

EXCHANGE CONTRACT NO. 144  
IN RESPECT OF GILT CONTRACTS

(A) CONTRACT TERMS  
(Issue Date: 27 January 2011)<sup>1</sup>

(B) CONTRACT DETAILS SPECIFIED BY THE BOARD  
(Issue Date: 27 January 2011)

(C) ADMINISTRATIVE PROCEDURES  
(Issue Date: 27 January 2011)

Delivery Months:

Long Gilt: March, June and September 2011

Medium Gilt: March, June and September 2011

Short Gilt: March, June and September 2011

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<sup>1</sup> Issued under London Notice No. 3389 on 27 January 2011.

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# THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGE

## (A) CONTRACT TERMS

### 1. Interpretation

1.01 Save as otherwise specified herein, words and phrases defined in the Rules shall have the same meanings in these terms and in the Administrative Procedures.

1.02 In these terms and the Administrative Procedures:

“Administrative Procedures” means the procedures from time to time implemented by the Board pursuant to the Rules for the purposes of this Exchange Contract.

“Assured Payment” means, in the case of Gilts transferred through CREST, a system-generated payment instruction which is binding on:

- (a) the CSP’s settlement bank in favour of the Transferor’s settlement bank in the case of a transfer of Gilts from the Transferor to the CSP through CREST; and
- (b) the Transferee’s settlement bank in favour of the CSP’s settlement bank in the case of a transfer of Gilts from the CSP to the Transferee through CREST,

of an amount equal to the invoicing amount.

“bad delivery” means a stock transfer instruction which is rejected by the Registrars Department of the Bank of England.

“business day” means a day on which the market and banks in London are open for business.

“Buyer” in respect of a Contract means the person who is required under such Contract to nominate a Transferee to accept transfer in respect of each lot of the delivery amount of a Deliverable Gilt and who is obliged pursuant to these terms to make payment in respect of each lot (including, except where the context otherwise requires, the CSP as buyer under a registered Contract).

“Contract” means a contract made expressly or impliedly in the terms of this Exchange Contract for the sale and purchase of one or more lots of an Exchange Contract specified by the Board in the Contract Details, and “registered Contract” means a Contract registered by the Exchange.

“CREST” means the computerised settlement system operated by Euroclear UK & Ireland Limited.

“CREST business day” means a day when CREST is operational for business.

“CREST Member” means a member of CREST with a CREST Member Account in his name.

“CREST Member Account” means a member account (as defined in the CREST Rules) maintained by CREST for the transfer of securities.

“CREST Rules” means those parts of the rules, reference manual, procedures, practices and any other document from time to time in force of Euroclear UK & Ireland Limited which apply to the settlement of transactions by participants in CREST.

“CREST Service” means the system and procedures operated by Euroclear UK & Ireland Limited to facilitate, amongst other things, the transfer of gilt-edged securities.

“Deliverable Gilt” means in respect of an Exchange Contract specified by the Board in the Contract Details, a gilt issue listed on the List of Deliverable Gilts for a particular delivery month.

“delivery month” means each month specified as such by the Board pursuant to the Rules.

“EDSP” means Exchange Delivery Settlement Price and has the meaning attributed to it in term 9.

“First Notice Day” means the first day on which a Seller’s Delivery Notice may be given by the Seller in respect of any lot comprised in a Contract, being the penultimate business day preceding the commencement of the delivery month for such Contract.

“full coupon period” means the period from and including the previous quasi-coupon date up to but excluding the following quasi-coupon date.

“Gilt” means a unit of £100 of a Deliverable Gilt.

“gilt issue” means a bond issued by the Government of the United Kingdom denominated in sterling.

“invoicing amount” has the meaning attributed to it in term 10.

“Last Notice Day” means in respect of any Notice Period the business day next following the Last Trading Day for the delivery month relevant to such Notice Period.

“Last Trading Day” means, subject to term 13.01, in respect of any delivery month the last business day preceding the penultimate business day in that month.

“List of Deliverable Gilts” has the meaning attributed to it in term 3.01.

“London Stock Exchange” means the London Stock Exchange plc.

“lot” has the meaning attributed to it in term 2.01.

“Notice Day” in respect of any lot comprised in a Contract means the business day on which a valid Seller’s Delivery Notice in respect of such lot is given by the Seller and is received or deemed, in accordance with the Administrative Procedures, to have been received by the CSP.

“Notice Period” means the period from and including the First Notice Day up to and including the Last Notice Day.

“Notional Coupon” means the annual interest rate, expressed as a percentage, in respect of a £100,000 nominal value notional gilt.

“Pounds”, “£”, “pence” and “penny” denote lawful currency of the United Kingdom.

“Price Factor” has the meaning attributed to it in term 4.

“Procedures” has the meaning ascribed to it in the Regulations.

“proprietary or equitable interest” means any proprietary or equitable interest or right whatsoever including without limitation any such interest or right arising under or by virtue of any disposition made or purporting to be made by way of security or by way of loan and any other lien, encumbrance or equity of any kind.

“quasi-coupon dates” in respect of a Deliverable Gilt means the dates which reflect the semi-annual coupon cycle defined by a bond’s maturity date, irrespective of whether cash flows occur on those dates, including a date falling before the issue date of the Deliverable Gilt.

“Regulations” means the General Regulations and Default Rules of the CSP as may be in force from time to time.

“Seller” in respect of a Contract means the person who is required under such Contract to nominate a Transferor to transfer in respect of each lot the delivery amount of a Deliverable Gilt and who is obliged under such Contract to make delivery pursuant to these terms (including, except where the context otherwise requires, the Exchange as seller under a registered Contract).

“Settlement Account” means a CREST Member Account.

“Settlement Agent” means a CREST Member.

“Settlement Day” in respect of each lot comprised in a Contract means the day which is the second business day after the Notice Day for such lot, except where such Notice Day is also the Last Notice Day. Where such Notice Day is also the Last Notice Day, “Settlement Day” shall mean the next business day after the Last Notice Day.

“Transferee” has the meaning attributed to it in term 8.03.

“Transferor” has the meaning attributed to it in term 7.03(b).

1.03 References to a “term” refer to a term hereof, and references to a “Rule” refer to a rule of the Exchange’s Rules and references to “specified by the Board in the Contract Details” means as specified in the column in Table I applicable to the relevant Exchange Contract. Save where the context otherwise requires references herein to the singular include the plural, and vice versa. The Table attached hereto forms part of these terms.

2. Contract Specification

2.01 Each Contract shall be for one or more lots for the delivery month specified. A “lot” shall be an amount having a nominal value of £100,000 (the “delivery amount”) of a Deliverable Gilt included in the List of Deliverable Gilts for an Exchange Contract and for the relevant delivery month.

3. List of Deliverable Gilts

3.01 In respect of each delivery month of each Exchange Contract, the Board will publish on or before the day specified for that purpose in the Administrative Procedures a list of Deliverable Gilts (the “List of Deliverable Gilts”) which will constitute, subject to term 3.03, Deliverable Gilts capable of being included in a valid Seller’s Delivery Notice given in accordance with term 7, being gilt issues having the characteristics listed in term 3.02 at the date of publication of the List of Deliverable Gilts.

3.02 The characteristics referred to in term 3.01 are:

- (a) having terms as to redemption such as provide for redemption of the entire gilt issue in a single instalment such that the length of time to the maturity date from, and excluding, the first date of the relevant delivery month is within the maturity range for the relevant Exchange Contract specified by the Board in the Contract Details;
- (b) having no terms permitting or requiring early redemption;
- (c) bearing interest at a single fixed rate throughout the term of the issue payable in arrears semi-annually (except in the case of the first interest payment period which may be more or less than six months);
- (d) being denominated and payable as to principal and interest only in Pounds and pence;
- (e) being fully paid or, in the event that the gilt issue is in its first interest period and is partly paid, being anticipated by the Board to be fully paid on or before the Last Notice Day of the relevant delivery month;

- (f) not being convertible;
- (g) not being in bearer form;
- (h) having been admitted to the Official List of the UK Listing Authority; and
- (i) being anticipated by the Board to have on one or more days during the relevant delivery month an aggregate principal amount outstanding of not less than £1.5 billion which, by its terms and conditions, if issued in more than one tranche or tap or issue, is fungible.

3.03 Notwithstanding that a gilt issue is included in the List of Deliverable Gilts for a particular delivery month a Deliverable Gilt may only be included in a valid Seller's Delivery Notice in respect of a Settlement Day if such Settlement Day has been indicated on the List of Deliverable Gilts as a day for which a Seller's Delivery Notice specifying such Deliverable Gilt would be valid, being, inter alia:

- (a) if the Deliverable Gilt was not fully paid as at the date of publication of the List of Deliverable Gilts, a day subsequent to the day which the Board anticipated pursuant to paragraph (e) of term 3.02 would be the day on which the Deliverable Gilt would be fully paid; and
- (b) a day which the Board anticipated pursuant to paragraph (i) of term 3.02 would be a day on which the Deliverable Gilt would have an aggregate principal amount outstanding of not less than £1.5 billion which, by its terms and conditions if issued in more than one tranche or tap or issue, is fungible.

3.04 The Board may in its absolute discretion exclude from the List of Deliverable Gilts any gilt issue which would qualify to be included in such list in respect of a delivery month without giving any reason for such exclusion.

3.05 All details included in the List of Deliverable Gilts published in respect of a delivery month under term 3.01 shall (subject to the emergency powers contained in the Rules) be final and binding including, without prejudice to the foregoing:

- (a) the Price Factors, the initial accrued and the daily accrued interest figures shown thereon for the purposes of calculating the invoicing amount (subject to the provisions of term 13.02 regarding adjustments to the invoicing amount); and
- (b) the Settlement Days in respect of which a valid Seller's Delivery Notice may be given in respect of each Deliverable Gilt.

4. Price Factor

4.01 The List of Deliverable Gilts published by the Board in respect of a delivery month of an Exchange Contract specified by the Board in the Contract Details under term 3.01 will specify a price factor (the “Price Factor”) for each Deliverable Gilt calculated in accordance with:

- (a) in the case of a Deliverable Gilt which is fully paid, the formula set out in term 4.02; and
- (b) in the case of a Deliverable Gilt which is not fully paid, the formula published from time to time by Notice.

4.02 (a) For each Deliverable Gilt which is fully paid the Price Factor will be calculated in accordance with the formula:

$$\frac{P(x)}{100}$$

where P(x) equals the price per £100 nominal of such Deliverable Gilt at which it has a gross redemption yield of x per annum, calculated as at the first day of the delivery month, minus the undiscounted amount of accrued interest on such Deliverable Gilt on that day, using the formulae set out in paragraphs (b) and (c) of this term.

(b) P(x) shall be calculated in accordance with the following formula:

$$P(x) = \frac{1}{\left(1 + \frac{x}{2}\right)^{\frac{r}{s}}} \left[ d_1 + \frac{d_2}{\left(1 + \frac{x}{2}\right)} + \frac{c}{x} \left( \frac{1}{\left(1 + \frac{x}{2}\right)} - \frac{1}{\left(1 + \frac{x}{2}\right)^n} \right) + \frac{100}{\left(1 + \frac{x}{2}\right)^n} \right] - AI$$

where:  $d_1$  = Cash flow (which could be zero) due on the following quasi-coupon date, per £100 nominal of the gilt.  $d_1$  will be zero if the first day of the delivery month occurs in the ex-dividend period or if the gilt has a long first coupon period and the first day of the delivery month occurs in the first full coupon period.  $d_1$  will be less than  $c/2$  if the first day of the delivery month falls in a short first coupon period.  $d_1$  will be greater than  $c/2$  if the first day of the delivery month falls in a long first coupon period and the first day of the delivery month occurs in the second full coupon period;

$d_2$  = Cash flow due on the next but one quasi-coupon date, per £100 nominal of the gilt.  $d_2$  will be greater than  $c/2$  if the first day of the delivery month falls in a long first

coupon period and in the first full coupon period. In all other cases,  $d_2 = c/2$ ;

$x =$  Notional Coupon as specified in Section (B): Contract Details Specified by the Board, e.g.  $x = 0.06$  for a 6% Notional Coupon;

$c =$  Annual coupon per £100 nominal of the gilt;

$r =$  Number of calendar days from and including the first day of the delivery month up to but excluding the next quasi-coupon date;

$s =$  Number of calendar days in the full coupon period in which the first day of the delivery month occurs;

$n =$  Number of full coupon periods between the following quasi-coupon date and the redemption date;

$AI =$  Accrued interest per £100 nominal of the gilt calculated using the formula set out in (c);

(c) The accrued interest (AI) in the formula set out in paragraph (b) will be calculated in accordance with the following formulae:

(i) If the first day of the delivery month occurs in a standard coupon period, and:

the first day of the delivery month occurs on or before the ex-dividend date:

$$AI = \frac{t}{s} \times \frac{c}{2}$$

the first day of the delivery month occurs after the ex-dividend date:

$$AI = \left( \frac{t}{s} - 1 \right) \times \frac{c}{2}$$

where:  $AI =$  Accrued Interest per £100 nominal of the gilt;

$c =$  Annual coupon per £100 nominal of the gilt;

$t =$  Number of calendar days from and including the last coupon date up to but excluding the first day of the delivery month;

$s =$  Number of calendar days in the full coupon period in which the first day of the delivery month occurs;

- (ii) If the first day of the delivery month occurs in a short first coupon period, and:

the first day of the delivery month occurs on or before the ex-dividend date:

$$AI = \frac{t^*}{s} \times \frac{c}{2}$$

the first day of the delivery month occurs after the ex-dividend date:

$$AI = \left( \frac{t^* - r}{s} \right) \times \frac{c}{2}$$

where:  $t^*$  = Number of calendar days from and including the issue date up to but excluding the first day of the delivery month;

$r$  = Number of calendar days from and including the issue date up to but excluding the next quasi-coupon date;

and  $c$  and  $s$  have the same meanings as in (i) above.

- (iii) If the first day of the delivery month occurs in a long first coupon period, and:

the first day of the delivery month occurs during the first full coupon period:

$$AI = \frac{u}{s_1} \times \frac{c}{2}$$

the first day of the delivery month occurs during the second full coupon period and on or before the ex-dividend date:

$$AI = \left( \frac{r_1}{s_1} + \frac{r_2}{s_2} \right) \times \frac{c}{2}$$

the first day of the delivery month occurs during the second full coupon period and after the ex-dividend date:

$$AI = \left( \frac{r_2}{s_2} - 1 \right) \times \frac{c}{2}$$

where:  $u$  = Number of calendar days from and including the issue date up to but excluding the first day of the delivery month;

- $s_1$  = Number of calendar days in the full coupon period in which the issue date occurs;
- $s_2$  = Number of calendar days in the next full coupon period after the full coupon period in which the issue date occurs;
- $r_1$  = Number of calendar days from and including the issue date up to but excluding the next quasi-coupon date;
- $r_2$  = Number of calendar days from and including the quasi-coupon date after the issue date up to but excluding the first day of the delivery month which falls in the next full coupon period after the full coupon period in which the issue date occurs;

and  $c$  has the same meaning as in (i) above.

5. Price

- 5.01 The Contract price shall be expressed in Pounds and pence per £100 nominal of a security which if it were in issue and included in the List of Deliverable Gilts would have a Price Factor of 1.

6. Cessation of Trading

- 6.01 No Contract for the current delivery month shall be made after the time on the Last Trading Day specified for that purpose in the Administrative Procedures.

7. Seller's Delivery Notice

- 7.01 In respect of each delivery month, a Seller in whose name are registered by the Exchange one or more Contracts and who intends to make delivery of any lot comprised in any such Contract may give to the CSP a Seller's Delivery Notice in respect of such lot, by the time specified for that purpose in the Administrative Procedures, on any business day during the Notice Period for that delivery month.
- 7.02 In respect of each delivery month, a Seller in whose name are registered by the Exchange, or who intends to submit or has submitted to the Exchange for registration, one or more Contracts shall have given to the CSP a Seller's Delivery Notice not later than the time on the Last Notice Day specified for that purpose in the Administrative Procedures in respect of each lot comprised in such Contracts.

7.03 A Seller's Delivery Notice shall be addressed to the CSP by the Seller and be in a form from time to time prescribed by the CSP. A Seller's Delivery Notice shall, in respect of each lot referred to in the notice, specify:

- (a) full details of the Deliverable Gilt, the delivery amount of which is to be transferred in accordance with these terms on the Settlement Day against payment of the invoicing amount;
- (b) the name of the person who will transfer the delivery amount of the Deliverable Gilt ("the Transferor"), who may be the Seller himself or some other person;
- (c) details of the Settlement Agent (who may be the Transferor himself) who will be used to transfer the delivery amount of the Deliverable Gilt in respect of a lot and to receive payment of the invoicing amount for such lot; and
- (d) any other details required by the CSP from time to time.

7.04 Only one Deliverable Gilt shall be nominated in respect of each lot referred to in a Seller's Delivery Notice.

7.05 By giving a Seller's Delivery Notice the Seller shall be deemed:

- (a) to represent and warrant to the CSP and to the Buyer that on the Settlement Day the Transferor will transfer to the CSP in accordance with term 12.01(a) the delivery amount of the Deliverable Gilt referred to in the Seller's Delivery Notice by the time specified for that purpose in the Administrative Procedures; and
- (b) to acknowledge to and agree with the CSP and the Buyer that:
  - (i) on the Settlement Day and thereafter until the delivery amount of the Deliverable Gilt is transferred to the CSP, the Transferor will be entitled to transfer all right, title and interest in such Gilts free of any proprietary or equitable interest of any other person; and
  - (ii) (without prejudice to the generality of paragraph (b)(i) above) the Seller, if he is not also the Transferor, shall have no proprietary or equitable interest in such Gilts.

The Seller waives any interest referred to in paragraph (b)(ii) above to the extent that it may arise.

7.06 The CSP shall not be obliged to accept a Seller's Delivery Notice if the Transferor is not the Seller, unless evidence satisfactory to the CSP of the Transferor's title to the Gilts to be transferred as referred to in the Seller's Delivery Notice is requested by the CSP and provided to the CSP by the time specified for that purpose in the Administrative Procedures.

8. Allocation to Buyers and Buyer's Notification

8.01 (a) In respect of registered Contracts and Contracts submitted or to be submitted to the Exchange for registration the CSP will allocate to a clearing member registered or to be registered as a Buyer each lot referred to in a Seller's Delivery Notice by such method of allocation as may be specified in the Administrative Procedures.

(b) The CSP may make a re-allocation to Buyers pursuant to term 12.03(a).

8.02 The CSP will advise the Buyer of any allocation made pursuant to term 8.01(a) on the applicable Notice Day and by the applicable time specified in the Administrative Procedures.

8.03 On being advised by the CSP of an allocation under term 8.01(a) the Buyer shall in respect of each lot give the CSP a Buyer's Notification by the time specified for that purpose in the Administrative Procedures and in a form from time to time prescribed by the CSP specifying in respect of each lot:

(a) the name of the person to whom the delivery amount of the Deliverable Gilt is to be transferred ("the Transferee"), who may be the Buyer himself or some other person;

(b) details of the Settlement Agent (who may be the Transferee himself) who will be used to accept transfer of the delivery amount of the Deliverable Gilt in respect of a lot against payment of the invoicing amount for such lot; and

(c) any other details required by the CSP from time to time.

8.04 By giving a Buyer's Notification the Buyer shall be deemed:

(a) to represent and warrant to the CSP and to the Seller that the Transferee will accept the transfer of the delivery amount of the Deliverable Gilt in respect of each lot by the time specified in the Buyer's Notification; and

(b) to acknowledge to and agree with the CSP and the Seller that:

(i) the Buyer, if he is not also the Transferee, shall have no proprietary or equitable interest in such Gilts; and

(ii) subject only to term 12.04(c), the Buyer alone is responsible to the CSP for payment of all sums due to the CSP in respect of such transfer by the time specified for that purpose in the Administrative Procedures.

The Buyer waives any interest referred to in paragraph (b)(i) above to the extent that it may arise.

8.05 By the time specified for that purpose in the Administrative Procedures on the applicable Notice Day the CSP will notify the Buyer and the Seller of any sums

due from the Buyer to the CSP and from the CSP to the Seller (or vice versa) calculated in accordance with term 10.

8A. Submission of Details to Euroclear UK & Ireland Limited

8A.01 The CSP shall, on the relevant day and by the applicable time specified in the Administrative Procedures, have given to the Seller and to the Buyer the details of Contracts which shall be submitted to Euroclear UK & Ireland Limited.

8A.02 On the business day prior to the Settlement Day, in the case of a Seller's Delivery Notice given to the CSP on a Notice Day other than the Last Notice Day or, on the Last Notice Day, in the case of a Seller's Delivery Notice given to the CSP on the Last Notice Day, and in either case by the applicable time specified in the Administrative Procedures, the details of Contracts notified to the Seller and to the Buyer pursuant to term 8A.01 shall have been submitted by or on behalf of the Transferor, the Transferee and the CSP to Euroclear UK & Ireland Limited in such form as may be required under the CREST Rules so as to enable matching to take place in CREST in order that settlement of Contracts is effected through CREST on the Settlement Day for such Contracts.

9. Exchange Delivery Settlement Price ("EDSP")

9.01 Subject to terms 9.02 and 9.03, the EDSP for Contracts for a particular delivery month shall be calculated by exchange officials on each business day in the relevant Notice Period as follows:

- (a) if (as far as reasonably ascertainable) one or more Contracts for that delivery month have been made in the pit on such day during the period specified for this purpose in the Administrative Procedures, then:
  - (i) if only one Contract has been so made, the EDSP shall be the price (as far as reasonably ascertainable) at which that Contract was made, or
  - (ii) if more than one Contract has been so made, the EDSP shall be the average of the prices (as far as reasonably ascertainable) at which such Contracts were made, weighted by reference to the number of lots (as far as reasonably ascertainable) comprised in each such Contract and rounded to the nearest penny or, where such average is a number of Pounds and whole pence and one half penny, to the nearest lower number of Pounds and whole pence.
- (b) if (as far as reasonably ascertainable) on the Last Trading Day, during the period specified for this purpose in the Administrative Procedures, no Contract for that delivery month has been made in the pit but both an offer (or offers) and a bid (or bids) have been made in the pit in respect of a Contract (or Contracts) for the delivery month, then the EDSP shall be the average of the lowest price (as far as reasonably ascertainable) at

which such an offer was made and the highest price (as far as reasonably ascertainable) at which such a bid was made and rounded to the nearest penny or, where such average is a number of Pounds and whole pence and one half penny, to the nearest lower number of Pounds and whole pence;

- (c) if (as far as reasonably ascertainable) on such day, during the period specified for this purpose in the Administrative Procedures, no Contract for that delivery month has been made in the pit and either no offer or bid or neither an offer nor a bid has been made in the pit in respect of a Contract for that delivery month, then exchange officials shall determine the EDSP by reference inter alia to the prices at which any offers or bids in respect of a Contract for that delivery month were made in the pit during such period on such day, and to the cash market values of Deliverable Gilts during such period on such day, or to any of such prices and values, such prices and values being in all cases those as ascertained by exchange officials.

9.02 If, in the opinion of exchange officials, the EDSP which would result from a calculation made in accordance with term 9.01 would not be consistent with the cash market values of Deliverable Gilts (as determined by exchange officials) during the period referred to in term 9.01, then exchange officials may in their absolute discretion fix the EDSP at a price determined by them as being consistent with such cash market values.

9.03 The EDSP for the Last Notice Day shall be the same as the EDSP determined on the Last Trading Day.

9.04 The Exchange shall publish the EDSP at such time as may be specified for that purpose in the Administrative Procedures. The EDSP shall be final and binding for all purposes.

## 10. Calculation of Invoicing Amount

10.01 The “invoicing amount” in respect of each lot comprised in a Seller’s Delivery Notice shall be a sum calculated in accordance with the formula:

$$1000 \times \text{EDSP}(N) \times \text{PF} + [\text{IA} + (\text{DA} \times \text{T})]$$

where:

EDSP(N) = the EDSP for the Notice Day;

PF = the Price Factor for the Deliverable Gilt, as shown in respect of such Deliverable Gilt in the column of the List of Deliverable Gilts headed “Price Factor”;

IA = the amount shown in respect of such Deliverable Gilt in the column of the List of Deliverable Gilts headed “Initial Accrued”;

- DA = the amount shown in respect of such Deliverable Gilt in the column of the List of Deliverable Gilts headed “Daily Accrued”;
- T = the number of days from and including the first day of the relevant delivery month up to and including the Settlement Day for such lot.

- 10.02 (a) Where the sum calculated in accordance with term 10.01 is not a number of Pounds and whole pence such sum shall be rounded to the nearest sum which is a number of Pounds and whole pence, and the invoicing amount shall be such nearest sum.
- (b) Where the sum calculated in accordance with term 10.01 is a number of Pounds and whole pence and one half penny, such sum shall be rounded down to the nearest sum which is a number of Pounds and whole pence, and the invoicing amount shall be such nearest sum.

10.03 In the case of lots comprised in registered Contracts the invoicing amount shall be paid by and to the CSP (as the case may be) in accordance with term 12 and the Administrative Procedures.

## 11. Settlement Payments

11.01 In respect of each lot comprised in a Seller’s Delivery Notice, in addition to any other payment required by these terms, the following payments shall be made by the time specified for that purpose in the Administrative Procedures:

- (a) where the EDSP for the relevant Notice Day exceeds the Contract price, payment by the Seller to the CSP or payment by the CSP to the Buyer, or both (as the case may require), and
- (b) where the Contract price exceeds the EDSP for the relevant Notice Day, payment by the Buyer to the CSP or payment by the CSP to the Seller, or both (as the case may require),

of a sum calculated as the difference, in Pounds and pence multiplied by 1000 in respect of each lot, between the EDSP for the relevant Notice Day and the Contract price.

11.02 Where the sum calculated in accordance with term 11.01 is not a number of Pounds and whole pence such sum shall be rounded down to the nearest sum which is a number of Pounds and whole pence and the sum payable under term 11.01 shall be such nearest sum.

12. Settlement

12.01 Subject to term 12.04, on the Settlement Day at or by the time specified for that purpose in and in accordance with the CREST Rules and the Administrative Procedures:

- (a) the Transferor shall transfer to the CSP through CREST the delivery amount of the Deliverable Gilt in respect of each lot referred to in the Seller's Delivery Notice, each transfer being in an amount of £100,000 nominal of each such Deliverable Gilt or an exact multiple thereof and the consideration therefor (to be satisfied, as between the CSP and the Transferor, by way of an Assured Payment) being equal to the aggregate of the invoicing amounts in respect of the lots comprised in such transfer; and
- (b) (except where the Seller is also the Transferor) the Seller shall deliver to the CSP an irrevocable acknowledgement, in a form from time to time prescribed by the CSP, addressed to the CSP by the Transferor acknowledging that the CSP is (subject to term 12.04(b) and to any rights of the CSP) obliged to pay to the Seller alone all sums payable, and that the Transferor has no rights whatsoever against the CSP, in respect of the Gilts to be transferred.

12.02 Subject to term 12.04, on the Settlement Day at or by the time specified for that purpose in and in accordance with the Administrative Procedures, the Transferee shall accept transfer through CREST of the delivery amount of the Deliverable Gilt referred to in the Buyer's Notification in respect of each lot, each transfer being in an amount of £100,000 nominal of each such Deliverable Gilt or an exact multiple thereof and the consideration therefor (to be satisfied, as between the CSP and the Transferee, by way of an Assured Payment) being equal to the aggregate of the invoicing amounts in respect of the lots comprised in such transfer, provided that the CSP shall not be obliged to make such transfer unless (except where the Buyer is also the Transferee) delivery has been made to the CSP by the Buyer of an irrevocable acknowledgement, in a form from time to time prescribed by the CSP, addressed to the CSP by the Transferee, that the Transferee has no claims whatsoever against the CSP in respect of any delay on the part of the CSP in transferring, or any failure on its part to transfer, the Gilts referred to in the Buyer's Notification.

- 12.03
- (a) At any time after accepting transfer of the delivery amount of the Deliverable Gilt pursuant to term 12.01(a) the CSP may re-allocate to a Buyer (other than that to whom such lot was allocated pursuant to term 8.01(a)) each lot referred to in a Seller's Delivery Notice.
  - (b) Where the rules relating to bad deliveries contained in the CREST Rules or any other of the CREST Rules are invoked in respect of the transfer of Gilts to the CSP by the Transferor or to the Transferee by the CSP which may lead to the reversal of one or more of such transfers of Gilts, the Seller shall be held to be in default under term 15 notwithstanding that the Seller may not be responsible for any circumstance which leads to any such rule being invoked.

- (c) No lot shall be re-allocated to a Buyer under paragraph (a) or (b) above so that such Buyer would thereby be required to accept delivery of a delivery amount of a Deliverable Gilt different in specification to that which he would have received as a result of the allocation made pursuant to term 8.01(a).
- 12.04
- (a) Every transfer of the delivery amount of a Deliverable Gilt through CREST shall be subject to and in accordance with the CREST Rules.
  - (b) The obligation of the CSP to the Seller to make the payment referred to in term 10.03 shall be discharged by an Assured Payment arising upon the transfer of Gilts made under term 12.01(a) and the obligation of the Buyer to the CSP shall be discharged by an Assured Payment arising upon the transfer of Gilts made under term 12.02.
  - (c) If any transfer or transfers of the delivery amount of a Deliverable Gilt required by this term 12 cannot be accomplished on the Settlement Day by the time or times specified in the Administrative Procedures due to any event occurring which is outside the control of the Transferor or of the Transferee or of the CSP, as the case may be, which, without prejudice to the generality of the foregoing, may include:
    - (i) a failure by a seller of Gilts to the Transferor to make transfer of such Gilts by the due time so as to enable the Transferor to fulfil his obligations to transfer the Gilts to the CSP in accordance with term 12.01(a);
    - (ii) a failure by the Transferor to transfer Gilts to the CSP in accordance with term 12.01(a) so as to enable the CSP to fulfil its obligations to transfer Gilts to the Transferee in accordance with term 12.02;
    - (iii) an error, failure, closure or suspension of the CREST Service or of other systems operated by or on behalf of Euroclear UK & Ireland Limited;
    - (iv) a failure or termination of the Transferor's or the Transferee's or the CSP's access to its Settlement Agent;
    - (v) a failure of the Transferor's or Transferee's Settlement Agent's or the CSP's access to the CREST Service for any reason, including, without limitation, as a result of any fault or failure of any computer or communication system;
    - (vi) any action taken by Euroclear UK & Ireland Limited, whether pursuant to the CREST Rules or otherwise; or
    - (vii) any failure of, or any action or failure to take action by, a settlement bank appointed by the Transferor, the CSP or the Transferee from time to time in connection with the settlement of

Gilts through CREST, which prevents the transfer of Gilts to the Transferor or to the CSP or to the Transferee, as the case may be,

then such transfer or transfers shall be made as soon as possible through CREST, in accordance with any instructions which may be given by the CSP, which may, if it is not possible to transfer Gilts through CREST for any period, require delivery of Gilts by a means other than through CREST. In the case of any disagreement between the CSP and the Transferee as to whether any particular transfer can be or has been accomplished the determination of the CSP shall be final.

- (d) Any amounts payable under term 11 shall be made outside CREST.
- (e) Any instructions given by the CSP under paragraph (c) above shall be binding and failure by the Seller or the Buyer to comply or ensure compliance with such instructions shall constitute a default under term 15.02 by such Seller or, as the case may be, such Buyer.

12.05 Where for any reason other than the default of the Seller, the CSP, through circumstances beyond its control, is unable by the time specified for that purpose in the Administrative Procedures to transfer to the Transferee the delivery amount of the Deliverable Gilt in respect of a lot referred to in the Buyer's Notification, then no alteration shall be made to the invoicing amount, provided that, in respect of such delay,

- (a) the rights of a Buyer shall consist solely of the right to have transfer made to the Transferee as soon as possible and the Buyer shall pay to the CSP, in addition to any other sums payable by him, a sum in respect of such lot calculated in accordance with the formula set out in term 12.06, and
- (b) the rights of a Seller shall consist solely of the right to receive from the CSP a sum in respect of such lot calculated in accordance with the formula set out in term 12.06.

12.06 Sums payable under term 12.05 shall be calculated in accordance with the formula:

$$\frac{D}{365} \times \frac{R}{100} \times I$$

where D = the number of days from (and excluding) the Settlement Day up to (and including) the day on which transfer is effected through CREST;

R = the average of the CSP's sterling base rate in percentage terms at the close of business on each day from (and including) the Settlement Day up to (and excluding) the day on which delivery is effected through CREST;

I = the invoicing amount in respect of the relevant lot;

and shall be payable at such time and in such manner as the CSP may specify.

- 12.07 (a) If as a result of any of the circumstances referred to in terms 12.04 or 12.05 there is a delay in the delivery of the delivery amount of a Deliverable Gilt and a dividend which would have been received by the Transferee if transfer to him had taken place on the Settlement Day (and he had retained title to the Gilts) is received by the CSP or by the Transferor then, in addition to any other payments to be made under term 12.05, the CSP and the Seller shall make such payments and deliver such documents as may be specified in the Administrative Procedures.
- (b) Any payment required by paragraph (a) of this term shall be made at such time and in such manner as the CSP may specify.

12.08 In the event of any delay resulting from any of the circumstances referred to in terms 12.04 or 12.05, the Seller and Buyer shall provide to the CSP documentary evidence satisfactory to the CSP that they had complied with their obligations under a Contract by the time and in the manner prescribed.

- 12.08A (a) The CSP shall give notice to the Exchange of any instructions given by it under term 12.04(c) forthwith upon giving such instructions and of any event contemplated by term 12.04(c) which may prevent or has prevented a transfer of Gilts in respect of a Contract upon becoming aware of any such event.
- (b) If any event contemplated by term 12.04(c) occurs, the provisions of term 12 shall apply and the provisions of term 17 shall not apply unless, after consultation with the CSP, the Board determines that such circumstances have continued or are likely to continue for such duration that the provisions of term 12.04 and 12.05 shall no longer apply and that the provisions of term 17 shall apply. The Board's determination shall be final and binding.

12.09 Any provision of these terms or of the Administrative Procedures relating to procedures for settlement may be varied, or substituted by different procedures for settlement, by the Board from time to time. Any such variation or substitution shall have such effect with regard to existing and/or new Contracts as the Board may determine.

### 13. Emergency Provisions

13.01 If, at any time after the close of trading two business days prior to the day which would have been the Last Trading Day in respect of a delivery month, it becomes known to the Exchange that the day which would have been the Last Trading Day will not be a business day, then the Board may at its discretion determine either that such day shall be the Last Trading Day in respect of that delivery month notwithstanding that it will not be a business day or that the business day next following such day shall become the Last Trading Day in respect of that delivery month, and in either case the Exchange shall post a notice of the Board's determination in the market.

13.02 If, as a result of the Board's determination under term 13.01, or for any other reason, the Settlement Day in respect of a lot referred to in a Seller's Delivery Notice is not a day in the delivery month, and if the Deliverable Gilt nominated in respect of such lot would have been delivered cum-dividend during the delivery month but is to be delivered ex-dividend on the Settlement Day, then the invoicing amount in respect of each lot calculated in accordance with terms 10.01 and 10.02 shall be reduced by a sum equal to the gross amount of the dividend.

14. Costs

14.01 The Seller and the Buyer shall bear all costs, losses, claims and expenses of whatsoever nature incurred by them respectively in the course of complying with their obligations under a Contract. This term shall be without prejudice to the exercise by the CSP of its rights under the Regulations in respect of fees and other charges.

15. Default

15.01 The provisions of terms 15.02 to 15.09 inclusive shall be subject to the Default Rules of the CSP as may be in force from time to time.

15.02 A Buyer or a Seller shall be in default where:

- (a) he fails to fulfil his obligations under a Contract by the time and in the manner prescribed in accordance with these terms, the Rules and the Administrative Procedures and the Regulations including, without limitation, if:
  - (i) (in the case of a Seller only) the Gilts transferred by the Transferor to the CSP through CREST do not accord with the Deliverable Gilt specified in respect of a lot in the Seller's Delivery Notice;
  - (ii) (in the case of a Buyer only) the Transferee fails to pay any sum due to the CSP in respect of a registered Contract by the time specified for that purpose in the Administrative Procedures; or
- (b) in the reasonable opinion of the CSP, the Buyer or the Seller, as the case may be, is otherwise in default (including, but without limitation, in any of the circumstances referred to in term 16).

15.03 Errors in a Seller's Delivery Notice or in a Buyer's Notification or any other notice to be given hereunder which are determined, in the CSP's absolute discretion, to be clerical errors which can readily be rectified shall not be treated as constituting a default.

- 15.04 Where a Buyer or Seller is in default under term 15.02, the CSP may in its absolute discretion take any steps whatsoever which may appear desirable to the CSP for the protection of the CSP or of the Seller or Buyer not in default including, without prejudice to the generality of the foregoing, steps referred to in term 16. Any costs, claims, losses, taxes or expenses of whatsoever nature suffered or incurred by the CSP in connection with any steps taken by the CSP in relation to a Contract to which a default under term 15.02 relates shall be paid by the Buyer or Seller who is in default. Any steps taken by the CSP in relation to a default under term 15.02 shall be without prejudice to any rights (including rights to refer matters to arbitration), obligations or claims of the Buyer, the Seller or the CSP in relation to a Contract to which the default relates.
- 15.05 A Buyer who is in default under term 15.02 shall forthwith pay to the CSP any sums payable by the Buyer under term 11 and any sums payable pursuant to term 15.04.
- 15.06 A Seller who is in default under term 15.02 shall forthwith pay to the CSP any sums payable by the Seller under term 11 and any sums payable pursuant to term 15.04.
- 15.07 Without prejudice to its rights under any other part of term 15, the CSP may refer to the Board any dispute or issue arising between any of the parties. If, upon such reference, the Board is of the opinion that the default under term 15.02 is of minor significance it shall determine any such dispute or issue between such parties upon such evidence as it may deem relevant and convey its findings to such parties who shall forthwith accept such determination and shall implement its terms without question, provided that such acceptance and implementation shall be without prejudice to the right of any party to refer the dispute or any related dispute to arbitration under term 19.01.
- 15.08 Notwithstanding that a Buyer or Seller may be in default under term 15.02, the CSP may in its absolute discretion determine not to exercise or to delay in exercising any of its rights under this term 15 or under term 16, and no failure by the CSP to exercise nor any delay on its part in exercising any of such rights shall operate as a waiver of the CSP's rights upon that or any subsequent occasion, nor shall any single or partial exercise of any such rights prevent any further exercise thereof or of any other right.
- 15.09 A Buyer, a Seller or the CSP may refer a dispute arising out of a default under term 15.02 (subject always to the application of provisions of term 16) to arbitration under term 19.01. Any steps taken by the CSP pursuant to term 15.04 shall be without prejudice to the rights of any party to refer a dispute to arbitration under term 19.01.
16. Consequences of Delivery Default
- 16.01 The provisions of terms 16.02 to 16.08 inclusive shall be subject to the Default Rules of the CSP, as may be in force from time to time in force.

16.02 For the purpose of this term 16, a reference to a “delivery default” shall be construed as including an actual default by a Seller (or its Transferor in performing the Seller’s obligations) in delivering Gilts in accordance with these terms or an actual default by a Buyer (or its Transferee in performing the Buyer’s obligations) in making a payment in accordance with these terms, or an anticipated default. An anticipated default is a default by a Seller (or its Transferor in performing the Seller’s obligations) or by a Buyer (or its Transferee in performing the Buyer’s obligations) which the CSP, in its reasonable opinion, thinks will occur and in respect of which the CSP considers that it should take action under the provisions of this term 16.

16.03 If there appears to the CSP to be a delivery default by a Buyer or a Seller in respect of any lot comprised in a registered Contract the CSP may take such steps as it deems appropriate to facilitate a mutually acceptable resolution of such delivery default. A resolution of a delivery default may be on such terms and take such form as is acceptable to the CSP, to the Buyer and to the Seller. Such terms may limit some or all of the rights of the Buyer, the Seller or the CSP to refer any matter concerning or arising out of a delivery default (or the resolution thereof) to arbitration under term 19.01.

16.04 If it appears to the CSP that a clearing member as Seller or a clearing member as Buyer is in delivery default, the CSP may in its sole discretion, in addition to any steps taken under term 16.03, take any steps whatsoever which may appear desirable to the CSP for the protection of the CSP or of the Seller or Buyer not in delivery default including, without prejudice to the generality of the foregoing, the steps referred to elsewhere in this term 16. Any costs, claims, losses, taxes or expenses of whatsoever nature suffered or incurred by the CSP in connection with any steps taken by the CSP in relation to a Contract to which the delivery default relates shall be paid by the Buyer or Seller who is in delivery default. Any steps taken by the CSP in relation to a delivery default shall be without prejudice to any rights (including rights to refer matters to arbitration under term 16.08), obligations or claims of the Buyer, the Seller or the CSP in relation to a Contract to which the delivery default relates.

16.05 Seller in delivery default

- (a) Unless the terms of a resolution (if any) agreed under term 16.03 of a delivery default by a Seller have been performed then, notwithstanding that the CSP is in delivery default to the Buyer on the Settlement Day, the Buyer shall make available, or shall procure its Transferee to make available, in the appropriate account for the purpose of making payment to the CSP against delivery the invoicing amount in respect of each delivery amount the Deliverable Gilt set out in the Buyer’s Notification on each business day until the earlier of:
- (i) delivery by the CSP of a delivery amount of the Deliverable Gilt in respect of a specific lot; or
  - (ii) the end of the sixth business day following the Settlement Day.

In the event that the CSP has not delivered the delivery amount of the Deliverable Gilt by close of business on the sixth business day following

the Settlement Day, those lots in respect of which delivery has not been made by the CSP shall be the subject of cash settlement. The cash settlement price shall be determined by the Exchange on the seventh business day following the Settlement Day by reference, inter alia, to spread relationships in existence before the cessation of trading on the Last Trading Day and to movements in market prices and values for the Deliverable Gilt and for other delivery months from the cessation of trading on the Last Trading Day to the time when pursuant to this term 16.05(a) the Exchange determines the cash settlement price. Such cash settlement price shall be final and no dispute as to such price may be referred to arbitration, notwithstanding that any party may refer any dispute which any party might have in relation to the costs, claims, losses, taxes or expenses incurred or suffered by it to arbitration pursuant to term 16.08.

- (b) Until the time when the terms of a resolution (if any) agreed under term 16.03 of a delivery default by the Seller have been performed, the CSP in its sole discretion may take any steps whatsoever which may appear desirable to the CSP, in order to perform its obligations to the Buyer in whole or in part on the Settlement Day or otherwise before close of business on the sixth business day following the Settlement Day. The steps which the CSP may take may include buying or borrowing some or all of the delivery amount of the Deliverable Gilt from someone other than the Seller. In the event that the Seller attempts to deliver late or does deliver late some or all of the delivery amounts of the Deliverable Gilt to the CSP, the CSP shall be entitled to reject such attempted late delivery, or actual late delivery, or otherwise treat any such attempted or actual delivery as it sees fit (including, without limitation, selling such Deliverable Gilts as have actually been delivered) if it has already made alternative arrangements to buy, borrow or otherwise acquire for delivery to the Buyer some or all of the delivery amounts of the Deliverable Gilt. In the event that the CSP does acquire Gilts at such time and place and in such manner and on such terms as the CSP thinks fit from a person other than the Seller in order to meet in whole or in part its obligations to the Buyer to make delivery of Gilts:
- (i) if the total cost incurred by the CSP in acquiring the Gilts, including for the avoidance of doubt the cost of any purchase of Deliverable Gilts by the CSP in order to fulfil any obligations under the acquisition arrangements it has made (“the Acquisition Cost”), is greater than the invoicing amount which would have been payable by the CSP to the Transferor in respect of the relevant lot, the Seller shall forthwith pay the amount of such difference to the CSP; or
  - (ii) if the Acquisition Cost is less than the invoicing amount referred to above, the amount of such difference shall (if any remains after the deduction so far as possible of such sums as are payable by the Seller to the CSP under sub-paragraph (iii) below or otherwise) be retained by the CSP to the order of the Board; and

- (iii) the Seller shall forthwith pay to the CSP any sums payable by the Seller under term 11 and any sums (including, without limitation, costs, claims, losses taxes or expenses) payable to the CSP pursuant to this term 16, including, for the avoidance of doubt, all related administrative and funding costs (including borrowing costs) suffered or incurred by the CSP.

16.06

Buyer in delivery default

- (a) If a Buyer is in delivery default to the CSP, the CSP shall be entitled to take such steps as it considers appropriate in order to make payment of the invoicing amount to the Seller in respect of the delivery amount of the Deliverable Gilt to be delivered to it by the Seller. Unless the terms of a resolution (if any) agreed under term 16.03 of a delivery default by a Buyer have been performed, or if the CSP has been unable to take delivery of the delivery amount of the Deliverable Gilt from the Seller as a result of a delivery default by the Buyer, the Seller shall, notwithstanding this delivery default, take all necessary steps to make available for delivery each delivery amount of the Deliverable Gilt specified in respect of each lot in the Seller's Delivery Notice at a later time on the Settlement Day and on each business day following the Settlement Day until the earlier of:
  - (i) the Seller delivering such delivery amounts (whether altogether simultaneously or in separate amounts at different times as may be directed by the CSP) to the CSP in consideration for the CSP paying to the Seller the invoicing amount in respect of each such previously undelivered delivery amount of the Deliverable Gilt; or
  - (ii) the end of the sixth business day following the Settlement Day.

In the event that the CSP has not paid the invoicing amount to the Seller in respect of each lot by close of business on the sixth business day following the Settlement Day, those lots in respect of which payment has not been made by the CSP shall be the subject of cash settlement. The cash settlement price shall be determined by the Exchange on the seventh business day following the Settlement Day by reference, inter alia, to spread relationships in existence before the cessation of trading on the Last Trading Day and to movements in market prices and values for the Deliverable Gilt and for other delivery months from the cessation of trading on the Last Trading Day to the time when pursuant to this term 16.06(a) the Exchange determines the cash settlement price. Such cash settlement price shall be final and no dispute as to such price may be referred to arbitration, notwithstanding that any party may refer any dispute which any party might have in relation to the costs, claims, losses, taxes or expenses incurred or suffered by it to arbitration pursuant to term 16.08.

- (b) Notwithstanding the Buyer's delivery default, the CSP may have acquired Deliverable Gilts from the Seller (or its Transferor). When this occurs, the CSP in its sole discretion may sell any or all Gilts delivered by the Seller (or its Transferor) at such time and place and in such manner and on such terms as may to the CSP seem fit. Where the price at which such Gilts are sold ("the Sale Price") is less than the invoicing amount in respect of the relevant lot the difference between the Sale Price and the invoicing amount, together with any funding costs incurred by the CSP in accepting delivery of some, or all, delivery amounts of Deliverable Gilts from the Seller pursuant to this term 16.06(b), shall forthwith be paid by the Buyer who is in delivery default to the CSP. Where the invoicing amount is less than the Sale Price the difference between the invoicing amount and the Sale Price (if any remains after the deduction so far as possible of such sums as are payable by the Buyer to the CSP hereunder (including, without limitation, costs, including administrative and funding costs suffered or incurred by the CSP and described elsewhere in this term 16.06(b)) or otherwise including, without limitation, costs, claims, losses, taxes or expenses) shall be retained by the CSP to the order of the Board.
- (c) A Buyer who is in delivery default shall forthwith pay to the CSP any sums payable by the Buyer under term 11 and any sums payable to the CSP pursuant to this term 16.

16.07 Without prejudice to its rights under any other part of term 16, the CSP may refer to the Board any dispute or issue arising between any of the parties. If, upon such reference, the Board is of the opinion that the delivery default is of minor significance it shall determine any such dispute or issue between such parties upon such evidence as it may deem relevant and convey its findings to such parties who shall forthwith accept such determination and shall implement its terms without question, provided that such acceptance and implementation shall be without prejudice to the right of any party to refer the dispute or any related dispute to arbitration under term 19.01.

16.08 Subject always to a resolution of a delivery default pursuant to term 16.03, the terms of which by agreement limit in whole or in part the rights of one or more of a Buyer, a Seller or the CSP to refer a dispute to arbitration under term 19.01 and subject to the provisions in this term 16 limiting the matters which may be referred to an arbitration under term 19.01, a Buyer, a Seller or the CSP may refer a dispute arising out of a delivery default to arbitration under term 19.01.

16.09 The provisions of terms 15 and 16 relating to steps that may be taken by the CSP, where there appears to the CSP to be a delivery default by a Buyer or, as the case may be, a Seller under term 15.02, may be varied, or different steps may be substituted therefor by the Board from time to time. Any such variation or substitution shall have such effect with regard to such existing and/or new Contracts and registered Contracts as the Board may determine.

17. Force Majeure
- 17.01 Subject to the provisions of terms 12.04(c) and 12.05 and to any steps taken at any time by the Board under emergency powers in the Rules and subject to the default rules of the CSP, in the event of a Seller or a Buyer being prevented from performing his obligations in respect of any lot comprised in a Contract by the due time therefor by any cause beyond his reasonable control including, without limitation, any act of God, strike, lockout, war, armed conflict, use of force by authority of the United Nations, fire, riot or civil commotion, combination of workmen, act of terrorism, breakdown of machinery, unavailability or restriction of computer or data processing facilities or energy supplies or bank transfer systems such lot shall be invoiced back at a price to be fixed by the Board in consultation with the CSP.
18. Rules, Administrative Procedures, etc.
- 18.01 Every Contract shall be subject to the Articles and the Rules and the Regulations in so far as applicable notwithstanding that either or both of the parties to it be not a member of the Exchange or of the CSP.
- 18.02 In case of any conflict between the Administrative Procedures and these terms or the Rules the provisions of these terms and the Rules shall prevail and in the event of any conflict between these terms and the Rules, the Rules shall prevail.
19. Arbitration
- 19.01 Any dispute arising out of a Contract shall be referred to arbitration under the Rules relating to arbitration and arbitration shall be held in accordance with the Rules in force at the time of such reference.
20. Governing Law
- 20.01 Every Contract shall be governed by and construed in accordance with English law.
21. Non-registered Contracts
- 21.01 In respect of a Contract which is not a registered Contract (“non-registered Contract”) these terms shall be modified by the parties thereto so as to require and allow that a Contract to be registered with the Exchange under the Rules and the Regulations is capable of being so registered and to facilitate the performance of such registered Contract (and of any intermediate Contract) in accordance with these terms and the Administrative Procedures. Modifications may also be made to the terms of a non-registered Contract if, without such modifications, it may not be possible to be able to perform such Contract by the applicable times specified in these terms and the Administrative Procedures. Without prejudice to the generality of the foregoing, all references in these terms

to payment or dealing between the Buyer or the Seller and the CSP shall be modified so as to require a similar payment or dealing directly between the Buyer and the Seller party to such non-registered Contract.

22. Statement in relation to Gilt Contracts

22.01 Potential users of the Gilt Contracts made available on The London International Financial Futures and Options Exchange should familiarise themselves with the relevant Contract Terms and Administrative Procedures.

Potential users should consider the risks of holding a position into the Notice Period of a Gilt Contract wherein they are potential buyers or sellers in the delivery process. In particular, they should familiarise themselves with the use of Price Factors and the EDSP price formation process as these are both constituents of the formula for the calculation of the invoicing amount.

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Issue Date: 27 January 2011

(B) CONTRACT DETAILS SPECIFIED BY THE BOARD FOR GILT CONTRACTS

**Table I:**

<b>Contract</b>	<b>Long Gilt</b>	<b>Medium Gilt</b>	<b>Short Gilt</b>
<b>Known as Exchange Contract No.</b>	7	99	100
<b>Maturity Range of Deliverable Gilts<sup>2</sup></b>	8 years and 9 months to 13 years	4 years to 6 years	1 year and 6 months to 3 years and 3 months
<b>Unit of Trading</b>	£100,000 nominal value notional Gilt	£100,000 nominal value notional Gilt	£100,000 nominal value notional Gilt
<b>Notional Coupon</b>	6%	6%	6%
<b>Delivery Months</b>	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec
<b>No. of delivery months available for trading</b>	3 Quarterly	2 Quarterly	2 Quarterly
<b>Quotation</b>	Per £100 nominal	Per £100 nominal	Per £100 nominal
<b>Minimum price movement (value)</b>	0.01 (£10)	0.01 (£10)	0.01 (£10)
<b>First Notice Day</b>	Two business days prior to the first day of the delivery month	Two business days prior to the first day of the delivery month	Two business days prior to the first day of the delivery month
<b>Last Notice Day</b>	First business day after the Last Trading Day	First business day after the Last Trading Day	First business day after the Last Trading Day
<b>Last Trading Day</b>	Two business days prior to the last business day of the delivery month	Two business days prior to the last business day of the delivery month	Two business days prior to the last business day of the delivery month
<b>Delivery Day</b>	Any business day in delivery month (at seller's choice)	Any business day in delivery month (at seller's choice)	Any business day in delivery month (at seller's choice)

<sup>2</sup> Deliverable gilts include only gilt issues which provide for the redemption of the entire gilt issue in a single instalment within the maturity ranges stated above, from the first day of the relevant delivery month.

## (C) ADMINISTRATIVE PROCEDURES FOR GILT CONTRACTS<sup>3</sup>

Exchange Contracts No. 7, No. 99 and No. 100

### Price

The minimum price fluctuation shall be one penny per £100.

### Settlement Procedures

All deliveries under this Contract must be made in accordance with the CREST Rules, the contract terms, the Administrative Procedures and the Procedures from time to time in force.

### On or before the tenth business day prior to the First Notice Day

The Exchange will publish the List of Deliverable Gilts.

### Last Trading Day

At 11.00 hours Trading for Contracts in the current delivery month shall cease.

### On each business day during the Notice Period (except for the Last Notice Day)

By 11.00 hours A Selling Clearing Member (Seller) may deliver to the CSP, in the form prescribed, a Seller's Delivery Notice in respect of registered Contracts.

A Seller's Delivery Notice presented after the time prescribed will be treated as having been received on the next following business day.

Each Seller's Delivery Notice shall specify in respect of each lot:

- (a) full details of the Deliverable Gilt, the delivery amount of which is to be transferred in accordance with the contract terms on the Settlement Day; and
- (b) the name of the person who will transfer the delivery amount of the Deliverable Gilt ("the Transferor"), who may be the Seller himself or some other person.

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<sup>3</sup> All times are London times unless otherwise specified

Only one Deliverable Gilt shall be nominated in respect of each lot referred to in the Seller's Delivery Notice.

By 11.30 hours

The Exchange will announce the EDSP. This will be determined in accordance with term 9, and the prices used for the calculation thereunder shall be those during the period of one minute immediately preceding 11.00 hours.

By 12.00 hours

Except where the Seller's Delivery Notice has been given to the CSP on the Last Trading Day (or is deemed by these Administrative Procedures as having been received on the Last Trading Day), the CSP will allocate each lot to a Buying Clearing Member (Buyer) for the purpose of delivery. The allocation of lots will be made pro rata to each Buyer's gross bought position as at the close of trading the previous day as notified to the CSP under these procedures.

Where the Seller's Delivery Notice has been given to the CSP on the Last Trading Day (or is deemed by these Administrative Procedures as having been received on the Last Trading Day), the CSP will allocate each lot to a Buyer in accordance with the procedures set out, and by the time prescribed, in the section below headed "Last Notice Day" as though the Seller's Delivery Notice had been given to or deemed to be received by the CSP on the Last Notice Day and the provisions of that section which follow the allocation provisions will then apply.

By 15.00 hours

The allocation of Deliverable Gilts to Buyers will be made on a random basis. The CSP will inform each Buyer to whom an allocation has been made of his allocation of a Deliverable Gilt and will inform both the Buyer and the Seller of the invoicing amount payable.

By 16.30 hours

The Buyer shall deliver to the CSP, in the form prescribed, a Buyer's Notification, specifying in respect of each lot the Deliverable Gilt and the name of the person to whom the delivery amount of such Deliverable Gilt is to be transferred (the Transferee), who may be the Buyer himself or some other person.

Business day prior to Settlement Day (except where the Seller's Delivery Notice is given, or is treated as having been received, on the Last Trading Day or the Last Notice Day)

By 05.00 hours

The CSP will in respect of each lot make available to the Buyer and the Seller details of the instructions which the Transferor and Transferee shall submit to Euroclear UK & Ireland Limited.

From 09.00 hours

The details to be submitted to Euroclear UK & Ireland Limited pursuant to term 8A.01 so as to enable matching to take place in

CREST in order that settlement of Contracts is effected through CREST on the Settlement Day.

By 12.30 hours

Both the Buyer and the Seller shall in respect of each lot have confirmed to the CSP that the details submitted to Euroclear UK & Ireland Limited by or on behalf of themselves have matched with those of the CSP.

Last Notice Day

In respect of Contracts remaining open at the close of trading on the Last Trading Day the following procedures shall apply.

By 10.00 hours

Each Seller holding open Contracts shall have delivered to the CSP a Seller's Delivery Notice in the form prescribed by the CSP.

Each Seller's Delivery Notice shall specify in respect of each lot:

- (a) full details of the Deliverable Gilt, the delivery amount of which is to be transferred in accordance with the contract terms on the Settlement Day; and
- (b) the name of the person who will transfer the delivery amount of the Deliverable Gilt ("the Transferor"), who may be the Seller himself or some other person.

Only one Deliverable Gilt shall be nominated in respect of each lot referred to in the Seller's Delivery Notice.

By 11.00 hours

The CSP will allocate each lot to a Buyer for the purpose of delivery. The allocation of Deliverable Gilts to Buyers will be made on a random basis. The CSP will inform each Buyer of his allocation of Deliverable Gilts.

By 12.00 hours

The CSP will inform both Buyer and Seller of the invoicing amount.

By 14.00 hours

The Buyer shall deliver to the CSP, in the form prescribed, a Buyer's Notification, specifying in respect of each lot the Deliverable Gilt and the name of the person to whom the delivery amount of such Deliverable Gilt is to be transferred (the Transferee) who may be the Buyer himself or some other person.

By 15.00 hours

The CSP will in respect of each lot make available to the Buyer and the Seller details of the instructions which the Transferor and Transferee shall submit to Euroclear UK & Ireland Limited.

From 15.00 hours

The details to be submitted, as required by term 8A.01, to Euroclear UK & Ireland Limited so as to enable matching to take

place in CREST in order that settlement of Contracts is effected through CREST on the Settlement Day.

By 17.30 hours

Both the Buyer and the Seller shall in respect of each lot have confirmed to the CSP that the details submitted to Euroclear UK & Ireland Limited by or on behalf of themselves have matched with those of the CSP.

#### Settlement Day

By 10.00 hours

All payments required by term 11.01 to be made by the Buyer and the Seller shall have been completed.

By 13.00 hours

- (a) (i) The Transferor shall in respect of each lot to be delivered by him have transferred the delivery amount of the Deliverable Gilt specified in respect of that lot in the Seller's Delivery Notice in accordance with term 7.03 to the account of the CSP at CREST; and
- (ii) payment of the invoicing amount for such delivery amount of the Deliverable Gilt shall have been satisfied by an Assured Payment,

provided that the CSP shall not be obliged to accept such transfer or make such payment if (where the Seller is not the Transferor) the CSP has not received the acknowledgement required by term 7.05(b), and

- (b) (i) the CSP shall in respect of each lot to be delivered to the Transferee have transferred the delivery amount of the Deliverable Gilt specified in respect of that lot in accordance with term 8.01 to the account of the Transferee at CREST as notified to the CSP in the Buyer's Notification; and
- (ii) payment of the invoicing amount for such delivery amount of the Deliverable Gilt shall have been satisfied by an Assured Payment,

provided that the CSP shall not be obliged to make such transfer if (when the Buyer is not the Transferee) the CSP has not received the acknowledgement required by term 8.04(b).

#### Dividends

If, in the circumstances referred to in term 12.07, a dividend which would have been received by the Buyer is received by the

CSP or by the Seller then, in addition to any other payments to be made under term 12.05:

- (i) if such dividend is received by the CSP, the CSP shall pay to the Buyer a sum equal to the net amount received by it;  
or
- (ii) if such dividend is received by the Transferor, the Seller shall pay to the CSP and the CSP shall then pay to the Buyer a sum equal to the amount received by the Transferor.

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