx?pageID=1</a>
IBEX INDEX	IBEX 35	Sociedad de Bolsas, S.A.	<a href="http://www.ibex35.com/">http://www.ibex35.com/</a>
JSDA INDEX	JASDAQ INDEX	Osaka Securities Exchange Co., Ltd	<a href="http://www.jpx.co.jp/english/">http://www.jpx.co.jp/english/</a>
MDAX INDEX	MDAX Index	Deutsche Borse AG	<a href="http://www.dax-indices.com/EN/index.aspx?pageID=1">http://www.dax-indices.com/EN/index.aspx?pageID=1</a>
INMEX INDEX	Mexican Stock Exchange INMEX Index	Bolsa Mexicana de Valores, S.A.B. de C.V.	<a href="http://www.bmv.com.mx/">http://www.bmv.com.mx/</a>
MEXBOL INDEX	Mexican Stock Exchange IPC Index	Bolsa Mexicana de Valores, S.A.B. de C.V.	<a href="http://www.bmv.com.mx/">http://www.bmv.com.mx/</a>

<b>Ticker</b>	<b>Official Name of Index</b>	<b>Index Sponsor</b>	<b>URL</b>
MID INDEX	S&P MidCap 400	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
NDX INDEX	NASDAQ 100 Index	The NASDAQ OMX Group, Inc.	<a href="http://www.nasdaq.com/">http://www.nasdaq.com/</a>
NKY INDEX	Nikkei 225 Index	Nikkei, Inc.	<a href="https://indexes.nikkei.co.jp/en/nkave">https://indexes.nikkei.co.jp/en/nkave</a>
NEY INDEX	Nikkei 300 Index	Nikkei, Inc.	<a href="https://indexes.nikkei.co.jp/en/nkave">https://indexes.nikkei.co.jp/en/nkave</a>
NIFTY INDEX	S&P NIFTY 50 Index	India Index Services and Products Ltd.	<a href="https://www.nseindia.com/">https://www.nseindia.com/</a>
NYA INDEX	New York Stock Exchange Composite Index	NYSE Euronext	<a href="https://www.nyse.com/index">https://www.nyse.com/index</a>
OBX INDEX	OBX Total Return Index	Oslo Bors ASA, a subsidiary of Oslo Bors VPS Holding ASA	<a href="http://www.oslobors.no/ob_eng/">http://www.oslobors.no/ob_eng/</a>
KFX INDEX	OMX Copenhagen 20 Index	The NASDAQ OMX Group, Inc.	<a href="https://indexes.nasdaqomx.com/">https://indexes.nasdaqomx.com/</a>
HEX 25 INDEX	OMX Helsinki 25 Index	The NASDAQ OMX Group, Inc.	<a href="https://indexes.nasdaqomx.com/">https://indexes.nasdaqomx.com/</a>
HEX INDEX	OMX Helsinki All-Share Index	The NASDAQ OMX Group, Inc.	<a href="https://indexes.nasdaqomx.com/">https://indexes.nasdaqomx.com/</a>
OMX INDEX	OMX Stockholm 30 Index	The NASDAQ OMX Group, Inc.	<a href="https://indexes.nasdaqomx.com/">https://indexes.nasdaqomx.com/</a>
SBX INDEX	OMX Stockholm Benchmark Index	The NASDAQ OMX Group, Inc.	<a href="https://indexes.nasdaqomx.com/">https://indexes.nasdaqomx.com/</a>
SAX INDEX	OMX Stockholm Index	The NASDAQ OMX Group, Inc.	<a href="https://indexes.nasdaqomx.com/">https://indexes.nasdaqomx.com/</a>
OSEAX INDEX	Oslo Stock Exchange All Share Index	Oslo Bors ASA, a subsidiary of Oslo Bors VPS Holding ASA	<a href="http://www.oslobors.no/ob_eng/">http://www.oslobors.no/ob_eng/</a>

<b>Ticker</b>	<b>Official Name of Index</b>	<b>Index Sponsor</b>	<b>URL</b>
PSI20 INDEX	PSI 20 Index	NYSE Euronext	<a href="http://www.euronext.com/landing/indexMarket-18812-EN.html">http://www.euronext.com/landing/indexMarket-18812-EN.html</a>
RIY INDEX	Russell 1000 Index	Russell Investments	<a href="http://www.russell.com/indexes/data/default.asp">http://www.russell.com/indexes/data/default.asp</a>
RTY INDEX	Russell 2000 Index	Russell Investments	<a href="http://www.russell.com/indexes/data/default.asp">http://www.russell.com/indexes/data/default.asp</a>
OEX INDEX	S&P Global 100 Index	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
SPX INDEX	S&P 500 Index	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
SML INDEX	S&P SmallCap 600 Index	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
SPTSX60 INDEX	S&P/TSX 60	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
SPTSX INDEX	S&P/TSX Composite	Standard & Poor's Financial Services LLC, a subsidiary of The McGraw-Hill Companies Inc.	<a href="http://www.standardandpoors.com/home/en/us">http://www.standardandpoors.com/home/en/us</a>
SBF120 INDEX	SBF 120 Index	NYSE Euronext	<a href="https://www.euronext.com/en/indices">https://www.euronext.com/en/indices</a>
SPI INDEX	Swiss Performance Index	SIX Swiss Exchange Ltd.	<a href="http://www.six-swiss-exchange.com/indices/overview_en.html">http://www.six-swiss-exchange.com/indices/overview_en.html</a>
SMI INDEX	Swiss Market Index	SIX Swiss Exchange Ltd.	<a href="http://www.six-swiss-exchange.com/indices/overview_en.html">http://www.six-swiss-exchange.com/indices/overview_en.html</a>
TPX INDEX	TOPIX	Tokyo Stock Exchange Group, Inc	<a href="http://www.jpx.co.jp/english/">http://www.jpx.co.jp/english/</a>
TPXC30 INDEX	TOPIX Core 30	Tokyo Stock Exchange Group, Inc	<a href="http://www.jpx.co.jp/english/">http://www.jpx.co.jp/english/</a>

<b>Ticker</b>	<b>Official Name of Index</b>	<b>Index Sponsor</b>	<b>URL</b>
TPXL70 INDEX	TOPIX Large 70	Tokyo Stock Exchange Group, Inc	<a href="http://www.jpx.co.jp/english/">http://www.jpx.co.jp/english/</a>
TPXM400 INDEX	TOPIX Mid400	Tokyo Stock Exchange Group, Inc	<a href="http://www.jpx.co.jp/english/">http://www.jpx.co.jp/english/</a>
TPXPSML INDEX	TOPIX Small	Tokyo Stock Exchange Group, Inc	<a href="http://www.jpx.co.jp/english/">http://www.jpx.co.jp/english/</a>
TPX100 INDEX	TOPIX 100	Tokyo Stock Exchange Group, Inc	<a href="http://www.jpx.co.jp/english/">http://www.jpx.co.jp/english/</a>
TPX500 INDEX	TOPIX 500	Tokyo Stock Exchange Group, Inc	<a href="http://www.jpx.co.jp/english/">http://www.jpx.co.jp/english/</a>
TSEMOTHR INDEX	Tokyo Stock Exchange Mothers Core Index	Tokyo Stock Exchange Group, Inc	<a href="http://www.jpx.co.jp/english/">http://www.jpx.co.jp/english/</a>
TDXP INDEX	TECDAX (PR) EUR	Deutsche Borse AG	<a href="http://www.dax-indices.com/EN/index.aspx?pageID=1">http://www.dax-indices.com/EN/index.aspx?pageID=1</a>

The websites listed above do not form part of, and shall not be deemed to be incorporated by reference into, this Base Prospectus.

### 3. **DEBT ELIGIBILITY CRITERIA**

Debt securities may include any one (or combination) of the following (as specified in the applicable Issue Terms):

- (a) bonds, notes, commercial paper, deposits or certificates issued by a corporate, bank or other financial institution, government, governmental agency, municipal entity or supranational entity whose interest and/or principal payments may be linked to the performance of any underlying factor ("**Linked Notes**");
- (b) bonds, notes, commercial paper, deposits or certificates issued by a corporate, bank or other financial institution whose interest and/or principal payments may be linked to the creditworthiness of a single reference entity or a basket of reference entities ("**Credit Linked Notes**");
- (c) bonds or notes linked to the issuer's participation in a portion of one or more outstanding commercial loans ("**Loan Participation Notes**");
- (d) bonds (i) convertible, at the option of the holder or otherwise, into shares in the issuing company ("**Convertible Bonds**") or (ii) exchangeable, at the option of the holder or otherwise, into shares in another specified company ("**Exchangeable Bonds**");
- (e) bonds issued by a bank or institution that provides recourse to the issuing entity's assets as well as to a pool of mortgages or public sector assets protected from the insolvency of the issuing institution ("**Covered Bonds**");
- (f) Covered Bonds issued by a German mortgage bank or public sector bank ("**Pfandbriefe**"); or
- (g) bonds, notes, commercial paper, deposits or certificates issued by a corporate, bank or other financial institution, government, governmental agency, municipal entity or supranational entity bearing a fixed or floating rate of interest, having a principal repayment obligation equal to the face amount of such bond, note, commercial paper, deposit or certificate and which are not Linked Notes, Credit Linked Notes, Loan Participation Notes, Convertible Bonds, Exchangeable Bonds, Covered Bonds or Pfandbriefe ("**Vanilla Debt Securities**"); or
- (h) any other type of debt instrument, as further specified in the applicable Issue Terms,

(each type of asset, a "**Debt Security**" and together, the "**Debt Securities**").

In order to constitute Debt Collateral, the relevant asset (i) must be a Debt Security that is not EM Collateral, (ii) may not be an Asset Backed Security, (iii) may be unlisted or listed and (iv) may be secured or unsecured.

The relevant Collateral Schedule will specify the criteria that will determine whether a Debt Security constitutes Debt Collateral in respect of a Series of Notes (such criteria, the "**Debt Eligibility Criteria**").

### 4. **ABS ELIGIBILITY CRITERIA**

Asset backed securities may include any one (or combination) of the following types of assets (as specified in the applicable Issue Terms):

Any Debt Security which has the following characteristics:

- (a) the timing and/or amount of payments of interest and/or repayment of principal depend on the cash flow from a financial asset or a pool of financial assets; or
- (b) payments of interest and/or repayment of principal are linked, directly or indirectly, to the credit of one or more obligors and/or value and/or price performance and/or cash flow of a financial asset or a pool of financial assets,

and, in each case, by its terms may pay an amount in cash to its holder within a finite time period, and/or with such other rights or assets designed to assure the servicing or timely distribution of proceeds to holders of such Debt Security, (each type of asset, an "**Asset Backed Security**" and together, the "**Asset Backed Securities**").

In order to constitute ABS Collateral, the relevant asset (i) must be an Asset Backed Security that is not EM Collateral and (ii) may be unlisted or listed.

The relevant Collateral Schedule will specify the criteria that will determine whether an Asset Backed Security constitutes ABS Collateral in respect of a Series of Notes (such criteria, the "**ABS Eligibility Criteria**").

5. **EM ELIGIBILITY CRITERIA**

EM Collateral may be either Equity Securities, Debt Securities or Asset Backed Securities or any combination thereof (as specified in the applicable Issue Terms) issued by an entity incorporated or otherwise constituted under the laws of any of the Republic of Hungary, the Republic of Poland or any other jurisdiction as specified in the applicable Issue Terms (the "**EM Jurisdictions**").

The relevant Collateral Schedule will specify the criteria that will determine whether an Equity Security, a Debt Security or an Asset Backed Security constitutes EM Collateral in respect of a Series of Notes (such criteria, the "**EM Eligibility Criteria**").

6. **OTHER ELIGIBLE COLLATERAL**

The relevant Collateral Schedule in respect of a Series of Notes may specify any other type of asset as Eligible Collateral and, if relevant, will specify the relevant eligibility criteria to be applied in determining whether such asset will constitute Eligible Collateral in respect of a Series of Notes.

7. **GENERAL CRITERIA APPLYING TO ALL TYPES OF ELIGIBLE COLLATERAL**

No Eligible Collateral may be a Defaulted Security.

A "**Defaulted Security**" is:

- (a) in relation to an Equity Security, an Equity Security whose Value is equal to or less than zero, as determined by the Debt and Equity Collateral Verification Agent or in the case of an Equity Security that is EM Collateral, the relevant EM Collateral Verification Agent; or
- (b) in relation to a Debt Security or an Asset Backed Security, a Debt Security or Asset Backed Security (as the case may be):
  - (i) whose Value is equal to or less than zero, as determined by (A) the Debt and Equity Collateral Verification Agent (in the case of a Debt Security), (B) the ABS Collateral Verification Agent (in the case of an Asset Backed Security) or (C) the relevant EM Collateral Verification Agent (in the case of a Debt Security or an Asset Backed Security that is EM Collateral); or
  - (ii) where the payment obligations in relation to such Debt Security or Asset Backed Security (as the case may be) have been accelerated or are capable of being accelerated and/or any security associated with such Debt Security or Asset Backed Security (as the case may be) has been enforced by or on behalf of any holders of such Debt Security or Asset Backed Security (as the case may be), as determined by the relevant Collateral Verification Agent; or
- (c) in relation to any other Eligible Collateral, as defined in the applicable Issue Terms.

In addition, there must be no restrictions on such Eligible Collateral being assigned or transferred by the Issuer to the Trustee and neither the Trustee nor the Custodian shall be required to obtain any further

authorisations, consents, approvals or filings under the applicable law in order to hold such Eligible Collateral.

## FORMS OF NOTES

The Issuer may issue Notes in bearer form ("**Bearer Notes**") if it has been determined that such Notes should be classified as being in registered form for U.S. Federal income tax purposes and in registered form ("**Registered Notes**"). Bearer Notes may be in either definitive form or global form. Notes in definitive bearer form will be serially numbered. Registered Notes may be in either individual certificate form or global certificate form.

### **Bearer Notes**

*Unless otherwise specified in the Conditions or the applicable Issue Terms, each issuance of Bearer Notes having a maturity of more than 183 days (and any Tranche thereof) will initially be in the form of a temporary global note in bearer form (a "**Temporary Global Note**"), without interest coupons. Each Temporary Global Note will be deposited on or around the issue date of such Notes (or any Tranche thereof) either;*

if the Temporary Global Note is intended to be issued in New Global Note ("**NGN**") form, as stated in the applicable Issue Terms, with a common safekeeper (the "**Common Safekeeper**") for Euroclear and/or Clearstream, Luxembourg; and

if the Temporary Global Note is not intended to be issued in NGN form, with a depository or a common depository (together with a "**Common Safekeeper**", a "**Bearer Note Depository**") for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system.

Upon deposit of each Temporary Global Note, Euroclear or Clearstream, Luxembourg or, as applicable, any other relevant clearing system, will credit each subscriber with a principal amount of Notes equal to the principal amount for which it has subscribed and paid.

The interests of the beneficial owner or owners in a Temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent global note in bearer form (a "**Permanent Global Note**" and, together with a Temporary Global Note, the "**Global Notes**"), without interest coupons, to be held by a Bearer Note Depository from the date (the "**Exchange Date**") that is 40 days after the date on which the Issuer receives the proceeds of the sale of that Note (or the relevant Tranche thereof) (the "**Closing Date**"). Each issuance of Notes having a maturity of 183 days or less will be in the form of a Permanent Global Note.

*Whenever any interest in the Temporary Global Note is to be exchanged for an interest in a Permanent Global Note, the Issuer shall procure (in the case of the first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Note, duly authenticated, to the bearer of the Temporary Global Note or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Note in accordance with its terms against presentation and (in the case of final exchange) surrender of the Temporary Global Note at the Specified Office of the Principal Paying Agent within seven days of the bearer requesting such exchange.*

The principal amount of the Permanent Global Note shall be equal to the aggregate of the principal amounts of the Temporary Global Note presented; **provided, however, that** in no circumstances shall the principal amount of the Permanent Global Note exceed the initial principal amount of the Temporary Global Note.

*The Permanent Global Note will be exchangeable in whole, but not in part, for Bearer Notes in definitive form ("**Definitive Notes**"), which will be serially numbered, with coupons, if any, attached (i) on the expiry of such period of notice as may be specified in the applicable Issue Terms, (ii) at any time, if so specified in the applicable Issue Terms, or (iii) if the applicable Issuer Terms specify "in the limited circumstances described in the Permanent Global Note", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 14 (Events of Default) occurs.*

Whenever the Permanent Global Note is to be exchanged for Definitive Notes, the Issuer shall procure the prompt delivery (free of charge to the bearer) of such Definitive Notes, duly authenticated and with Coupons (as defined in "*Terms and Conditions of the Notes*" below) and Talons attached (if so specified in the applicable Issue Terms), in an aggregate principal amount equal to the principal amount of the

Permanent Global Note to the bearer of the Permanent Global Note against the surrender of the Permanent Global Note at the Specified Office the Principal Paying Agent within 30 days of the bearer requesting such exchange. The Bearer Note Depository for Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system will instruct the Principal Paying Agent regarding the aggregate principal amount and denominations of Definitive Notes that must be authenticated and delivered to each of Euroclear and Clearstream, Luxembourg or, as applicable, any other relevant clearing system. Definitive Notes may not be delivered in the United States. Definitive Notes will be serially numbered.

### **Terms and Conditions Applicable to the Bearer Notes**

The terms and conditions of any Definitive Note will be endorsed on that Definitive Note and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" as set out above (or in the relevant Supplemental Base Prospectus) and the provisions of the applicable Issue Terms, which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Note in global form will differ from those terms and conditions which would apply to the Note were it in definitive form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

### **Registered Notes**

Registered Notes will be in the form of either individual Note Certificates in registered form ("**Individual Note Certificates**") or a global Note in registered form (a "**Global Note Certificate**"), in each case as specified in the applicable Issue Terms. Each Global Note Certificate will either be: (a) in the case of a Registered Note which is not to be held under the new safekeeping structure ("**New Safekeeping Structure**" or "**NSS**"), registered in the name of a common depository (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Note Certificate will be deposited on or about the issue date with the common depository and will be exchangeable in accordance with its terms; or (b) in the case of a Registered Note to be held under the New Safekeeping Structure, be registered in the name of a common safekeeper (or its nominee) for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and the relevant Global Note Certificate will be deposited on or about the issue date with the common safekeeper for Euroclear and/or Clearstream, Luxembourg and will be exchangeable for Individual Note Certificates in accordance with its terms.

If the applicable Issue Terms specify the form of Notes as being "Individual Note Certificates", then the Notes will at all times be in the form of Individual Note Certificates issued to each Noteholder in respect of their respective holdings.

*If the applicable Issue Terms specify the form of Notes as being "Global Note Certificate exchangeable for Individual Note Certificates", then the Notes will initially be in the form of a Global Note Certificate which will be exchangeable in whole, but not in part, for Individual Note Certificates:*

- (a) on the expiry of such period of notice as may be specified in the applicable Issue Terms; or
- (b) at any time, if so specified in the applicable Issue Terms; or
- (c) if the applicable Issue Terms specify "in the limited circumstances described in the Global Note Certificate", then if (a) Euroclear or Clearstream, Luxembourg or any other relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of legal holidays) or announces an intention permanently to cease business or (b) any of the circumstances described in Condition 14 (*Events of Default*) occurs.

Whenever the Global Note Certificate is to be exchanged for Individual Note Certificates, the Issuer shall procure that Individual Note Certificates will be issued in an aggregate principal amount equal to the principal amount of the Global Note Certificate within five business days of the delivery, by or on behalf of the registered holder of the Global Note Certificate to the Registrar of such information as is required to complete and deliver such Individual Note Certificates (including, without limitation, the names and addresses of the persons in whose names the Individual Note Certificates are to be registered and the principal amount of each such person's holding) against the surrender of the Global Note Certificate at the specified office of the Registrar.

Such exchange will be effected in accordance with the provisions of the Agency Agreement and the regulations concerning the transfer and registration of Notes scheduled thereto and, in particular, shall be effected without charge to any holder, but against such indemnity as the Registrar may require in respect of any tax or other duty of whatsoever nature which may be levied or imposed in connection with such exchange.

**Terms and Conditions applicable to the Registered Notes**

The terms and conditions applicable to any Individual Note Certificate will be endorsed on that Individual Note Certificate and will consist of the terms and conditions set out under "*Terms and Conditions of the Notes*" above and the provisions of the applicable Issue Terms which supplement, amend and/or replace those terms and conditions.

The terms and conditions applicable to any Global Note Certificate will differ from those terms and conditions which would apply to the Note were it in individual form to the extent described under "*Summary of Provisions Relating to the Notes while in Global Form*" below.

## SUMMARY OF PROVISIONS RELATING TO THE NOTES WHILE IN GLOBAL FORM

### Clearing System Accountholders

In relation to any Bearer Notes (or any Tranche thereof) represented by a Global Note, references in the "*Terms and Conditions of the Notes*" to "Noteholder" are references to the bearer of the relevant Global Note which, for so long as the Global Note is held by a Bearer Note Depository, in the case of a CGN, or a common safekeeper, in the case of an NGN for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that Bearer Note Depository or, as the case may be, the common safekeeper.

In relation to any Registered Notes (or any Tranche thereof) represented by a Global Note Certificate, references in the "*Terms and Conditions of the Notes*" to "Noteholder" are references to the person in whose name such Global Note Certificate is for the time being registered in the Register which, for so long as the Global Note Certificate is held by or on behalf of a depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, will be that depository or common depository or a nominee for that depository or common depository.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system as being entitled to an interest in a Global Note or a Global Note Certificate (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Note or Global Note Certificate and in relation to all other rights arising under such Global Note or Global Note Certificate, including any right to exchange any exchangeable Notes or any right to require the Issuer to repurchase such Notes. The respective rules and procedures of Euroclear and Clearstream, Luxembourg and any other relevant clearing system from time to time will determine the extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Note or Global Note Certificate and the timing requirements for meeting any deadlines for the exercise of those rights. For so long as the relevant Notes are represented by a Global Note or Global Note Certificate, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Notes and such obligations of the Issuer will be discharged by payment to the holder of such Global Note or Global Note Certificate.

### Conditions Applicable to Global Notes and the Global Note Certificates

Each Global Note and Global Note Certificate will contain provisions which modify the terms and conditions set out in "*Terms and Conditions of the Notes*" as they apply to the Global Note or Global Note Certificate. The following is a summary of certain of those provisions:

*Payments:* All payments in respect of the Global Note or Global Note Certificate which, according to the Terms and Conditions of the Notes (except in the case of Global Notes in NGN form), require presentation and/or surrender of a Note, Note Certificate or Coupon will be made against presentation and (in the case of payment of principal in full with all interest accrued thereon) surrender of the Global Note or the Global Note Certificate at the Specified Office or to the order of any paying agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Notes. On each occasion on which a payment of principal or interest is made in respect of the Global Note, the Issuer shall procure that in respect of a CGN the same is noted in a schedule thereto and in respect of an NGN the payment is entered *pro rata* in the records of Euroclear and Clearstream, Luxembourg. For the purposes of any payments in respect of a Global Notes or a Global Note Certificate, notwithstanding Condition 2 (*Interpretation*), the definition of "**Payment Business Day**" shall be amended as follows:

""**Payment Business Day**" means:

- (a) if the currency of payment is euro, any day which is a TARGET Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Business Centre; or
- (b) if the currency of payment is not euro, any day which is a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Business Centre;"

*Exercise of Put Option:* In order to exercise the Noteholder's put option set out in Condition 10.6 (*Redemption at the Option of Noteholders*) of the Terms and Conditions of the Notes, the bearer of the Permanent Global Note or the holder of a Global Note Certificate must, within the period specified therein for the deposit of the relevant Note and put notice, give written notice of such exercise to the Principal Paying Agent and/or such other person as is specified in the applicable Issue Terms specifying the principal amount of Notes in respect of which such option is being exercised. Any such notice will be irrevocable and may not be withdrawn.

*Partial Exercise of Call Option:* In connection with an exercise of the option contained in Condition 10.4 (*Redemption at the Option of the Issuer*) of the Terms and Conditions of the Notes in relation to some but not all of the Notes, the Permanent Global Note or Global Note Certificate may be redeemed in part in the principal amount specified by the Issuer in accordance with the Conditions and the Notes to be redeemed will not be selected as provided in the Conditions but in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in principal amount, at their discretion).

*Notices:* Notwithstanding Condition 22 (*Notices*) of the Terms and Conditions of the Notes while all the Notes are represented by a Permanent Global Note (or by a Permanent Global Note and/or a Temporary Global Note) or Global Note Certificate and the Permanent Global Note is (or the Permanent Global Note and the Temporary Global Note are), or Global Note Certificate is, deposited with a Bearer Note Depository or a common depository for Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system or a common safekeeper, notices to Noteholders may be given by delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system and, in any case, such notices shall be deemed to have been given to the Noteholders in accordance with Condition 22 (*Notices*) of the Terms and Conditions of the Notes, on the date of delivery to Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system, except that, for so long as the Notes are listed on any stock exchange or are admitted to trading by another relevant authority, any notice to Noteholders shall be published in accordance with the rules and regulations of each such stock exchange or other relevant authority.

*Redenomination:* If the Notes are redenominated pursuant to Condition 26 (*Redenomination, Renominalisation and Reconventioning*) of the Terms and Conditions of the Notes then following redenomination:

if Definitive Notes are required to be issued, they shall be issued at the expense of the Issuer in the denominations of euro 0.01, euro 1,000, euro 10,000, euro 100,000 and such other denominations as the relevant Principal Paying Agent shall determine and notify to the Noteholders; and

the amount of interest due in respect of Notes represented by a Permanent Global Note and/or a Temporary Global Note will be calculated by reference to the aggregate principal amount of such Notes and the amount of such payment shall be rounded down to the nearest euro 0.01.

### **Registered Notes**

Notwithstanding Condition 12 (*Payments – Registered Notes*), each payment in respect of any Global Note Certificate shall be made to the person shown in the Register as the registered holder of the Notes represented by such Global Note Certificate at the close of business (in the relevant clearing system) on the Clearing System Business Day before the due date for such payment (the "**Record Date**") where the "**Clearing System Business Day**" means a day on which each clearing system for which the Global Note Certificate is being held is open for business.

## **BENEFIT PLAN INVESTORS**

The Notes may not be acquired or held by, or acquired with the assets of, any employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**"), or any individual retirement account or plan subject to Section 4975 of the Code or any entity whose underlying assets include "plan assets" within the meaning of ERISA by reason of any such plan's or account's investment therein.

The Global Notes and the Definitive Notes will bear a legend to the following effect:

THE INVESTOR SHALL BE DEEMED TO REPRESENT BY ITS ACQUISITION AND HOLDING OF AN INTEREST HEREIN THAT IT IS NOT ACQUIRING THE SECURITIES WITH THE ASSETS OF ANY EMPLOYEE BENEFIT PLAN SUBJECT TO TITLE I OF THE EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED ("**ERISA**"), ANY INDIVIDUAL RETIREMENT ACCOUNT OR PLAN SUBJECT TO SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED, OR ANY ENTITY WHOSE UNDERLYING ASSETS INCLUDE "PLAN ASSETS" WITHIN THE MEANING OF ERISA BY REASON OF ANY SUCH PLAN'S OR ACCOUNT'S INVESTMENT THEREIN.

## UNITED KINGDOM TAXATION

The following is a summary of the United Kingdom withholding taxation treatment at the date hereof in relation to payments of principal and interest in respect of the Notes. The comments do not deal with other United Kingdom tax aspects of acquiring, holding, disposing of, or abandoning Notes. Transactions involving Notes, including the issue and subscription of Notes, any purchase or disposal or settlement of Notes, may have United Kingdom tax consequences for potential purchasers (including but not limited to, transfer taxes and possible withholding or deduction for or on account of United Kingdom tax from payments made in respect of the Notes). The tax consequences may depend, amongst other things, on the status of the potential investor and the terms and conditions of a particular Note as specified in the Issue Terms. It is based on current law and practice of HM Revenue and Customs ("**HMRC**"), which may be subject to change, sometimes with retrospective effect. The comments relate only to the position of persons who are absolute beneficial owners of the Notes. Prospective Noteholders should be aware that the particular terms of issue of any series of Notes as specified in the applicable Issue Terms may affect the tax treatment of that and other series of Notes. The following is a general guide and should be treated with appropriate caution. It is not intended as tax advice and it does not purport to describe all of the tax considerations that may be relevant to a prospective purchaser. Prospective Noteholders who are in any doubt as to their tax position should consult their professional advisors about tax implications of purchasing and holding a Note, any transaction involving a Note, and any transaction involved in the exercise and settlement of a Note. Noteholders who may be liable to taxation in jurisdictions other than the United Kingdom are particularly advised to consult their professional advisors as to whether they are so liable (and if so under the laws of which jurisdictions), since the following comments relate only to certain United Kingdom withholding taxation aspects of payments in respect of the Notes. In particular, Noteholders should be aware that they may be liable to taxation under the laws of other jurisdictions in relation to payments in respect of the Notes even if such payments may be made without withholding or deduction for or on account of taxation under the laws of the United Kingdom.

### A. Notes - UK Withholding Tax on Interest Payments by the Issuer

#### *UK Notes listed on a recognised stock exchange*

1. The Notes issued by the Issuer which carry a right to interest ("**UK Notes**") will constitute "quoted Eurobonds" provided they are and continue to be listed on a recognised stock exchange. Whilst the UK Notes are and continue to be quoted Eurobonds, payments of interest on the UK Notes may be made without withholding or deduction for or on account of United Kingdom income tax. Securities will be "listed on a recognised stock exchange" for this purpose if they are admitted to trading on an exchange designated as a recognised stock exchange by an order made by the Commissioners for HMRC and either they are included in the United Kingdom official list (within the meaning of Part 6 of the Financial Services and Markets Act 2000) or they are officially listed, in accordance with provisions corresponding to those generally applicable in European Economic Area states, in a country outside the United Kingdom in which there is a recognised stock exchange.
2. The Irish Stock Exchange is a recognised stock exchange. The Issuer's understanding of current HMRC practice is that securities which are officially listed and admitted to trading on the main market of that Exchange may be regarded as "listed on a recognised stock exchange" for these purposes.

#### *All UK Notes*

3. In addition to the exemption set out in A.1 above, interest on the UK Notes may be paid without withholding or deduction for or on account of United Kingdom income tax so long as the Issuer is authorised for the purposes of the Financial Services and Markets Act 2000 and its business consists wholly or mainly of dealing in financial instruments (as defined by section 984 of the Income Tax Act 2007) as principal and so long as such payments are made by the Issuer in the ordinary course of that business.
4. Interest on the Notes may also be paid without withholding or deduction for or on account of United Kingdom income tax to the extent the Notes constitute "regulatory capital securities" for the purposes of the Taxation of Regulatory Capital Securities Regulations 2013. This exemption will not apply where there are arrangements, the main purpose, or one of the main purposes, of

which is to obtain a tax advantage as a result of the application of those Regulations in respect of the Notes. The exception described in paragraph 3 above does not apply in relation to payments of interest on regulatory capital securities.

5. In all cases falling outside the exemptions described above, interest on the UK Notes may fall to be paid under deduction of United Kingdom income tax at the basic rate (currently 20%) subject to such relief as may be available following a direction from HMRC pursuant to the provisions of any applicable double taxation treaty, or to any other exemption which may apply. However, this withholding will not apply if the relevant interest is paid on Notes with a maturity date of less than one year from the date of issue and which are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of a year or more.

*B. Other Rules Relating to United Kingdom Withholding Tax*

1. Notes may be issued at an issue price of less than 100 per cent. Of their principal amount. Any discount element on any such Notes will not generally be subject to any United Kingdom withholding tax pursuant to the provisions mentioned above, but may be subject to reporting requirements as outlined above.
2. Where Notes are to be, or may fall to be, redeemed at a premium, as opposed to being issued at a discount, then any such element of premium may constitute a payment of interest. Payments of interest are subject to United Kingdom withholding tax and reporting requirements as outlined above.
3. Where interest has been paid under deduction of United Kingdom income tax, Noteholders who are not resident in the United Kingdom may be able to recover all or part of the tax deducted if there is an appropriate provision in any applicable double taxation treaty.
4. The references to "interest" above mean "interest" as understood in United Kingdom tax law. The statements above do not take any account of any different definitions of "interest" or "principal" which may prevail under any other law or which may be created by the terms and conditions of the Notes or any related documentation. Where a payment on a Note does not constitute (or is not treated as) interest for United Kingdom tax purposes, and the payment has a United Kingdom source, it would potentially be subject to United Kingdom withholding tax if, for example, it constitutes (or is treated as) an annual payment or a manufactured payment, rent or royalties for United Kingdom tax purposes. Where a payment is subject to United Kingdom withholding tax, depending on the nature of the payment (which will be determined by, amongst other things, the terms and conditions specified by the Issue Terms of the Note), the payment may fall to be made under deduction of United Kingdom tax (the rate of withholding depending on the nature of the payment), subject to any exemption from withholding which may apply and to such relief as may be available under the provisions of any applicable double tax treaty.

## UNITED STATES FEDERAL TAXATION

### U.S. Foreign Account Tax Compliance Withholding

The Issuer and other financial institutions through which payments on the Notes are made may be required to withhold at a rate of 30% on all, or a portion of, payments made on or with respect to Notes pursuant to Sections 1471 through 1474 of the Code, the regulations thereunder and pursuant to agreements with the United States regarding these rules (commonly referred to as "FATCA"). This withholding is scheduled to begin no earlier than January 1, 2019.

FATCA withholding should not apply to Notes that are considered to be "grandfathered obligations" under FATCA. Notes that are not classified as obligations for purposes of FATCA will not be classified as grandfathered obligations. Notes that are classified as obligations for purposes of FATCA will generally be grandfathered obligations so long as they are issued before (and not materially modified on or after) the date that is six months after final regulations clarifying how FATCA applies to "foreign passthru payments" are published.

For Notes that are not grandfathered obligations, withholding may be triggered if: (i) an investor does not provide information sufficient for the relevant withholding agent to determine whether the investor is a U.S. person or should otherwise be treated as holding a "United States Account" under FATCA, (ii) an investor does not consent, where necessary, to have its information disclosed to the IRS or (iii) any "foreign financial institution (or "FFI") that is an investor, or through which payment on the Notes is made, is not exempt from being withheld upon under FATCA.

The United States has entered into intergovernmental agreements to facilitate the implementation of FATCA ("IGAs") with a number of jurisdictions, including the United Kingdom. Generally, FFIs in an IGA jurisdiction are not subject to FATCA withholding, and payments made by FFIs in certain IGA jurisdictions would not be treated as foreign passthru payments.

If an amount in respect of FATCA were to be deducted or withheld from payments on or with respect to the Notes, the Issuer shall not be required to pay any additional amounts or otherwise indemnify any person with respect to amounts so withheld

FATCA is particularly complex and significant aspects of its application to the Notes is uncertain at this time. The application of FATCA to Notes may be addressed, in the case of an Exempt Offer only, in the relevant Final Terms or otherwise in a Supplement to the Base Prospectus, as applicable. Prospective investors should consult their own tax advisors about the application of FATCA, in particular if they may be classified as financial institutions under FATCA.

## GERMAN TAXATION

*The following is a general discussion of certain German tax consequences of the acquisition, ownership and disposal of the Notes. As each Tranche of the Notes may be subject to a different tax treatment due to the specific terms of each Tranche, the following section shall only be regarded as generic overview with regard to the possible tax treatment in Germany. It does not purport to be a comprehensive description of all tax considerations that may be relevant to a decision to purchase the Notes, and, in particular, does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.*

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

### *A. Income Taxation – German Tax Residents*

Persons (individuals and corporate entities) who are tax resident in Germany (in particular, persons having a residence, habitual abode, seat or place of management in Germany) are subject to income taxation (income tax or corporate income tax, as the case may be, plus solidarity surcharge thereon plus church tax and/or trade tax, if applicable) on their worldwide income, regardless of its source, including interest from debt of any kind (such as the Notes) and, in general, capital gains.

#### *(1) Taxation if the Notes are held as private assets (Privatvermögen)*

In the case of German tax-resident individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as private assets (*Privatvermögen*), the following applies:

##### *(a) Income*

The Notes should qualify as other capital receivables (*sonstige Kapitalforderungen*) in terms of section 20 para 1 no 7 German Income Tax Act ("**ITA**" – *Einkommensteuergesetz*).

Accordingly, payments of interest on the Notes, if any, should qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) pursuant to section 20 para 1 no 7 ITA.

Capital gains / capital losses realised upon sale of the Notes, computed as the difference between the acquisition costs and the sales proceeds reduced by expenses directly and factually related to the sale, should qualify as positive or negative savings income in terms of section 20 para 2 sentence 1 no 7 ITA. Where the Notes are acquired and/or sold in a currency other than Euro, the acquisition costs will be converted into Euro at the time of acquisition, the sales proceeds will be converted into Euro at the time of sale and the difference will then be computed in Euro. If the Notes are assigned, redeemed, repaid or contributed into a corporation by way of a hidden contribution (*verdeckte Einlage in eine Kapitalgesellschaft*) rather than sold, as a rule, such transaction is treated like a sale. Losses from the sale of Notes can only be offset against other savings income and, if there is not sufficient other positive savings income, carried forward in subsequent assessment periods.

Pursuant to a tax decree issued by the Federal Ministry of Finance dated 18 January 2016, a sale shall be disregarded where the transaction costs exceed the sales proceeds, which means that losses suffered from such "sale" shall not be tax-deductible. Similarly, a bad debt loss (*Forderungsausfall*), i.e. should the Issuer become insolvent, and a waiver of a receivable (*Forderungsverzicht*), to the extent the waiver does not qualify as a hidden contribution, shall not be treated like a sale. Accordingly, losses suffered upon such bad debt loss or waiver shall not be tax-deductible. The same shall apply where, based on an agreement with the depositary institution, the transaction costs are calculated on the basis of the sale proceeds taking into account a deductible amount. However, the Issuer takes the view that losses suffered for other reasons (e.g. because the Notes are linked to a reference value and such reference value decreases in value) should be tax-deductible, subject to the ring-fencing rules described above and subject to the following paragraph. Investors should note that such view of the Issuer must not be understood as a guarantee that the tax authorities and/or courts will follow such view.

Further, pursuant to said tax decree, where full risk certificates (*Vollrisikozertifikate*) provide for instalment payments, such instalment payments shall always qualify as taxable savings income (*Einkünfte aus Kapitalvermögen*) in the sense of section 20 para 1 no 7 ITA, unless the terms and conditions of the certificates provide explicit information regarding redemption or partial redemption during the term of the certificates and the contractual parties comply with these terms and conditions. It is further stated in the tax decree that, if, in the case of certificates with instalment payments, there is no final payment at maturity, the expiry of such certificates shall not qualify as a sale-like transaction, which means that any remaining acquisition costs could not be deducted for tax purposes. Similarly, any remaining acquisition costs of certificates with instalment payments shall not be tax-deductible if the certificates do not provide for a final payment or are terminated early without a redemption payment because the respective underlying has left the defined corridor or has broken certain barriers (e.g. in knock-out structures). Although this tax decree only refers to full risk certificates with instalment payments, it cannot be excluded that the tax authorities apply the above principles also to other kinds of full risk instruments such as notes.

If the Issuer exercises the right to substitute the debtor of the Notes, the substitution might, for German tax purposes, be treated as an exchange of the Notes for new notes issued by the new debtor. Such a substitution could result in the recognition of a taxable gain or loss for the respective investors.

*(b) German withholding tax (Kapitalertragsteuer)*

With regard to savings earnings (*Kapitalerträge*), e.g. interest or capital gains, German withholding tax (*Kapitalertragsteuer*) will be levied if the Notes are held in a custodial account which the investor maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or a German securities trading bank (a "**German Disbursing Agent**") and such German Disbursing Agent credits or pays out the earnings. If the Notes are not held in a custodial account, German withholding tax will nevertheless be levied if the Notes are issued as definitive securities and the savings earnings are paid by a German Disbursing Agent against presentation of the Notes or interest coupons (so-called over-the-counter transaction – *Tafelgeschäft*).

The tax base is, in principle, equal to the taxable gross income as set out above (i.e. prior to withholding). However, in the case of capital gains, if the custodial account has changed since the time of acquisition of the Notes (e.g. if the Notes had been transferred from a non-EU custodial account prior to the sale) and the acquisition costs of the Notes are not proven to the German Disbursing Agent in the form required by law (e.g. in the case of over-the-counter transactions), withholding tax is applied to 30% of the proceeds from the redemption or sale of the Notes. When computing the tax base for withholding tax purposes, the German Disbursing Agent has to deduct any negative savings income (*negative Kapitalerträge*) or paid accrued interest (*Stückzinsen*) in the same calendar year or unused negative savings income of previous calendar years.

German withholding tax will be levied by a German Disbursing Agent at a flat withholding tax rate of 26.375% (including solidarity surcharge) plus, if applicable, church tax.

Church tax, if applicable, will be collected by the German Disbursing Agent by way of withholding unless the investor has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*). In the latter case, the investor has to include the savings income in the tax return and will then be assessed to church tax.

No German withholding tax will be levied if the investor has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent the savings income does not exceed the exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife or registered life partners). Similarly, no withholding tax will be levied if the investor has submitted a certificate of non-assessment (*Nichtveranlagungs-Bescheinigung*) issued by the relevant local tax office to the German Disbursing Agent.

The Issuer is, as a rule, not obliged to levy German withholding tax in respect of payments on the Notes.

*(c) Tax assessment*

The taxation of savings income shall take place mainly by way of levying withholding tax (please see above). If and to the extent German withholding tax has been levied, such withholding tax shall, in principle, become definitive and replace the investor's income taxation. If no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the investor is nevertheless obliged to file a tax return, and the savings income will then be taxed within the assessment procedure. If the investor is subject to church tax and has filed a blocking notice (*Sperrvermerk*) with the German Federal Central Tax Office (*Bundeszentralamt für Steuern*), the investor is also obliged to include the savings income in the tax return for church tax purposes.

However, also in the assessment procedure, savings income is principally taxed at a separate tax rate for savings income (*gesonderter Steuertarif für Einkünfte aus Kapitalvermögen*) being identical to the withholding tax rate (26.375% - including solidarity surcharge (*Solidaritätszuschlag*) plus, if applicable, church tax). In certain cases, the investor may apply to be assessed on the basis of its personal tax rate if such rate is lower than the above tax rate. Such application can only be filed consistently for all savings income within the assessment period. In case of jointly assessed husband and wife or registered life partners the application can only be filed for savings income of both spouses/life partners.

When computing the savings income, the saver's lump sum amount (*Sparer-Pauschbetrag*) of EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife or registered life partners) will be deducted. The deduction of the actual income related expenses, if any, is excluded. That holds true even if the investor applies to be assessed on the basis of its personal tax rate.

*(2) Taxation if the Notes are held as business assets (Betriebsvermögen)*

In the case of German tax-resident corporations or individual investors (*unbeschränkt Steuerpflichtige*) holding the Notes as business assets (*Betriebsvermögen*), interest payments, if any, and capital gains will be subject to corporate income tax at a rate of 15% or income tax at a rate of up to 45%, as the case may be, (in each case plus 5.5% solidarity surcharge thereon). In addition, trade tax may be levied, the rate of which depends on the municipality where the business is located. Further, in the case of individuals, church tax may be levied. Business expenses that are connected with the Notes are deductible.

The provisions regarding German withholding tax (*Kapitalertragsteuer*) apply, in principle, as set out above for private investors. However, investors holding the Notes as business assets cannot file a withholding tax exemption certificate with the German Disbursing Agent. Instead, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Notes if, for example, (a) the Notes are held by a corporation or (b) the proceeds from the Notes qualify as income of a domestic business and the investor notifies this to the German Disbursing Agent by use of the officially required form.

Any withholding tax levied is credited as prepayment against the German (corporate) income tax amount. If the tax withheld exceeds the respective (corporate) income tax amount, the difference will be refunded within the tax assessment procedure.

*B. Income Taxation – Non-residents*

Persons who are not tax resident in Germany are not subject to tax with regard to income from the Notes unless (i) the Notes are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the investor or (ii) the income from the Notes qualifies for other reasons as taxable German source income. If a non-resident person is subject to tax with its income from the Notes, in principle, similar rules apply as set out above with regard to German tax resident persons (please see above).

If the income is subject to German tax as set out in the preceding paragraph, German withholding tax will be applied like in the case of a German tax resident person.

### *C. Inheritance and Gift Tax*

Inheritance or gift taxes with respect to any Note will, in principle, arise under German law if, in the case of inheritance tax, either the decedent or the beneficiary or, in the case of gift tax, either the donor or the donee is a resident of Germany or if such Note is attributable to a German trade or business for which a permanent establishment is maintained or a permanent representative has been appointed.

The few existing double taxation treaties regarding inheritance and gift tax may lead to different results. Special rules apply to certain German citizens that are living in a foreign country and German expatriates.

### *D. Other Taxes*

No stamp, issue, registration or similar taxes or duties are payable in Germany in connection with the issuance, delivery or execution of the Notes. Currently, net assets tax (*Vermögensteuer*) is not levied in Germany. It is intended to introduce a financial transaction tax. However, it is unclear if and in what form such tax will be actually introduced.

### *E. No gross-up for German withholding tax (Kapitalertragsteuer)*

Purchasers of the Notes should note that in accordance with the terms and conditions of the Notes, unless specified in the applicable Issue Terms, the Issuer, in principle, will neither assume any liability for German withholding taxes (*Kapitalertragsteuer*) withheld from payments under the Notes, nor make any additional payments in regard of these taxes, i.e. no gross-up will apply in case a withholding tax is imposed.

## ITALIAN TAXATION

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

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

### Tax treatment of the Notes

**Notes representing debt instruments implying a "use of capital"; Notes having 100 per cent. capital protection guaranteed by the Issuer**

### Taxation of interest

#### Italian resident Noteholders

Legislative Decree April 1st, 1996, No. 239 (Decree No. 239) regulates the tax treatment of interest, premiums and other income (including the difference between the redemption amount and the issue price) (hereinafter collectively referred to as Interest) from Notes issued, inter alia, by non-Italian resident entities. The provisions of Decree No. 239 only apply to those Notes which qualify as *obbligazioni* or *titoli similari alle obbligazioni* pursuant to Article 44 of Presidential Decree 22nd December, 1986, No. 917 (Decree No. 917). In accordance with Article 44 of Decree No. 917, for securities to qualify as *titoli similari alle obbligazioni* (securities similar to bonds), they must (i) incorporate an unconditional obligation to pay at maturity an amount not lower than their nominal value, and (ii) do not give any right to directly or indirectly participate in the management of the Issuer or to the business in connection to which the securities were issued, nor to control the same.

Where the Italian resident holder of the Notes that qualify as *obbligazioni* or *titoli similari alle obbligazioni*, is the beneficial owner of such Notes and is: (i) an individual not engaged in an entrepreneurial activity to which the Notes are connected (unless he has entrusted the management of his financial assets, including the Notes, to an authorised intermediary and has opted for the so called "*regime del risparmio gestito*" (the **Asset Management Regime**) according to Article 7 of Italian Legislative Decree No. 461 of 21st November, 1997, as amended ("**Decree No. 461**") (see under "*Capital gains tax*" below for an analysis of such regime), (ii) a partnership (other than a *societa' in nome collettivo* or *societa' in accomandita semplice* or similar partnership), or a *de facto* partnership not carrying out commercial activities or professional association, (iii) a private or public institutions, other than companies, trusts not carrying out mainly or exclusively commercial activities, the Italian State and public and territorial entities, or (iv) an investor exempt from Italian corporate income taxation (the so called "**IRES**"), Interest payments relating to the Notes are subject to a tax, referred to as "*imposta sostitutiva*", levied at the rate of 26 per cent. (either when Interest is paid or when payment thereof is obtained by the holder on a sale of the Notes). Such investors are qualified as "net recipients".

Where the above resident Noteholders under (i) and (iii) are engaged in an entrepreneurial activity to which the Notes are connected, the *imposta sostitutiva* applies as a provisional income tax. Interest will be in the relevant beneficial owner's Italian income tax return and will be subject to Italian ordinary income taxation and the *imposta sostitutiva* may be recovered as a deduction from Italian income tax due.

Pursuant to Decree No. 239, the 26 per cent. *imposta sostitutiva* is applied by banks, *società di intermediazione mobiliare* (so-called "**SIMs**"), *società di gestione del risparmio* (so-called "**SGRs**"), fiduciary companies, stock brokers and other qualified entities identified by the relevant decrees of the Ministry of Finance ("**Intermediaries**" and each an "**Intermediary**") resident in Italy or by permanent establishments of a non Italian resident Intermediary that intervene, in any way, in the collection of Interest or, also as transferees, in transfers or disposals of the Notes.

Payments of Interest in respect of Notes that qualify as obbligazioni or titoli similari alle obbligazioni are not subject to the 26 per cent. *imposta sostitutiva* if made to beneficial owners who are: (i) Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected; (ii) Italian resident partnerships carrying out commercial activities (*'società in nome collettivo'* or *'società in accomandita semplice'*); (iii) Italian resident open-ended or closed-ended collective investment funds (together the "**Funds**" and each a "**Fund**"), SICAVs, SICAFs, Italian resident pension funds referred to in Legislative Decree No. 252 of 5th December, 2005 ("**Decree No. 252**"), Italian resident real estate investment funds or SICAFs, to which the provisions of Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001, as subsequently amended; and (iv) Italian resident individuals holding Notes not in connection with entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised financial Intermediary and have opted for the Asset Management Regime. Such investors are qualified as "gross recipients".

To ensure payment of Interest in respect of the Notes without the application of 26 per cent. *imposta sostitutiva*, gross recipients indicated above under (i) to (iv) must: (a) be the beneficial owners of payments of Interest on the Notes and (b) deposit the Notes in due time, together with the coupons relating to such Notes, directly or indirectly with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign Intermediary).

Where the Notes and the relevant coupons are not deposited with an Italian authorised Intermediary (or a permanent establishment in Italy of a foreign intermediary), the *imposta sostitutiva* is applied and withheld by any Italian bank or any Italian Intermediary paying Interest to the holders of the Notes or, absent that, by the Issuer.

Gross recipients that are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected are entitled to deduct *imposta sostitutiva* suffered from income taxes due. Interest accrued on the Notes shall be included in the corporate taxable income (and in certain circumstances, depending on the "status" of the Noteholder, also in the net value of production for purposes of regional tax on productive activities – "**IRAP**") of beneficial owners who are Italian resident corporations or permanent establishments in Italy of foreign corporations to which the Notes are effectively connected, subject to tax in Italy in accordance with ordinary tax rules.

Italian resident individuals holding Notes not in connection with entrepreneurial activity who have opted for the Asset Management Regime are subject to the 26 per cent. annual substitute tax on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes). The Asset Management Tax is applied on behalf of the taxpayer by the managing authorised Intermediary.

Where Interest on Notes beneficially owned by Noteholders qualifying as net recipients, as defined above, are not collected through the intervention of an Italian resident intermediary and as such no *imposta sostitutiva* is applied, the Italian resident beneficial owners qualifying as net recipients will be required to declare Interest in their yearly income tax return and subject them to a final substitute tax at a rate of 26 per cent., unless option for a different regime is allowed and made. Italian resident net recipients that are individuals not engaged in entrepreneurial activity may elect instead to pay ordinary personal income taxes at the progressive rates applicable to them in respect of Interest on such Notes: if so, the beneficial owners should be generally entitled to a tax credit for withholding taxes applied outside Italy, if any.

Interest on the Notes held by Italian investment funds, *Fondi Lussemburghesi Storici*, SICAVs and SICAFs will not be subject to any *imposta sostitutiva*, but will be included in the annual accrued increase of their net asset value. The net asset value will not be subject to tax with the investment funds, *Fondi Lussemburghesi Storici*, the SICAV or the SICAF, but any distribution or any other income received upon redemption or disposal of the units or of the shares by the unitholders or shareholders may be subject to a withholding tax of 26 per cent. (the "**Collective Investment Fund Tax**").

Interest on the Notes held by Italian real estate investment funds or SICAFs to which the provisions of Law Decree No. 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001, as subsequently amended, apply are subject neither to *imposta sostitutiva*, nor to any other income tax in the hands of the real estate investment fund or SICAF. The income of the Italian real estate fund or SICAF is subject to tax in the hands of the unitholder, depending on status and percentage

of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Where an Italian resident Noteholder is a pension fund (subject to the regime provided for by article 17 of the Legislative Decree No. 252 of 5 December 2005) and the Notes are deposited with an Italian resident intermediary, Interest on the Notes and accrued during the holding period will not be subject to *imposta sostitutiva*, but must be included in the result of the relevant portfolio accrued at the end of the tax period. Italian resident pension funds are subject, as of 1<sup>st</sup> January 2015 to a 20 per cent. annual substitute tax (the "**Pension Fund Tax**") on the increase in value of the managed assets accrued at the end of each tax year (which increase would include Interest accrued on the Notes).

As of 1st January, 2015, Italian pension fund benefits from a tax credit equal to 9% of the increase in value of the managed assets accrued at the end of the tax period, provided that the pension fund invests in certain medium long term financial assets as identified with the Ministerial Decree of 19th June, 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

## Capital Gains tax

### *Italian resident Noteholders*

Pursuant to Decree No. 461 of 21 November 1997, a 26 per cent. capital gains tax (referred to as "*imposta sostitutiva sulle plusvalenze*") is applicable on any capital gain realised on the disposal of the Notes by Noteholders included among the following categories of Italian resident persons: (i) individuals not engaged in an entrepreneurial activity to which the Notes are effectively connected, (ii) partnerships or *de facto* partnerships not carrying out commercial activities or professional associations, (iii) private or public institutions not carrying out mainly or exclusively commercial activities, or (iv) investors exempt from IRES.

In respect of the application of *imposta sostitutiva sulle plusvalenze*, taxpayers may opt for one of the three regimes described below:

- (a) Under the so-called "*regime della dichiarazione*" (the "**Tax Declaration Regime**"), which is the standard regime for taxation of capital gains, the 26 per cent. *imposta sostitutiva sulle plusvalenze* will be chargeable, on a cumulative basis, on all capital gains, net of any off-settable capital losses, realised, pursuant to all investment transactions carried out during any given fiscal year, by the Italian resident individual holding the Notes. In this instance, "capital gains" means any capital gain not connected with an entrepreneurial activity pursuant to all sales or redemptions of the Notes carried out during any given fiscal year. Italian resident individuals holding the Notes not in connection with an entrepreneurial activity must report the overall amount of the capital gains realised in any fiscal year, net of any off-settable capital losses, in the annual tax return and pay the *imposta sostitutiva sulle plusvalenze* on those capital gains together with any balance income tax due for such year. Capital losses in excess of capital gains may be carried forward against capital gains realised in any of the four succeeding fiscal years. Pursuant to Law Decree No. 66 of 24 April 2014 (the "**Decree No. 66**"), capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014.
- (b) As an alternative to the Tax Declaration Regime, Italian resident individuals indicated above under (i) may elect to pay under the so-called "*regime del risparmio amministrato*" ("**Administrative Savings Regime**") the *imposta sostitutiva sulle plusvalenze* separately on any capital gain realised on each sale or redemption of the Notes. Such separate taxation of capital gains is allowed subject to:

(i) the Notes being deposited with Italian banks, SIMs and any other Italian qualified Intermediaries (or permanent establishment in Italy of foreign intermediary); and

(ii) an express election for the Administrative Savings Regime being timely made in writing by the relevant holder of the Notes.

The Intermediary must account for the *imposta sostitutiva sulle plusvalenze* in respect of any capital gain realised on each sale or transfer or redemption of the Notes (as well as in respect of any capital gain

realised upon the revocation of its mandate), net of any incurred capital loss. The Intermediary must also pay the relevant amount to the Italian tax authority on behalf of the holder of the Notes, deducting a corresponding amount from the proceeds to be credited to the holder of the Notes or using funds provided by the holder of the Notes for this purpose.

Under the Administrative Savings Regime, where a sale or transfer or redemption of the Notes results in a capital loss, such capital loss may be deducted from any capital gain subsequently realised, within the same Notes management, in the same fiscal year or in the following fiscal years up to the fourth. Pursuant to Decree No. 66, capital losses may be carried forward to be offset against capital gains of the same nature realised after 30 June 2014 for an overall amount of: (i) 48.08 per cent. of the relevant capital losses realised before 1 January 2012; (ii) 76.92 per cent. of the capital losses realised from 1 January 2012 to 30 June 2014. Under the Administrative Savings Regime, the holder of the Notes is not required to report the capital gains in the annual tax return.

- (c) Under the Asset Management Regime, any capital gain realised by Italian resident individuals holding the Notes not in connection with an entrepreneurial activity who have entrusted the management of their financial assets, including the Notes, to an authorised Intermediary, will be included in the computation of the annual increase in value of the managed assets accrued, even if not realised, at year-end, and subject to the *imposta sostitutiva sulle plusvalenze*, to be paid by the managing authorised Intermediary. Pursuant to Decree No. 66, depreciations of the managed assets may be carried forward to be offset against any subsequent increase in value accrued as of 1 July 2014 for an overall amount of: (i) 48.08 per cent. of the relevant depreciations in value registered before 1 January 2012; (ii) 76.92 per cent. of the depreciations in value registered from 1 January 2012 to 30 June 2014. The holder of the Notes is not required to declare the capital gains realised in the annual tax return.

Any capital gain deriving from the sale or transfer or redemption of the Notes and realised by Italian resident companies (including Italian permanent establishments of foreign entities to which the Notes are connected) or similar commercial entities or commercial partnerships or Italian resident individuals engaged in an entrepreneurial activity to which the Notes are effectively connected will be included in their business income tax return and therefore subject to **IRES** (and, in certain circumstances, depending on the “status” of the holder of the Notes, also as part of the net value of the production for **IRAP** purposes).

Capital gains realised on Notes held by Italian investment funds, *Fondi Lussemburghesi Storici*, SICAVs and SICAFs will be included in the annual accrued increase of their net asset value. The net asset value will not be subject to tax with the investment funds, *Fondi Lussemburghesi Storici*, the SICAVs and the SICAFs, but the Collective Investment Fund Tax will apply, in certain circumstances, to distributions made in favour of unitholders or shareholders.

Capital gains realized on Notes held by Italian Real Estate Funds or SICAFs to which the provisions of Law Decree N° 351 of 25 September 2001, converted into law with amendments by Law No. 410 of 23 November 2001, as subsequently amended, apply, will neither be subject to any *imposta sostitutiva sulle plusvalenze*, nor to any other income tax with the Italian Real Estate Fund or SICAF. The income of the Italian Real Estate Fund or SICAF is subject to tax, in the hands of the unitholder, depending on the status and percentage of participation, or, when earned by the fund, through distribution and/or upon redemption or disposal of the units.

Capital gains realised on Notes held by Italian pension fund (subject to the regime provided for by article 17 of the Italian Legislative Decree No. 252 of 5th December, 2005) will be included in the result of the relevant portfolio accrued at the end of the tax period, to be subject to the Pension Fund Tax.

As of 1st January, 2015, Italian pension fund benefits from a tax credit equal to 9% of the increase in value of the managed assets accrued at the end of the tax period, provided that the pension fund invests in certain medium long term financial assets as identified with the Ministerial Decree of 19th June, 2015 published in the Official Gazette – general series No. 175, on 30 July 2015.

### ***Notes not having 100 per cent. capital protection guaranteed by the Issuer***

Payments in respect of Notes which qualify as “Atypical securities” under Article 8 of Law Decree N° 512 of 30 September 1983 are subject to a withholding tax, levied at the rate of 26 per cent.

The 26 per cent. withholding tax is levied by any Italian resident entity which intervenes in the collection of payments on the Notes or in their repurchase or transfers. In case the payments on the Notes are not received through any aforementioned Italian resident entity, Italian resident individual holders of the Notes are required to report the payments in their income tax return and subject them to a substitutive tax at 26 per cent. rate. Italian resident individual holders of the Notes may elect instead to pay ordinary income tax at the progressive rates applicable to them in respect of the payments; if so, the Italian resident individual holders of the Notes should generally benefit from a tax credit for any possible withholding tax applied outside Italy.

The 26 per cent withholding tax does not apply to payments made to a non-Italian resident holder of the Notes and to an Italian resident holder which is (i) a company (including Italian permanent establishments of foreign entities) or similar commercial entity, (ii) a commercial partnerships or (iii) a private or public institution carrying out commercial activities.

### ***Inheritance and gift tax***

Pursuant to Law Decree no. 262 of the 3<sup>rd</sup> October 2006, as subsequently amended, the transfers of any valuable assets (including the Notes) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- 4% if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding EUR 1 million. (per beneficiary);
- 6% if the transfer is made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding EUR 100,000 (per beneficiary);
- 6% if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and
- 8% in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding EUR 1.5 million.

An anti-avoidance rule is provided by Law N°383 of 18 October 2001 for any gift of assets (such as the Notes) which, if sold for consideration, would give rise to capital gains subject to the *imposta sostitutiva* provided for by Decree no.461 of 21 November 1997. In particular, if the donee sells the securities for consideration within five years from the receipt thereof as a gift, the donee is required to pay the relevant *imposta sostitutiva* on capital gains as if the gift has never taken place.

### **Transfer tax**

Contracts relating to the transfer of the Notes are subject to a Euro 200 registration tax as follows: (i) public deeds and notarised deeds are subject to mandatory registration; (ii) private deeds are subject to registration only in the case of voluntary registration.

### **Tax Monitoring Obligations**

Italian resident individuals, non commercial entities and non commercial partnerships and similar institutions are required to report, according to Law Decree No. 167 of 28 June 1990, converted by Law No. 227 of 4 August 1990, as amended by Law No. 97 of 6 August 2013 and subsequently amended by Law No. 50 of 28 March 2014, in certain circumstances, the aforesaid and related transactions to the Italian tax authorities in their income tax return (or, in case the income tax return is not due, in a proper form that must be filed within the same time as prescribed for the income tax return). The requirement applies also where the persons above, being not the direct holder of the financial instruments, are the actual owner of the instrument.

Furthermore, the above reporting requirement is not required to comply with respect to Notes deposited for management or administration with qualified Italian financial intermediaries, with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Notes have been subject to tax by the same intermediaries and with respect to foreign investments which are only composed by deposits and/or bank accounts when their aggregate value never exceeds a Euro 15,000 threshold throughout the year.

### **Stamp duty**

Pursuant to Article 13 par. 2/ter of the tariff Part I attached to Presidential Decree No. 642 of 26 October 1972, as amended by Article 1 par. 581 of Law No. 147 of 27 December 2013, a proportional stamp duty applies on an annual basis to the periodic reporting communications sent by financial intermediaries to their clients in respect of any financial product and instrument, which may be deposited with such financial intermediary in Italy. The stamp duty applies at the rate of 0.20 per cent. and it cannot exceed Euro 14,000 for taxpayers which are not individuals. This stamp duty is determined on the market value or – in the absence of a market value – on the nominal value or the redemption amount of any financial product or financial instruments (including the Notes). Stamp duty applies both to Italian resident Noteholders and to non-Italian resident Noteholders, to the extent that the Notes are held with an Italian-based financial intermediary.

The statement is considered to be sent at least once a year, even for instruments for which is not mandatory nor the deposit nor the release or the drafting of the statement. In case of reporting periods of less than 12 months, the stamp duty is payable pro-rata.

Based on the wording of the law and the implementing decree issued by the Italian Ministry of Economy on 24 May 2012, the stamp duty applies to any investor who is a client (as defined in the regulations issued by the Bank of Italy on 20 June 2012) of an entity that exercises in any form a banking, financial or insurance activity within the Italian territory.

### **Wealth tax**

According to Article 19 of Decree No. 201/2011, as amended by Article 1 par. 582 of Law No. 147 of 27 December 2013, Italian resident individuals holding financial assets – including the Notes – outside of the Italian territory are required to pay in its own annual tax declaration a wealth tax at the rate of 0.2 per cent. The tax applies on the market value at the end of the relevant year or – in the lack of the market value – on the nominal value or redemption value, or in the case the face or redemption values cannot be determined, on the purchase value of any financial assets held outside of the Italian territory. A Tax Credit is granted for any foreign property tax levied abroad on such financial asset. The wealth tax is calculated in proportion to the holding period and to the percentage of ownership and must be paid within the deadline for the payment of the annual income tax.

### **European Union Savings Tax Directive**

Italy implemented the EU Directive No. 2003/48/EC (the "**EU Savings Tax Directive**") regarding the taxation of savings income through Legislative Decree No. 84 of 18 April 2005 (the "**Decree No. 84**"). Under Decree No. 84, subject to a number of important conditions being met, Italian qualified paying agents had to report to the Italian tax authorities details of the relevant payments and personal information on the individual beneficial owner. Such information was transmitted by the Italian tax authorities to the competent foreign tax authorities of the State of residence of the beneficial owner.

On 10 November 2015 the Council of the European Union approved the Council Directive 2015/2060/EU (published in the Official Journal of the EU on 18 November 2015) repealing the EU Savings Tax Directive from 1st January 2016 in the case of Italy.

Council Directive 2015/2060/EU has been implemented in the Italian legislation by Art.28 of Law 7 July 2016, n.122 (published in the Official Journal of Italy on 8 July 2016) with effect from 1 January 2016. Transitional rules have been introduced to deal with certain obligations arising from the previous legislation.

## NETHERLANDS TAXATION

*The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Base Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Note, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.*

For the purpose of this summary it is assumed that a holder of a Note who is an individual and tax resident in the Netherlands does not have or will not have a substantial interest in the Issuer.

Generally speaking, an individual has a substantial interest in an entity if (a) such individual, either alone or together with his partner, directly or indirectly has, or is deemed to have, or (b) certain relatives of such individual or his partner directly or indirectly have or are deemed to have, (I) the ownership of, a right to acquire the ownership of, or certain rights over, shares representing 5 per cent or more of either the total issued and outstanding capital of an entity or the issued and outstanding capital of any class of shares of such entity, or (II) the ownership of, or certain rights over, profit participating certificates (winstbewijzen) that relate to 5 per cent or more of either the annual profit or the liquidation proceeds of such entity.

For the purpose of this summary, the term "entity" means a corporation as well as any other person that is taxable as a corporation for Dutch corporate tax purposes. Where this summary refers to "The Netherlands" or "Dutch", it refers only to the European part of the Kingdom of the Netherlands.

Where this summary refers to a holder of a Note, an individual holding a Note or an entity holding a Note, such reference is restricted to an individual or entity holding legal title to as well as an economic interest in such Note or otherwise being regarded as owning a Note for Dutch tax purposes. It is noted that for purposes of Dutch income, corporate, gift and inheritance tax, assets legally owned by a third party such as a trustee, foundation or similar entity, may be treated as assets owned by the (deemed) settler, grantor or similar originator or the beneficiaries in proportion to their interest in such arrangement.

Investors are advised to consult their professional advisers as to the tax consequences of purchase, ownership and disposition of the Notes.

### *(a) Withholding Tax*

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

### *(b) Taxes On Income and Capital Gains*

#### *Non-residents*

A holder of a Note which is not and is not deemed to be resident in The Netherlands for the relevant tax purposes will not be subject to taxation on income or a capital gain derived from a Note unless:

(i) the income or capital gain is attributable to an enterprise or part thereof which is either effectively managed in The Netherlands or carried on through a permanent establishment (vaste inrichting) or permanent representative (vaste vertegenwoordiger) taxable in The Netherlands; or

(ii) the holder is an individual and the income or capital gain qualifies as income from miscellaneous activities (belastbaar resultaat uit overige werkzaamheden) in The Netherlands as defined in the Income Tax Act 2001 (Wet inkomstenbelasting 2001), including, without limitation, activities that exceed normal, active asset management (normaal, actief vermogensbeheer).

## *Residents*

### *Resident entities*

An entity holding a Note which is, or is deemed to be, resident in The Netherlands for corporate tax purposes and which is not tax exempt, will generally be subject to corporate income tax in respect of income or a capital gain derived from a Note at prevailing statutory rates.

### *Resident individuals*

An individual holding a Note who is or is deemed to be resident in The Netherlands for income tax purposes will be subject to income tax in respect of income or a capital gain derived from a Note at rates up to 52 per cent if:

(i) the income or capital gain is attributable to an enterprise from which the holder derives profits (other than as a shareholder); or

(ii) the income or capital gain qualifies as income from miscellaneous activities (belastbaar resultaat uit overige werkzaamheden) as defined in the Income Tax Act 2001 (Wet inkomstenbelasting 2001), including, without limitation, activities that exceed normal, active asset management (normaal, actief vermogensbeheer).

If neither condition (i) nor (ii) applies, an individual holding a Note will be subject to income tax on the basis of a deemed return, regardless of any actual income or capital gain derived from a Note. The deemed return amounts to 4 per cent. of the value of the individual's net assets as at the beginning of the relevant fiscal year (including the Note). Subject to application of certain allowances, the deemed return will be taxed at a rate of 30 per cent.

As per 1 January 2017 the rate of 4 per cent will be replaced by variable progressive rates. For the year 2017 the rates are expected to range from 2.9 to 5.5 per cent. The applicable rates will be updated annually on the basis of historic market yields.

### *(c) Gift And Inheritance Taxes*

Dutch gift or inheritance taxes will not be levied on the occasion of the transfer of a Note by way of gift by, or on the death of, a holder, unless:

(i) the holder is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions; or

(ii) the transfer is construed as an inheritance or gift made by, or on behalf of, a person who, at the time of the gift or death, is or is deemed to be resident in The Netherlands for the purpose of the relevant provisions.

### *(d) Value Added Tax*

The issuance or transfer of a Note, and payments of interest and principal under a Note, will not be subject to value added tax in The Netherlands.

### *(e) Other Taxes*

The subscription, issue, placement, allotment, delivery or transfer of a Note will not be subject to registration tax, stamp duty or any other similar tax or duty payable in The Netherlands.

### *(f) Residence*

A holder of a Note will not be, or deemed to be, resident in The Netherlands for tax purposes and, subject to the exceptions set out above, will not otherwise be subject to Dutch taxation, by reason only of acquiring, holding or disposing of a Note or the execution, performance, delivery and/or enforcement of a Note.

## SPANISH TAXATION

*The information provided below does not purport to be a complete summary of tax law and practice currently applicable in the Kingdom of Spain and is subject to any changes in law and the interpretation and application thereof, which could be made with retroactive effect. Furthermore, it is not a comprehensive description of all the tax considerations that may be relevant to a decision to acquire, hold or dispose of the Notes, and does not purport to deal with the tax consequences applicable to all categories of investors. Prospective investors who are in any doubts as to their position should consult with their own professional advisors.*

*The summary set out below is based upon Spanish law in force and is subject to any changes in the laws of Spain that may take effect after such date.*

*This information has been prepared in accordance with the following Spanish tax legislation:*

for individuals resident for tax purposes in Spain who are subject to Personal Income Tax, Law 35/2006, of 28 November 2006, on Personal Income Tax and partial amendment of Corporate Income Tax Law, Non Residents Income Tax Law and Wealth Tax Law as amended by Law 26/2014, of 27 November 2014, Royal Decree 439/2007, of 30 March 2007 promulgating the Personal Income Tax Regulations as amended by Royal Decree 633/2015, of 10 July 2015; Law 19/1991, of 6 June 1991 on Net Wealth Tax, as amended, and Law 29/1987, of 18 December 1987, on Inheritance and Gift Tax, as amended;

for legal entities resident for tax purposes in Spain which are subject to Corporate Income Tax, Law 27/2014 of 27 November 2014 on Corporate Income Tax and Royal Decree 634/2015, of 10 July 2015, promulgating the Corporate Income Tax Regulations; and

for individuals and entities who are not resident in Spain, Royal Legislative Decree 5/2004, of 5 March 2004, promulgating the Consolidated Text of the Non-Residents Income Tax Law, as amended by Law 27/2014, of 27 November 2014; and Royal Decree 1776/2004, of 30 July 2004, promulgating the Non-Residents Income Tax Regulations as amended by Royal Decree 633/2015, of 10 July 2015; Law 19/1991, of 6 June 1991 on Net Wealth Tax, as amended; and Law 29/1987, of 18 December 1987, on Inheritance and Gift Tax, as amended.

### **I. Withholding Tax**

Payments under the Notes would be made free of withholding or deduction of any Spanish taxes as they would not constitute Spanish source income and the Issuer is not tax resident in Spain nor has a permanent establishment in Spain from which the payments derived.

In the case where the Notes were deposited or managed by a Spanish resident entity, a withholding obligation may exist for the depository or manager of the Notes under certain conditions.

### **II. Taxes on Income and Capital Gains**

#### **a) *Individuals with Tax Residency in Spain subject to Personal Income Tax (Impuesto sobre la Renta de las Personas Físicas)***

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes constitute income from moveable capital and therefore will form part of the savings income tax base pursuant to the provisions of the Personal Income Tax Law. Accordingly, such income will be subject to tax at the rate of 19% on the first EUR 6,000, 21% on any income between EUR 6,000.1 and EUR 50,000 and 23% on any income in excess of EUR 50,000.

#### **b) *Legal Entities with Tax Residency in Spain subject to Corporate Income Tax (Impuesto sobre Sociedades)***

Both interest periodically received and income derived from the transfer, redemption or repayment of the Notes are subject to Corporate Income Tax in accordance with the rules for this tax and taxed at the applicable rates (the standard being 25 per cent.).

c) ***Individuals and Legal Entities with no Tax Residency in Spain subject to Non-Resident Income Tax (Impuesto sobre la Renta de no Residentes)***

Ownership of the Notes by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

If the Notes form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Notes are, generally, the same as those previously set out for legal entities with tax residency in Spain. See "*Legal Entities with Tax Residency in Spain*".

In case of non-Spanish residents not operating through a permanent establishment located within Spanish territory, income derived from the Notes will not be subject to Spanish taxation.

**III. Wealth Tax (Impuesto sobre el Patrimonio)**

a) ***Individuals with Tax Residency in Spain***

Spanish tax resident individuals are subject to Wealth Tax, which imposes a tax on property and rights in excess of €700,000 held on the last day of any year. Spanish tax resident individuals whose net worth is above €700,000 and who hold Notes on the last day of any year would therefore be subject to Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Notes during the last quarter of such year.

In accordance with article 66 of the Law 48/2015, of 29 October 2015, on Spanish General Budget for the year 2016 (Ley de Presupuestos Generales del Estado para el año 2016), a full exemption on Net Wealth Tax would apply in 2017 unless such exemption is revoked.

b) ***Legal Entities with Tax Residency in Spain***

Spanish legal entities are not subject to Wealth Tax.

c) ***Individuals and Legal Entities with no Tax Residency in Spain***

Non-Spanish tax resident individuals are subject to Wealth Tax, which imposes a tax on property and rights in excess of €700,000 that are located in Spain, or can be exercised within the Spanish territory, on the last day of any year.

However, to the extent that income derived from the Notes is exempt from Non-Residents Income Tax, individuals not resident in Spain for tax purposes who hold Notes on the last day of any year will be exempt from Wealth Tax with respect to such Notes. Furthermore, investors who benefit from the provisions of a treaty for the avoidance of double taxation with respect to Wealth Tax that provides for taxation only in the investor's country of residence will not be subject to Wealth Tax.

If the provisions of the foregoing paragraph do not apply, non-Spanish tax resident individuals whose net worth related to property located, or rights that can be exercised, in Spain is above €700,000 and who hold Notes on the last day of any year would therefore be subject to Wealth Tax for such year at marginal rates varying between 0.2% and 2.5% of the average market value of the Notes during the last quarter of such year.

In accordance with article 66 of the Law 48/2015, of 29 October 2015, on Spanish General Budget for the year 2016 (Ley de Presupuestos Generales del Estado para el año 2016), a full exemption on Net Wealth Tax would apply in 2017 unless such exemption is revoked.

Non-resident legal entities are not subject to Wealth Tax.

**IV. Inheritance and Gift Tax (Impuesto sobre Sucesiones y Donaciones)**

a) ***Individuals with Tax Residency in Spain***

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any Notes by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in

accordance with the applicable Spanish regional and State rules. The applicable effective tax rates range between 7.65% and 81.6%, depending on several factors.

**b) *Legal Entities with Tax Residency in Spain***

Legal entities resident in Spain for tax purposes which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax but must include the market value of the Notes in their taxable income for Spanish Corporate Income Tax purposes.

**c) *Individuals and Legal Entities with no Tax Residency in Spain***

Individuals who do not have tax residency in Spain who acquire ownership or other rights over the Notes by inheritance, gift or legacy, will not be subject to Inheritance and Gift Tax provided that the Notes are not located in Spain and the rights deriving from them cannot be exercised within Spanish territory.

If the provisions of the foregoing paragraph do not apply, such individuals will be subject to Inheritance and Gift Tax in accordance with the applicable regional and state legislation.

Non-resident entities which acquire ownership or other rights over the Notes by inheritance, gift or legacy are not subject to Inheritance and Gift Tax. They will be subject to Non-Resident Income Tax provided that the Notes are located in Spain or the rights deriving from them can be exercised within Spanish territory.

**V. *Value Added Tax, Transfer Tax and Stamp Duty***

The acquisition and transfer of Notes will be exempt from indirect taxes in Spain, i.e., exempt from Transfer Tax and Stamp Duty, in accordance with the Consolidated Text of such tax promulgated by Royal Legislative Decree 1/1993, of 24th September and exempt from Value Added Tax, in accordance with Law 37/1992, of 28th December, regulating such tax, as amended.

## PROPOSED FINANCIAL TRANSACTION TAX

The European Commission has published a proposal for a Directive for a common financial transactions tax ("**FTT**") in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances. The issuance and subscription of Notes should, however, be exempt.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

The FTT proposal remains subject to negotiation between the participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

## SUBSCRIPTION AND SALE

MSI plc is offering the Notes on a continuing basis (in such capacity, the "**Dealer**"), and through any dealer that has agreed to subscribe and/or distribute any Tranche of Notes (together with the Dealer, the "**Dealers**"), who will use, or will agree to use, reasonable efforts to solicit offers to purchase the Notes. The Issuer will have the sole right to accept offers to purchase Notes and may reject any offer in whole or in part. The Dealers will have the right to reject any offer to purchase Notes solicited by it in whole or in part. The Issuer may pay the Dealer, in connection with sales of the Notes resulting from a solicitation the Dealers made or an offer to purchase received by the Dealers, a commission, which may be in the form of a discount from the purchase price if the Dealers are purchasing the Notes for their own account.

The Issuer may also sell Notes to a Dealer as principal for its own account at a price to be agreed upon at the time of sale. The Dealers may resell any Notes they purchase as principal at prevailing market prices, or at other prices, as the Dealers determine.

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

### **United States of America**

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered, *at any time*, within the United States or to, or for the account or benefit of, U.S. Persons. Each Dealer (1) has acknowledged that the Notes have not been and will not be registered under the Securities Act, or any securities laws of any state in the United States, are subject to U.S. tax law requirements, and the Notes are not being offered or sold and may not be offered, sold or delivered at any time, directly or indirectly, within the United States or to or for the account or benefit of U.S. Persons (as defined in Regulation S under the Securities Act); (2) has represented, as a condition to acquiring any interest in the Notes, that neither it nor any persons for whose account or benefit the Notes are being acquired is a U.S. Person, is located in the United States, or was solicited to purchase Notes while present in the United States; (3) has agreed not to offer, sell or deliver any of the Notes, directly or indirectly, in the United States to any U.S. Person; and (4) has agreed that, at or prior to confirmation of sale of any Notes (whether upon original issuance or in any secondary transaction), it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration that purchases Notes from it a written notice containing language substantially the same as the foregoing. As used herein, "**United States**" means the United States of America (including the states and the District of Columbia), its territories and possessions.

In addition, the Dealers have represented and agreed that they have not offered or sold Notes and will not offer or sell Notes to U.S. Persons *at any time*. Accordingly, the Dealers have represented and agreed that neither they, their affiliates (if any) nor any person acting on its or their behalf has engaged or will engage in any directed selling efforts with respect to Notes, and it and they have complied and will comply with the offering restrictions requirements of Regulation S. Terms used in this paragraph have the meanings given to them by Regulation S.

### **European Economic Area**

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, in relation to each Tranche of Notes, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Issue Terms and the related Drawdown Prospectus in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the Issue Terms and the related Drawdown Prospectus in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus or a Drawdown Prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, in the period beginning and ending on the dates specified in such prospectus or Drawdown Prospectus, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;
- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 150 natural or legal persons (other than qualified investors as defined in the Prospectus Directive), subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

**provided that** no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive, or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, the expression "**Prospectus Directive**" means Directive 2003/71/EC (as amended, including by Directive 2010/73/EU), and includes any relevant implementing measures in the Relevant Member State.

## **United Kingdom**

*In relation to each Tranche of Notes, each Dealer has represented and agreed, subscribing for or purchasing such Notes, and each further Dealer appointed under the Programme will be required to represent and agree with the Issuer that:*

*Notes with maturities of less than one year:* in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") by the Issuer;

*Financial promotion:* it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

*General compliance:* it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

## **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948, as amended) (the "**FIEL**") and, accordingly, each Dealer has undertaken, and each further Dealer appointed under the Programme will be required to undertake, that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person or to others

for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, any Japanese Person except pursuant to an exemption from the registration requirements under, and otherwise in compliance with the FIEL and any other applicable laws, regulations and ministerial guidelines of Japan. For the purposes of this paragraph, "**Japanese Person**" shall mean any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **Ireland**

In relation to each Tranche of Notes, each Dealer subscribing for or purchasing such Notes has represented to, warranted and agreed with, or will represent to, warrant and agree with, the Issuer that:

- (a) it will not underwrite the issue of, or place the Notes, otherwise than in conformity with the provisions of the Irish European Communities (Markets in Financial Instruments) Regulations 2007 (Nos. 1 to 3) (as amended), including, without limitation, Parts 6, 7, and 12 thereof and the provisions of the Investor Compensation Act 1998 (as amended);
- (b) it will not underwrite the issue of, or place, the Notes, otherwise than in conformity with the provisions of the Irish Central Bank Acts 1942 to 2015 (as amended) and any codes of conduct rules made under Section 117(1) of the Irish Central Bank Act 1989 (as amended);
- (c) it will not underwrite the issue of, or place, or do anything in Ireland in respect of the Notes otherwise than in conformity with the provisions of the Irish Prospectus (Directive 2003/71/EC) Regulations 2005 (as amended), the Irish Companies Act 2014 (as amended) (the "**Companies Act**") and any rules issued under Section 1363 of the Companies Act by the Central Bank of Ireland (the "**Central Bank**");
- (d) it will not underwrite the issue of, place or otherwise act in Ireland in respect of the Notes, otherwise than in conformity with the provisions of Regulation (EU) No 596/2014 of the European Parliament and of the Council of 16 April 2014 on market abuse, Directive 2014/57/EU of the European Parliament and of the Council of 16 April 2014 on criminal sanctions for market abuse and the Irish European Union (Market Abuse) Regulations 2016 (as amended) and any rules issued under Section 1370 of the Companies Act by the Central Bank; and
- (e) any issue of the Notes with a legal maturity of less than one year will be carried out in strict compliance with the Central Bank's implementation notice for credit institutions BSD C 01/02 of 12 November 2002 (as may be amended, replaced or up-dated from time to time) and issued pursuant to Section 8(2) of the Irish Central Bank Act 1971 (as amended).

## **Spain**

Neither the Notes nor this Base Prospectus have been approved or registered in the administrative registries of the Spanish Securities Markets Commission (*Comisión Nacional del Mercado de Valores*). Accordingly, the Notes may not be offered, sold or re-sold in Spain except in circumstances which do not constitute a public offering of securities in Spain within the meaning of Article 35 of the Recast Text of the Securities Market Law (*Texto Refundido de la Ley del Mercado de Valores*) approved by Royal Decree Legislative 4/2015, of 23 October (the "**Recast Spanish Securities Market Law**"), article 38 of Royal Decree 1310/2005 of 4 November (*Real Decreto 1310/2005 de 4 de noviembre*) as amended and restated and supplemental rules enacted thereunder or in substitution thereof from time to time, and in compliance with the requirements of the Recast Spanish Securities Market Law and any regulations developing it or in substitution thereof which may be in force from time to time.

## **Republic of Italy**

The offering of the Notes has not been registered with the *Commissione Nazionale per le Società e la Borsa* ("**CONSOB**") pursuant to Italian securities legislation. Each Dealer has represented and agreed that any offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy will be effected in accordance with all Italian securities, tax and exchange control and other applicable laws and regulation. Accordingly, each of the Dealers has represented and agreed that it will not offer, sell or deliver any Notes or distribute copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy except:

- (a) to "qualified investors", as referred to in Article 100 of Legislative Decree No. 58 of 24 February 1998, as amended (the "**Decree No. 58**") and Articles 34-ter, first paragraph, letter b), of CONSOB Regulation No. 11971 of 14 May 1999, as amended ("**Regulation No. 11971**"); or
- (b) in any other circumstances where an express exemption from compliance with offering restrictions applies, as provided under Article 100 of the Decree No. 58 and Article 34-ter of Regulation No. 11971.

Any such offer, sale or delivery of the Notes or distribution of copies of this Base Prospectus or any other document relating to the Notes in the Republic of Italy must be:

- (i) made by an investment firm, bank or financial intermediary permitted to conduct such activities in the Republic of Italy in accordance with Decree No. 58, CONSOB Regulation No. 16190 of 29 October 2007 and Legislative Decree No. 385 of 1 September 1993 (in each case as amended from time to time);
- (ii) in compliance with Article 129 of Legislative Decree No. 385 of 1 September 1993, as amended, and the implementing guidelines of the Bank of Italy, as amended from time to time (to the extent applicable); and
- (ii) in compliance with any other applicable laws and regulations or requirement imposed by CONSOB or any other Italian authority.

### **The Netherlands**

*For selling restrictions in respect of The Netherlands, see "European Economic Area" above and in addition:*

- (a) *Specific Dutch selling restriction for exempt offers:* Each Dealer has represented and agreed and each further Dealer appointed under the Programme will be required to represent and agree that it will not make an offer of Notes which are the subject of the offering contemplated by this Base Prospectus as completed by the Issue Terms (and/or Drawdown Prospectus, as the case may be) in relation thereto to the public in The Netherlands in reliance on Article 3(2) of the Prospectus Directive unless:
  - (i) such offer is made exclusively to persons or legal entities which are qualified investors (as defined in the Dutch Financial Supervision Act (*Wet op het financieel toezicht*, the "**FSA**") and which includes authorised discretionary asset managers acting for the account of retail investors under a discretionary investment management contract) in The Netherlands; or
  - (ii) standard exemption logo and wording are disclosed as required by article 5:20(5) of the FSA; or
  - (iii) such offer is otherwise made in circumstances in which article 5:20(5) of the FSA is not applicable,

**provided that** no such offer of Notes shall require any Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expressions (i) an "offer of Notes to the public" in relation to any Notes in The Netherlands; and (ii) "**Prospectus Directive**", have the meaning given to them above in the paragraph headed "*European Economic Area*".

- (b) *Regulatory capacity to offer Notes in The Netherlands:* Each Dealer under the Programme, and each further Dealer appointed under the Programme, which did and does not have the requisite Dutch regulatory capacity to make offers or sales of financial instruments in The Netherlands has represented and agreed respectively will be required to represent and agree with the Issuer that it has not offered or sold and will not offer or sell any of the Notes of the Issuer in The Netherlands, other than through one or more investment firms acting as principals and having the Dutch regulatory capacity to make such offers or sales.

- (c) *Compliance with Dutch Savings Certificates Act:* Each Dealer has represented and agreed that Zero Coupon Notes (as defined below) in definitive form may only be transferred and accepted, directly or indirectly, within, from or into The Netherlands through the mediation of either the Issuer or a member firm of Euronext (Amsterdam) admitted in a function on one or more of the markets or systems operated by Euronext Amsterdam N.V., in full compliance with the Dutch Savings Certificates Act (Wet inzake spaarbewijzen) of 21 May 1985 (as amended) and its implementing regulations. No such mediation is required: (a) in respect of the transfer and acceptance of rights representing an interest in a Zero Coupon Note in global form, or (b) in respect of the initial issue of Zero Coupon Notes in definitive form to the first holders thereof, or (c) in respect of the transfer and acceptance of Zero Coupon Notes in definitive form between individuals not acting in the conduct of a business or profession, or (d) in respect of the transfer and acceptance of Zero Coupon Notes within, from or into The Netherlands if all Zero Coupon Notes (either in definitive form or as rights representing an interest in a Zero Coupon Note in global form) of any particular Series or Tranche of Notes are issued outside The Netherlands and are not distributed into The Netherlands in the course of initial distribution or immediately thereafter. In the event that the Savings Certificates Act applies, certain identification requirements in relation to the issue and transfer of, and payments on, Zero Coupon Notes have to be complied with. As used herein "**Zero Coupon Notes**" are Notes that are in bearer form and that constitute a claim for a fixed sum against the Issuer and on which interest does not become due during their tenor or on which no interest is due whatsoever."

### **Norway**

Notes denominated in Norwegian Krone (NOK) may not be offered or sold, directly or indirectly, within the Kingdom of Norway or to or for the benefit of Norwegian purchasers. Each purchaser of Notes denominated in Norwegian Krone (NOK) will be deemed to have acknowledged, represented and agreed that such Notes may not be offered or resold within the Kingdom of Norway or to or for the benefit of Norwegian purchasers.

### **Denmark**

This Base Prospectus has not been filed with or approved by the Danish Financial Supervisory Authority or any other regulatory authority in the Kingdom of Denmark. The Notes have not been offered or sold and may not be offered, sold or delivered directly or indirectly in Denmark, unless in compliance with Chapter 6 or Chapter 12 of the Danish Act on Trading in Securities and executive orders issued pursuant thereto as amended from time to time.

### **Switzerland**

The Notes shall not be publicly offered, sold, advertised, distributed or redistributed, directly or indirectly, in or from Switzerland, and neither this Base Prospectus as completed by the Issue Terms nor any other solicitation for investments in the Notes may be communicated, distributed or otherwise made available in Switzerland in any way that could constitute a public offering within the meaning of Articles 652a and 1156 of the Swiss Code of Obligations (the "CO") or of Article 3 of the Swiss Federal Act on Collective Investment Schemes (the "CISA") unless the legal and regulatory conditions imposed on a public offering under the CO or CISA are satisfied. This Base Prospectus as completed by the Issue Terms does not constitute a public offering within the meaning of Articles 652a, respectively 1156, of the CO and of Article 5 of the CISA and may not comply with the information standards required thereunder, and in particular with the guidelines on informing investors about structured products as published in July 2007 by the Swiss Bankers Association, as applicable

The Notes do not constitute collective investments within the meaning of the CISA. Accordingly, holders of the Notes do not benefit from protection under the CISA or from the supervision of the Swiss Financial Market Supervisory Authority. Investors are exposed to the default risk of the Issuer.

### **Hong Kong**

*Each Dealer has represented and agreed that:*

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes (except for Notes which are a "structured product" as defined in the Securities and Futures

Ordinance (Cap. 571) of Hong Kong) other than (a) to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

## **Singapore**

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Base Prospectus has not been registered as a prospectus with the Monetary Authority of Singapore (the "MAS"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused the Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell any Notes or cause the Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Base Prospectus or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289 of Singapore) (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Base Prospectus has not been registered as a prospectus with the MAS. Accordingly, this Base Prospectus and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Notes may not be circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor pursuant to Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

- (1) to an institutional investor or to a relevant person as defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
- (2) where no consideration is or will be given for the transfer;
- (3) where the transfer is by operation of law;

- (4) as specified in Section 276(7) of the SFA; or
- (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

**Taiwan**

The Notes may not be sold, offered or issued to Taiwan resident investors or in Taiwan unless they are made available, (i) outside Taiwan for purchase of the Notes outside Taiwan by such investors and/or (ii) in Taiwan through bank trust departments, licensed securities firms and/or investment linked insurance policies offered by insurance companies pursuant to the Taiwan Regulations Governing Offshore Structured Products or otherwise as permitted by Taiwan law, and/or (iii) (x) to the offshore banking units of Taiwan banks (including such units of Taiwan branches of foreign banks) or the offshore securities units of Taiwan securities firms (including such units of Taiwan branches of foreign securities firms) purchasing the Notes on behalf of non-Taiwanese clients of such units, or (y) to the offshore insurance units of Taiwan insurance companies (including such units of Taiwan branches of foreign insurance companies) selling the investment linked insurance policies linked to the Notes to non-Taiwanese clients of such units, pursuant to applicable laws and regulations of Taiwan.

#### **NO OWNERSHIP BY U.S. PERSONS**

**The Notes may not be legally or beneficially owned by U.S. Persons at any time. Each holder and each beneficial owner of a Note hereby represents, as a condition to purchasing or owning the Note or any beneficial interest therein, that neither it nor any person for whose account or benefit the Notes are being purchased is located in the United States, is a U.S. Person or was solicited to purchase the Notes while present in the United States. Each holder and each beneficial owner of a Note hereby agrees not to offer, sell or deliver any of the Notes, at any time, directly or indirectly in the U.S. or to any U.S. Person. The term "U.S. Person" will have the meaning ascribed to it in Regulation S under the Securities Act.**

## GENERAL INFORMATION

The Notes have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate code for each issue allocated by Euroclear and Clearstream, Luxembourg will be contained in the applicable Issue Terms. Transactions will normally be effected for settlement not earlier than two business days after the date of the transaction.

*For so long as this Base Prospectus remains in effect or any securities issued by the Issuer remain outstanding, the following documents will be available from the date hereof in physical or electronic form, during usual business hours on any weekday, for inspection at The Bank of New York Mellon, London Branch, One Canada Square, London E14 5AL and also at the registered office of the Issuer:*

- (a) copies of the Agency Agreement, the Trust Deed, the Custody Agreement, the Collateral Administration and Reporting Agreement, the Master Schedule of Definitions and all of the Issuer's future published financial statements;
- (b) copies of any Issue Document made available to any Noteholder in accordance with the Conditions;
- (c) the Certificate of Incorporation and the Articles of Association of MSI plc;
- (d) all reports, letters and other documents, historical financial information, valuations and statements by any expert any part of which is included or referred to herein;
- (e) the Annual Reports of the Issuer for the financial years ended 31 December 2014 and 31 December 2015;
- (f) a copy of this Base Prospectus and any document incorporated by reference herein;
- (g) any supplement to this Base Prospectus; and
- (h) any Issue Terms and related Drawdown Prospectuses (save that any Issue Terms and related Drawdown Prospectuses relating to a Note which is not listed will only be available for inspection by a holder of such Note and such holder must provide evidence satisfactory to the Issuer as to the identity of such holder).

The documents described in paragraph (e) to (h) above are also available for viewing at the website [morganstanleyiq.eu](http://morganstanleyiq.eu).

Any statement contained in this Base Prospectus or in a document incorporated or deemed to be incorporated by reference in this Base Prospectus will be deemed to be modified or superseded for purposes of this Base Prospectus, to the extent that a statement contained in this Base Prospectus or in any subsequently filed document that also is or is deemed to be incorporated by reference in this Base Prospectus and in respect of which a supplement to this Base Prospectus has been prepared modifies or supersedes the statement. Any statement so modified or superseded will not be deemed, except as so modified or superseded, to constitute a part of this Base Prospectus.

There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements which were for the year ended 31 December 2015.

Save as disclosed in the section headed "Litigation Matters" on pages 64 to 66 of the Registration Document (as incorporated by reference herein on page 12 of this Base Prospectus) and in Morgan Stanley's Quarterly Report on Form 10-Q for the period ended 30 September 2016 (as incorporated by reference herein on page 12 of this Base Prospectus), there are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware), during a period covering at least the previous 12 months which may have, or have had in the recent past, significant effects on the Issuer and the group's financial position or profitability.

There has been no significant change in the financial or trading position of the Issuer or the group which has occurred since 30 September 2016.

The role of MSI plc as issuer, collateral administrator, ABS collateral verification agent, EM collateral verification agent, determination agent and dealer under the Programme was authorised by resolutions of the Board of Directors of MSI plc on 12 December 2012.

The auditors of the Issuer are Deloitte LLP of 2 New Street Square, London EC4A 3BZ, who have audited MSI plc's accounts, without qualification, in accordance with generally accepted auditing standards in the United Kingdom for the financial year ended 31 December 2014 and the financial year ended 31 December 2015. The auditors of MSI plc have no material interest in MSI plc.

The Bank of New York Mellon SA/NV, Dublin Branch is acting solely in its capacity as listing agent for the Issuer (and not on its own behalf) in connection with the application for admission of Notes to the Official List of the Irish Stock Exchange and trading on its regulated market (the "**Main Securities Market**").

## INDEX OF DEFINED TERMS

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