



BULLETIN – November 2006

Guide to the Treatment of Denominations and Related Exchange Conditions

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1. INTRODUCTION

The purpose of this document is to clarify how Euroclear Bank and Clearstream Banking Luxembourg (the “ICSDs”) treat denominations (transferable/tradeable amounts) and the exchange of securities from global into definitive form.

Note: *For the purpose of this document, the terms “transferable and tradeable” are deemed to be synonymous in meaning with the term “denomination”. Therefore the term denomination will be the only term referenced and should be adopted as the exclusive terminology used. Additionally, note that the scope of this document only covers issues held directly with one or both of the ICSDs (i.e. with XS prefix ISINs) and only applies to those securities issued in bearer form due to requirements associated with notes being on security printed paper.*

The ICSDs obtain initial issuance documentation from three main sources: Lead Managers, issuers’ counsels and Issuing & Paying Agents. The ICSDs rely largely on draft documentation to assess the eligibility of securities in their systems. It is the responsibility of the Lead Manager or the Issuing/Paying Agent to provide the ICSDs with the draft and final documentation for those issues that they were involved in/created with the ICSDs. If the denomination of a security is amended in the final documentation, it is essential that the ICSDs be informed immediately or in any case before the closing of the security occurs. If the ICSDs are not informed of such a change between the time of the acceptance of a security and its closing, pending delivery instructions may fail or instructions may settle that are not in compliance with the final terms and conditions of the security.

2. DENOMINATIONS

There are three basic treatments of denominations that are commonly seen within the terms and conditions of a security. Each one will be addressed and illustrated independently to identify clearly the methodologies followed by the ICSDs when populating related security data in their respective databases.



2.1. SINGLE DENOMINATION

The issuer determines the total outstanding indebtedness amount of the issue (the “total nominal”) and defines a single denomination to be used by all market participants. This is the most frequently adopted treatment of denominations and is largely applied to money-market instruments and short-term notes.

Validation rule applied

The ICSDs will ensure that the denomination is wholly divisible into the proposed total nominal. If not, the issuer will be requested to amend the proposed denomination prior to acceptance by the ICSDs.

Fungibility treatment applied

Tranches will be made fungible only when the denomination of the subsequent tranche is the same as the denomination of the first tranche. If this has to be achieved by amending the terms of the first tranche (which would normally require the consent of the noteholders), the ICSDs expect to receive amended terms and conditions reflecting the change. If the tranches cannot be made fungible, separate ISINs would be assigned to the two respective tranches.

Example of a Single Denomination
The issuer determines a total nominal amount of EUR 50,000,000 and defines a single denomination amount of EUR 100,000. In this example, the ICSDs will only settle instructions in multiples of EUR 100,000.

2.2. SEVERAL DENOMINATIONS

The issuer determines the total nominal and defines two or more denominations to be used by all market participants.

Validation rule applied

The ICSDs will settle instructions only in any single denomination or any combination of the denominations stated in the terms and conditions¹.

Fungibility treatment applied

Tranches will be made fungible by the ICSDs only when the denominations of the subsequent tranche are the same as the denominations of the first tranche. If this has to be achieved by amending the terms of the first tranche (which would normally require the consent of the noteholders), the ICSDs expect to receive amended terms and conditions reflecting the change. If the tranches cannot be made fungible, separate ISINs would be assigned to the two respective tranches.

Example of Several Denominations
The issuer determines a total nominal amount of EUR 50,000,000 with denominations of either EUR 1,000, EUR 10,000 or EUR 100,000. The ICSDs will settle instructions only in multiples of any of the specified denominations.

¹ Where an issue is also composed of several denomination amounts, the ICSDs expect that upon an exchange to definitive form, a sufficient number of definitive notes of each denomination will be printed to allow for physical settlement and also to avoid physical realignment problems between the two ICSDs.



2.3. MINIMUM DENOMINATION (TO COMPLY WITH THE PROSPECTUS DIRECTIVE/TRANSPARENCY DIRECTIVE) AND HIGHER INTEGRAL MULTIPLES OF 1000 OR SOME OTHER AMOUNT TO BE DETERMINED

The issuer determines the total nominal and defines a minimum denomination with higher integral multiples in a lesser amount thereafter. This treatment is generally used to comply with wholesale selling restrictions as noted within the Prospectus Directive/Transparency Directive.

Validation rule applied

The ICSDs will ensure that the higher integral multiple amount is wholly divisible into the total nominal amount of the issue. The ICSDs will only permit settlement of instructions when the amount of securities to be delivered is at least equivalent to the minimum denomination.²

Instructions to deliver an amount of less than the minimum denomination will be rejected.

The validation rules implemented by the ICSDs are solely based on the actual nominal amount of the instruction and are not based on the customer's resulting balance that will remain post settlement of the proposed transaction. It is therefore possible that positions of less than the minimum denomination could be created, thus resulting in further delivery instructions being blocked for settlement.

Fungibility treatment applied by the ICSDs

Tranches will be made fungible by the ICSDs only when the minimum denomination and the higher integral multiple amounts of the subsequent tranche are the same as the first tranche. If this has to be achieved by amending the terms of the first tranche (which would normally require the consent of the noteholders), the ICSDs expect to receive amended terms and conditions reflecting the change. If the tranches cannot be made fungible, separate ISINs would be assigned to the two respective tranches.

Note: The ICSDs are often requested to create an issue with a minimum "initial" transferable amount or with a minimum subscription amount that, after the closing date or a pre-determined period, is no longer required by the issuer. The inclusion of such terminology is not acceptable. The ICSDs will not take responsibility for monitoring this aspect and they strongly suggest the use of such terminology is not included in issuance documentation.

Example of a Minimum Denomination with higher Integral Multiple thereafter
The issuer determines a total nominal amount of EUR 50,000,000 and defines a minimum denomination of EUR 50,000 and integral multiples of 1,000 thereafter. In this example, the ICSDs will only settle instructions that are greater than 50,000 and that are divisible by multiples of 1,000 thereafter.

² See Section 3 for details of the denominations that are permitted in the relevant scenarios where exchanges to definitive notes may take place.



3. EXCHANGE FROM GLOBAL TO PHYSICAL (DEFINITIVE) NOTES

The ICMSA (“International Capital Markets Services Association”) has identified four principal events currently documented in issuance Terms and Conditions related to exchanges from a global note to definitive notes to be addressed:

- a) Closure of one or both ICSDs;
- b) Default of the issuer;
- c) Exchange from a global note at the option of the issuer due to adverse tax consequences;
- d) Exchange at any time at the option of the noteholder/issuer other than due to adverse tax consequences.

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Taking each of the above in turn:

- a) Closure of one or both ICSDs

This was deemed to be an unlikely event and if such an event were to occur, it has been agreed that a "market meltdown" situation would be encountered. This has been interpreted to mean that the printing of definitive notes would be of the least concern to noteholders and ICSD participants. The ICSDs therefore agreed that, when such clauses appear in new issuance documentation, such issues would be accepted with a minimum denomination and higher integral multiples in a lesser amount thereafter.

In the extremely unlikely event that definitive notes are required to be printed, the issuer will be responsible for printing an adequate number of notes in the specified denominations of the possible permutations. To illustrate, where the specified denomination is expressed to be a minimum of EUR 50,000 with higher integral multiples of EUR 1,000 up to a maximum of EUR 99,000; definitive notes would need to be printed in amounts of EUR 50,000, EUR 51,000, EUR 52,000 etc up to EUR 99,000. No notes should be issued with a denomination above EUR 99,000.

- b) Default of the issuer

This is deemed to be a more likely scenario than a) but, if it were to occur, the issuer would be unlikely to have the funds to pay for the printing of definitives and the liquidators or administrators appointed to oversee the issue would not allocate funds to pay for such printing as a priority task. As such, when such clauses appear in documentation, the ICSDs would accept issues with a minimum denomination and higher integral multiples in a lesser amount thereafter.

In the extremely unlikely event that definitive notes are required to be printed, the issuer will be responsible for printing an adequate number of notes in the specified denominations of the possible permutations. To illustrate, where the specified denomination is expressed to be a minimum of EUR 50,000 with higher integral multiples of EUR 1,000 up to a maximum of EUR 99,000; definitive notes would need to be printed in amounts of EUR 50,000, EUR 51,000, EUR 52,000 etc up to EUR 99,000. No notes should be issued with a denomination above EUR 99,000.

- c) Exchange from a global note at the option of the issuer due to adverse tax consequences

In order to limit the exchange scenarios relating to “adverse tax consequences”, if the documentation identifies that such adverse tax consequences are due to actual/proposed legislative changes in the domicile



of the issuer, the ICSDs would accept issues with a minimum denomination and higher integral multiples in a lesser amount thereafter.

In the extremely unlikely event that definitive notes are required to be printed, the issuer will be responsible for printing an adequate number of notes in the specified denominations of the possible permutations. To illustrate, where the specified denomination is expressed to be a minimum of EUR 50,000 with higher integral multiples of EUR 1,000 up to a maximum of EUR 99,000; definitive notes would need to be printed in amounts of EUR 50,000, EUR 51,000, EUR 52,000 etc up to EUR 99,000. No notes should be issued with a denomination above EUR 99,000.

d) Exchange at anytime at the option of the noteholder/issuer other than due to adverse tax consequences³

Market practice is that such exchanges must occur in whole and not in part. Thus, if such an event occurred, the entire global note would have to be exchanged into definitive notes. The shared view is that allowing the provision of a minimum denomination and a higher integral amount with such possible frequent exchange scenarios would not be feasible in practice. The issuer would not be willing to print definitive notes in denominations of, for example EUR 1,000; as such a denomination would not comply with wholesale selling restrictions as referenced earlier in this document.

Therefore the concept of exchanging to definitive notes and printing a number of EUR 50,000, EUR 51,000, EUR 52,000 etc. up to EUR 99,000 notes is not deemed feasible for such common situations from a practical or market operational perspective. As such, to comply with either Directive's requirements; issues which incorporate one or both of these options should be issued in a single minimum denomination of Euro 50,000 (or equivalent) when complying with the wholesale provisions of the EU Prospective Directive or if not a requirement of the Issue, then either a single denomination of an appropriate amount or several denominations as illustrated in Sections 2.1 and 2.2.

Note: The ICSDs are aware that there are existing issues with final Terms and Conditions/Programme Documentation that fall outside the above guidelines for scenario d.

To limit potential market disruption associated with amending existing Terms and Conditions, existing issues will be grandfathered thus permitting the tapping of fungible issues without the need to amend the existing Terms and Conditions.

4. HOLDERS RIGHTS AND ENTITLEMENTS

The holder's rights in the ICSDs should reflect their entire holding held within participant accounts in the ICSDs. The ICSDs are not in a position to accept restrictions on this because noteholders should not be disenfranchised whilst the holding is still held via the ICSDs. Documents should reflect that the noteholder's rights would be the same as would apply to the amount of the bonds they are holding. These rights should include the receipt of interest and principal, voting rights, tender and exchange rights etc., but not the right to transfer any holding of less than the minimum denomination or to receive a definitive note(s) for holdings less than the minimum denomination.

³ It should be noted that the ICSDs accept decimal place values (for example, Eurocents) for issues denominated in EUR only.
Note: Securities that issue with Eurocent tradable amounts should not provide for the exchange to definitive notes.



5. SUGGESTED WORDING ILLUSTRATIONS FOR THE DESCRIPTION OF TRADING ARRANGEMENTS TO APPEAR WITHIN OFFERING/INFORMATION DOCUMENTATION

Sample of Acceptable Text

"So long as the Notes are represented by a temporary Global Note or permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of [•] and higher integral multiples of [•] notwithstanding that no definitive notes will be issued with a denomination above [•]."

To further illustrate:

Specified Denominations: EUR 50,000 and higher integral multiples of EUR 1,000

"So long as the Notes are represented by a temporary Global Note or permanent Global Note and the relevant clearing system(s) so permit, the Notes will be tradeable only in the minimum authorised denomination of EUR 50,000 and higher integral multiples of EUR 1,000, notwithstanding that no definitive notes will be issued with a denomination above EUR 99,000."

Examples of Unacceptable Text

Specified below are examples reflected in documentation sent to the ICSDs/Issuing & Paying Agents on a daily basis. In each case comments as to why the sample text is not acceptable have been provided.

Example 1

The document shows the following information throughout various sections:

- Total Nominal Amount 1,000,000
- Denominations of 1,000
- Number of Notes that can be issued 1000
- Integral Multiples of Notes required for Transfer: 100 Notes and 1 thereafter

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Definitives are only foreseen in a default situation.

It is not clear what "Integral Multiples of Notes required for Transfer: 100 Notes and 1 thereafter" means.

This configuration implies two levels of denomination which is not acceptable.

Example 2a

The documentation shows the following information:

- Minimum Transferable Amount of 100,000
- Specified Denomination of 50,000 with integral multiples of 1,000

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Definitives are foreseen at anytime.



The ICSDs are not able to monitor the “Minimum Transferable Amount” in the above situation. The ICSDs will not accept such issues. If definitive notes can be issued at anytime the ICSDs and other Agents or Noteholders would face major difficulties to trade and reconcile such notes.

This configuration also implies two levels of denomination which is not acceptable.

Example 2b

The documentation shows the following information:

- Minimum Transferable Amount of 100,000
- Specified Denomination of 50,000 with integral multiples of 1,000

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Definitives are only foreseen in a default situation.

The ICSDs are not able to monitor the “Minimum Transferable Amount” in the above situation. In the above case only the “denominations” will be populated and monitored within the ICSDs/ICMSA databases.

This configuration also implies two levels of denomination which is not acceptable.

Example 3

The document shows the following information:

- Part A of the documents mentions “Specified Denominations of 50,000”
- In a general section of the document called “other final terms” it mentions

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“The minimum transferable number of Notes shall be 2, and integral multiples of 1 thereafter”

Definitives are only foreseen in a default situation.

It is not clear what the number of Notes shall be as no other reference is made in the document. What does 1 thereafter mean, is it 1 Note or just the figure of 1?

This configuration also implies two levels of denomination which is not acceptable.

Example 4

The document shows the following information:

- Specific Denominations of 50,000 and integral multiples of 1,000

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Definitives are foreseen at anytime.

The document allows for Definitives to be permitted in notes of 51,000 to 99,000.



Such wording is not acceptable as printing definitive notes is not deemed feasible where scenarios of exchanges are likely to be more common in frequency. This is not acceptable from a practical and operational perspective. Documentation should therefore not provision for such a scenario.

Example 5

The document shows the following information:

- Specified Denominations of 50,000 and integral multiples of 1,000

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Definitives are foreseen at anytime.

The document allows only for Definitives to be permitted in notes of 50,000.

Such wording is not acceptable. Documentation should therefore not provide for such a scenario.

Example 6

The document shows the following information:

- Specified Denominations of 1,000
- Minimum subscription of 2,000 on the primary market

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Definitives are foreseen at anytime.

The ICSDs will not monitor or apply the “Minimum subscription of 2,000 on the primary market”. The ICSDs will only apply the specified denominations as 1,000.

Example 7

The document shows the following information:

- Denominations: 50,000
- Integral Multiples: 50,000

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Definitives are foreseen at anytime.

The ICSDs will reflect the “denomination” as 50,000 and will only accept instructions that are for a value of 50,000 and multiples of 50,000 thereafter. Documentation should only reflect a single denomination.

Example 8

The document shows the following information:

- Specified Denominations: 50,000
- The Instrument may not be subdivided or reissued in smaller denominations.

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Definitives are foreseen at anytime.

The ICSDs will reflect the “denomination” as 50,000 and will only accept instructions that are for a value of 50,000 and multiples of 50,000 thereafter. The second bullet point is superfluous.

Example 9

The documentation shows the following information:

- Specified Denomination (first page) of 50,000
- Part B (last page) Tradeable Amount of 1,000

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Definitives are only foreseen in a default situation.

Our interpretation is that the intention is to reflect the principles of **Notes will be tradeable only in principal amounts of 50,000 and higher integral multiples of 1,000**

The recommendation is that in such scenarios, the wording to reflect this concept should be amended to reflect the principles of the “Recommended Text” at the beginning of Section 5 to ensure correct interpretation and reflection vis-à-vis the Terms and Conditions.

Example 10

Sample of wording from received documentation

“The Notes will be issued on the Closing Date in an aggregate principal amount of €406,762,000 and will be constituted by the Note Trust Deed. If issued in definitive form the Notes will be in the denomination of €50,000.

In the event that a Permanent Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in denominations with original principal amounts of €50,000 only.

Noteholders who hold Class D Notes in the relevant clearing system in amounts that are not integral multiples of €50,000 may need to purchase or sell on or before the date on which such Class D Notes are exchanged for Definitive Notes, a principal amount of Class D Notes such that their holding is in integral multiples of €50,000.

Failure to do so may result in such a Noteholder losing its right to payment of interest, repayment of principal and voting rights.”

The above is not acceptable as the nominal is not wholly divisible by the single denomination.



6. SUGGESTED WORDING FOR DRAFT/FINAL PROGRAMME DOCUMENTATION

If the programme document allows for the following scenarios:

- a) Closure of one or both ICSDs;
- b) Default of the issuer;
- c) Exchange at the option of the issuer due to adverse tax consequences;

The ICSDs have agreed that when programme documentation provides for drawdowns to be issued with a minimum denomination and higher integral multiples of [•], such issues would be accepted (see Section 3).

If the Programme document allows for the following scenario:

- d) Exchange at anytime at the option of the noteholder/issuer other than due to adverse tax consequences

The ICSDs will not accept programmes which allow for drawdowns whereby definitives will be made available at any time upon a holder or issuer's request and where such notes have a minimum denomination and a higher integral multiple amount (e.g. 50,000 and multiples of 1,000).

To provide for the above scenario and receive acceptance of the programme, the following wording will be acceptable to the ICSDs in the Programme document:

"If a Global Note is exchangeable for Definitive Notes at the option of the Noteholders, the Notes shall be tradeable only in principal amounts of at least the Specified Denomination (or if more than one Specified Denomination, the lowest Specified Denomination)"

or

"In relation to any issue of Notes which are a "Permanent Global Note exchangeable to Definitive Notes" in circumstances other than "in the limited circumstances specified in the Permanent Global Note, such Notes may only be issued in denominations equal to, or greater than, EUR50,000 (or equivalent) and multiples thereof."

The ICSDs are willing to consider varying types of wording but in all cases the ICSDs should be consulted before the final offering circular is printed

Note to the Reader:

Settlement delivery amounts

The ICSDs settle deliveries and receipts of securities according to the instructions of their customers, which do not necessarily contain all trade details. The trade information fields are not mandatory for matching or settlement and, in any case, do not include a field for the trade amount where this differs from the delivery amount. This means that, for example, in the case of a trade being settled by deliveries from more than one position, the ICSDs have no way of determining the amount of the underlying trade and cannot be held responsible for such trades handled in this manner.