

EXCHANGE CONTRACT NO. 701S

IN RESPECT OF

SWAPNOTE[®] CONTRACTS

CONTRACT TERMS

(Issue Date: 15 February 2001)

CONTRACT DETAILS SPECIFIED BY THE BOARD

(Issue Date: 4 April 2002)

ADMINISTRATIVE PROCEDURES

(Issue Date: 15 February 2001)

Delivery Months

Two Year Euro Swapnote [®] :	June 2002 onwards
Five Year Euro Swapnote [®] :	June 2002 onwards
Ten Year Euro Swapnote [®] :	June 2002 onwards

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CONTENTS

Contract Terms

1. Definitions
2. Contract Specification
3. List of Notional Cashflow
4. Price
5. Last Trading Day
6. Exchange Delivery Settlement Price (“EDSP”)
7. Payment
8. Default in Performance
9. Force Majeure
10. Articles, Rules and Regulations, etc
11. Arbitration
12. Governing Law
13. Non-registered Contracts

Contract Details Specified By The Board

Administrative Procedures

Price
Last Trading Day
Settlement Day

THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS
EXCHANGE

Terms of Exchange Contract No. 701S

1. Definitions

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 all procedures from time to time implemented by the Board pursuant to the Rules for the purposes of this Exchange Contract;

“business day” means:

- (i) in relation to the calculation of the date of the Last Trading Day and the Settlement Day for a Contract, a day on which the market and the Clearing House are open for business; and
- (ii) in all other respects, any day on which the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET) System is open;

“Cashflow Calculation Period” means, in respect of a Cashflow Payment Date, the period from, and including, the first business day comprised in the Cashflow Payment Date Reference Period immediately preceding such Cashflow Payment Date up to, but excluding, the first business day comprised in the Cashflow Payment Date Reference Period in which such Cashflow Payment Date falls;

“Cashflow Payment Date” means in respect of a Contract for a particular delivery month and the Set of Relevant Payments to which such Contract relates, each date which falls on the day immediately following the last day of the immediately preceding Cashflow Payment Date Reference Period so that each Cashflow Payment Date Reference period runs from, and including, one Cashflow Payment Date up to but excluding the next Cashflow Payment Date and the first Cashflow Payment Date Reference Period starts on, and includes, the Effective Date and the final Cashflow Payment Date Reference Period ends on the day immediately preceding the Termination Date;

“Cashflow Payment Date Reference Period” means, in respect of a Contract for a particular delivery month and the Set of Relevant Payments to which such Contract relates, the period specified by the Board in relation to such Contract in Table I;

“Contract” means a contract made expressly or impliedly in these terms, for the sale and purchase of one or more lots in respect of a Set of Relevant Payments specified by the Board in Table I, and “registered Contract” means a Contract registered by the Clearing House;

“Currency of the Contract” means, in respect of a Contract for a particular delivery month and the Set of Relevant Payments to which such Contract relates, the currency specified by the Board in relation to such Contract in Table I;

“delivery month” means, in respect of a Set of Relevant Payments specified by the Board in Table I, each month specified by the Board in relation to such Set of Relevant Payments in Table I;

“EDSP” means the Exchange Delivery Settlement Price and has the meaning attributed to it in term 6;

“Effective Date” means, in respect of a Contract for a particular delivery month and the Set of Relevant Payments to which such Contract relates, the day which is specified as such by the Board in relation to such Contract in Table I;

“euro” means the single currency of the European Union introduced in participating Member States pursuant to their participation in Economic and Monetary Union in the European Union;

“Gross” means, in respect of any payment, the gross amount of such payment free from any withholding or deduction for or on account of any present or future tax, levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing or competent authority in respect of any such payment;

“interest rate basis” means, for the purposes of calculating the EDSP and the Relevant Day Count Fraction in respect of a Contract for a particular delivery month and a particular Set of Relevant Payments, the interest rate basis specified by the Board in relation to such Contract in Table I;

“Last Trading Day” means, in respect of a Contract for a particular delivery month and the Set of Relevant Payments to which such

Contract relates, the day specified by the Board in Table I (subject to term 5);

“List of Notional Cashflow” has the meaning attributed to it in term 3.01;

“lot” means, in respect of a Contract for a particular delivery month and the Set of Relevant Payments to which it relates, the unit of trading specified by the Board in relation to such Contract in Table I;

“Net Present Value” has the meaning attributed to it in term 6.04;

“Notional Fixed Rate” means, in respect of a Contract for a particular delivery month and the Set of Relevant Payments to which such Contract relates, the fixed rate of interest (expressed as a percentage) specified by the Board in respect of such Contract in Table I;

“quarterly delivery month” means March, June, September or December;

“Rate Source Page” means an electronic page which is customarily used for the purpose of displaying Swap Rates and references to a “Rate Source Page” shall be construed so as to include any successor to such Rate Source Page from time to time determined by the Board;

“Reference Rates” has the meaning attributed to it in term 6.01;

“Regulations” means the General Regulations, Procedures and Default Rules from time to time in force of the Clearing House;

“Relevant Day Count Fraction” means:

- (i) in respect of a Cashflow Calculation Period which relates to a Set of Relevant Payments for which the Board has specified an interest rate basis for which the numerator is:
 - (A) “Actual”, the number of days comprised in the Cashflow Calculation Period in respect of which the relevant determination is to be made;
 - (B) “30”, the number of days comprised in the Cashflow Calculation Period in respect of which the relevant determination is to be made, each period from a date in one month to the same date in the following month to be considered thirty days provided that (i) if the first day comprised in such period falls on the thirty-first day of a calendar month or the last day of February, such day shall be deemed to have fallen on the thirtieth day of that

month; (ii) if the last day of the period in respect of which the relevant determination is to be made falls on the thirty-first day of a calendar month, the last day of the period in respect of which the determination falls to be made shall be treated as falling on the thirty-first day of that month unless the first day of such period falls on or is deemed to fall on the thirtieth day of a calendar month, in which case the last day of the period in respect of which the determination is to be made shall be deemed to have fallen on the thirtieth day of the relevant calendar month and (iii) if the last day of the period in respect of which the relevant determination is to be made falls on the last day of February such day shall be deemed to have fallen on the deemed thirtieth day of that month;

- (C) “30E”, the number of days comprised in the Cashflow Calculation Period in respect of which the determination is to be made, each period from a date in one calendar month to the same date in the following calendar month to be considered thirty days provided that if the first day comprised in such period falls on the thirty-first day of a calendar month, such day shall be deemed to have fallen on the thirtieth day of that month and if the last day of the period in respect of which the determination is to be made falls on the thirty-first day of a calendar month, the last day of the period in respect of which the determination falls to be made shall be deemed to have fallen on the thirtieth day of that month;

in each case, divided by the denominator specified by the Board for that interest rate basis so that if the relevant denominator specified is:

- (A) “360”, then the denominator shall be three hundred and sixty;
- (B) “365(F)”, then the denominator shall be three hundred and sixty five;
- (C) “Actual”, then the denominator shall be the product of (i) the number of days comprised in the Cashflow Payment Date Reference Period immediately preceding the Cashflow Payment Date applicable to the Cashflow Calculation Period in respect of which the relevant determination is to be made; and (ii) the number of Cashflow Payment Dates falling in a twelve calendar month period,

in each case, rounded to eight decimal places. Where the Relevant Day Count Fraction is not an exact multiple of 0.00000001, it will be rounded to the nearest 0.00000001 or, where the Relevant Day Count Fraction is an exact uneven multiple of 0.000000005, to the nearest higher 0.00000001.

“Relevant Floating Rate” means the floating interest rate specified by the Board in Table I and references to a “Relevant Floating Rate” shall be construed so as to include any successor to such Relevant Floating Rate from time to time determined by the Board;

“Set of Relevant Payments” means the Buyer’s right to receive and the Seller’s obligation to pay a series of Gross payments in the Currency of the Contract which in aggregate are equal to payments:

- (a) on each Cashflow Payment Date of a Gross amount equal to the product of: (i) the notional principal amount of the unit of trading which constitutes one lot; (ii) the Notional Fixed Rate; and (iii) the Relevant Day Count Fraction for the Cashflow Calculation Period applicable to such Cashflow Payment Date; and
- (b) on the Termination Date of a Gross amount equal to the notional principal amount of the unit of trading which constitutes one lot,

except that where any such date specified in (a) or (b) above is not a business day, the date for payment of the amount due on such day shall be deemed to be the next business day;

“Settlement Day” means, in respect of a Contract for a particular delivery month and the Set of Relevant Payments to which such Contract relates, the first business day after the Last Trading Day applicable to such Contract;

“Swap Rate” means, in respect of a notional fixed-floating interest rate swap contract denominated in a particular currency with a particular tenor, an interest rate expressed as a percentage which when multiplied by the notional principal amount in respect of which such swap contract is notionally made and by the fixed rate day count fraction calculated in the manner specified therein represents the amount that a fixed rate payer would have to pay on each of the dates specified therein for fixed rate payments, against receiving floating rate amounts on the dates specified therein for floating-rate payments equal to the product of (i) the floating rate specified therein; (ii) the notional principal amount of the swap specified therein; and (iii) the

floating rate day count fraction calculated in the manner specified therein; and

“Termination Date” means, in respect of a Contract for a particular delivery month and the Set of Relevant Payments to which such Contract relates, the anniversary of the Effective Date specified by the Board in relation to such Contract in Table I.

1.03 References in these terms to a “lawful currency” shall be construed to include units of value of the euro which may be used validly to discharge payment obligations pursuant to the law of a jurisdiction which has introduced the euro as its lawful currency and notwithstanding that such units of value of the euro may not at all material times constitute legal tender in such jurisdiction.

1.04 References to a “term” refer to terms hereof, references to “the Rules” and “the Articles” refer to the Exchange’s Rules and Articles respectively and references to “specified by the Board in Table I” means as specified in the column in Table I applicable to the relevant currency and period. Save where the context otherwise requires references herein to the singular include the plural, and vice versa. The Tables attached hereto form part of these terms. Footnotes do not form part of this Exchange Contract and do not have legal effect except where the context otherwise allows.

2. Contract Specification

2.01 Each Contract shall be for one or more lots for the delivery month specified.

3. List of Notional Cashflow

3.01 In respect of each delivery month for a Contract the Board shall publish prior to making such delivery month available for trading, by General Notice, a “List of Notional Cashflow” which shall specify the Cashflow Payment Dates, Relevant Day Count Fractions and the notional cashflow for such delivery month.

4. Price

4.01 Bids and offers shall be quoted as a percentage of the notional principal amount of the unit of trading which constitutes one lot.

4.02 Bids and offers shall be quoted in Basis Points and, where the minimum price movement is a half Basis Point as specified by the

Board in Table I, half Basis Points. One Basis Point shall be 0.01% and shall have a value equal to the Basis Point Value as specified by the Board in Table I.

5. Last Trading Day

5.01 In respect of Contracts for a particular delivery month and for a particular Set of Relevant Payments, on the Last Trading Day:

- (a) trading in such Contracts shall cease at such time as may be specified in the Administrative Procedures; and
- (b) the Exchange will calculate the EDSP for such Contracts in accordance with term 6.

5.02 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 business day next following such day shall become the Last Trading Day in respect of that delivery month and the Exchange shall post a notice to that effect in the market.

5.03 If, at any time after the close of trading two business days prior to the day which is scheduled to be the Last Trading Day in respect of a delivery month, it becomes known to the Exchange that the day which would have been the business day immediately preceding the third Wednesday in that month will not be a business day, then this shall not affect the Last Trading Day which shall (subject to term 5.02) remain the day it was scheduled to be.

6. Exchange Delivery Settlement Price (“EDSP”)

6.01 The EDSP shall be calculated by reference to the Reference Rates. Subject to any provisions to the contrary contained in these terms or the Rules, the Reference Rates in respect of a Contract and the Set of Relevant Payments to which it relates shall be the Swap Rates appearing on the Rate Source Page specified by the Board in Table I and applicable to the Relevant Floating Rate specified by the Board in Table I so that in respect of each Cashflow Payment Date, the Reference Rate applicable to such Cashflow Payment Date shall be the relevant Swap Rate appearing on such Rate Source Page (at the time specified by the Board from time to time) on the Last Trading Day in respect of the Currency of the Contract and a tenor equal to the

period commencing on the Effective Date and ending on such Cashflow Payment Date.

- 6.02 In the event that a Swap Rate in the relevant currency, and for the relevant period, appearing on the Rate Source Page specified by the Board in Table I used for the purposes of calculating the Reference Rates is expressed other than on the relevant interest rate basis specified by the Board in Table I, then such interest rate shall be adjusted to be on such basis for the purposes of determining the Net Present Value.
- 6.03 The Board may at its discretion resolve, prior to the commencement of the calendar month in which the Last Trading Day falls, that the Reference Rates shall be determined by means other than that specified in term 6.01. Any such determination by the Board shall be the subject of a General Notice.
- 6.04 The Net Present Value (“NPV”) shall be a figure calculated in accordance with the formula:

$$NPV = 100 \left(d_m + F \sum_{r=1}^m A_r d_r \right)$$

where, in respect of a Contract for a particular delivery month, and the Set of Relevant Payments to which it relates:

F = the Notional Fixed Rate expressed in such a way that, for a Notional Fixed Rate of 6%, $F = 0.06$;

m = the number of Cashflow Payment Date Reference Periods from the Effective Date to the Termination Date where m is an integer;

A_r = the Relevant Day Count Fraction for the Cashflow Calculation Period applicable to the r^{th} Cashflow Payment Date where ‘ r ’ is an integer.

d_r = the Discount Factor for the Cashflow Calculation Period applicable to the r^{th} Cashflow Payment Date, where ‘ r ’ is an integer. The Discount Factor d_r shall be established as follows:

The Discount Factor for the Cashflow Calculation Period applicable to the first Cashflow Payment Date d_1 is defined with respect to (i) the Reference Rate, denoted as ' C_1 ', applicable to the first Cashflow Payment Date (expressed in such a way that for a Reference Rate of 5%, $C_1 = 0.05$); and (ii) the Relevant Day Count Fraction for the first Cashflow Calculation Period, denoted as ' A_1 ' as:

$$d_1 = \frac{1}{1 + A_1 C_1}$$

rounded to eight decimal places. Where the Discount Factor is not an exact multiple of 0.00000001, it will be rounded to the nearest 0.00000001 or, where the Discount Factor is an exact uneven multiple of 0.000000005, to the nearest higher 0.00000001.

The Discount Factor for each Subsequent Cashflow Calculation Period shall be calculated as follows:

$$d_r = \frac{1 - C_r \sum_{i=1}^{r-1} A_i d_i}{1 + A_r C_r}$$

rounded to eight decimal places. Where the Discount Factor is not an exact multiple of 0.00000001, it will be rounded to the nearest 0.00000001 or, where the Discount Factor is an exact uneven multiple of 0.000000005, to the nearest higher 0.00000001.

In relation to the calculation set out above,

$C_r =$ the Reference Rate applicable to the r^{th} Cashflow Payment Date (expressed in such a way that for a Reference Rate of 5%, $C_r = 0.05$);

$A_i =$ the Relevant Day Count Fraction for the Cashflow Calculation Period applicable to the i^{th} Cashflow Payment Date;

$d_i =$ the Discount Factor as calculated in accordance with the above formulae, for the Cashflow Calculation Period applicable to the i^{th} Cashflow Payment Date;

- 6.05 (a) In respect of Contracts for which the minimum price movement specified by the Board in Table I is one Basis Point, the EDSP shall be expressed on the same basis as the contract price and shall be the figure calculated by rounding the Net Present Value to two decimal places. Where the Net Present Value is not an exact multiple of 0.01, it will be rounded to the nearest 0.01 or, where the Net Present Value is an exact uneven multiple of 0.005, to the nearest higher 0.01.
- (b) In respect of Contracts for which the minimum price movement specified by the Board in Table I is one half Basis Point, the EDSP shall be expressed on the same basis as the contract price and shall be the figure calculated by rounding the Net Present Value to three decimal places. Where the Net Present Value is not an exact multiple of 0.005, it will be rounded to the nearest 0.005 or, where the Net Present Value is an exact uneven multiple of 0.0025, to the nearest higher 0.005.
- 6.06 If the relevant Rate Source Page specified by the Board in Table I is not available for any reason whatsoever or the relevant Reference Rates referred to in term 6.01 have not been published by the time referred to in such term, exchange officials shall determine the Reference Rates by such means other than that specified in term 6.01 as they think fit.
- 6.07 If, in the opinion of exchange officials, the EDSP which would result from a calculation made in accordance with terms 6.04 and 6.05 would not be consistent with the prevailing Swap Rates in the relevant currency and for the relevant period (as determined by exchange officials) at the time referred to in term 5.01, then exchange officials may in their absolute discretion set the EDSP at a price determined by them by reference to such prevailing Swap Rates.
- 6.08 The Exchange shall publish a provisional EDSP and the final EDSP at such times as are specified in the Administrative Procedures. The final EDSP shall be final and binding for all purposes.

7. Payment

7.01 In respect of each lot comprised in a Contract the following payments shall be made in the Currency of Contract by the time on the Settlement Day specified by the Board in the Administrative Procedures:

- (a) where the EDSP exceeds the Contract price, payment by the Seller to the Clearing House or payment by the Clearing House to the Buyer, or both (as the case may require), and
- (b) where the Contract price exceeds the EDSP, payment by the Buyer to the Clearing House or payment by the Clearing House to the Seller, or both (as the case may require),

of an amount calculated by multiplying the difference in Basis Points between the EDSP and the Contract price by the value per lot of one Basis Point as specified in term 4.02.

8. Default in Performance

8.01 A Buyer or Seller other than the Clearing House shall be in default where:

- (a) he fails to fulfil in accordance with these terms, the Rules and the Administrative Procedures and the Regulations his obligations under a Contract by the time and in the manner prescribed; or
- (b) he fails to pay any sum due to the Clearing House in respect of a registered Contract by the time specified in these terms or in the Administrative Procedures or under the Regulations; or
- (c) in the reasonable opinion of the Clearing House he is otherwise in default.

8.02 Subject to the Default Rules of the Clearing House, in the event of a default by a Buyer or a Seller in respect of a registered Contract, the Board shall, at the request of the Clearing House, forthwith fix a price for invoicing back and each lot in issue shall be invoiced back at that price. No dispute as to such price may be referred to arbitration. Such price may at the Board's absolute discretion take account of any compensation that the Board may consider should be paid by or to the Buyer or Seller, as applicable.

9. Force Majeure
- 9.01 Subject to any steps taken at any time by the Board under emergency powers in the Rules and subject to the default rules of the Clearing House, a Seller or a Buyer shall be liable to perform his obligations in respect of a lot comprised in a Contract by the due time therefor, notwithstanding that he may be or is likely to be prevented from so doing by any event 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.
10. Articles, Rules and Regulations, etc.
- 10.01 Every Contract shall be subject to the Articles and the Rules and Regulations in so far as applicable notwithstanding that either or both of the parties to it be not a member of the market administered by the Exchange or of the Clearing House.
- 10.02 In the 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.
11. Arbitration
- 11.01 Subject to term 11.02 and to the Rules, any dispute arising from or in relation to 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.
- 11.02 No dispute arising from or in relation to any invoicing back price fixed by the Board under these terms shall be referred to arbitration under the Rules.
12. Governing Law
- 12.01 Every Contract shall be governed by and construed in accordance with English Law.
13. Non-registered Contracts

13.01

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 Clearing House 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 Administration Procedures. Modifications may also be made to the terms of a non-registered Contract to permit performance of such non-registered contract if, without such modifications, it may not be possible 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 Clearing House 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.

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Issue Date: 15 February 2001

CONTRACT DETAILS SPECIFIED BY THE BOARD
FOR SWAPNOTE[®] CONTRACTS

TABLE I

Contract	Two Year Euro Swapnote[®]	Five Year Euro Swapnote[®]	Ten Year Euro Swapnote[®]
Known as Exchange Contract No.	706	704	705
Set of Relevant Payments	2 Year Euro	5 Year Euro	10 Year Euro
Effective Date	Third Wednesday of delivery month	Third Wednesday of delivery month	Third Wednesday of delivery month
Currency of the Contract	Euro	Euro	Euro
Termination Date	Second anniversary of the Effective Date	Fifth anniversary of the Effective Date	Tenth anniversary of the Effective Date
Cashflow Payment Date Reference Period	One Calendar Year	One Calendar Year	One Calendar Year
Unit of trading	€100,000	€100,000	€100,000
Notional Fixed Rate	6.00%	6.00%	6.00%
Delivery months	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec	Mar, Jun, Sep, Dec
No. of delivery months available for trading¹	2 Quarterly	2 Quarterly	2 Quarterly
Basis Point Value	€10.00 per lot	€10.00 per lot	€10.00 per lot
Minimum price movement (Value)	Half of One Basis Point (€5)	One Basis Point (€10)	One Basis Point (€10)
Last Trading Day²	Two business days prior to the Effective Date	Two business days prior to the Effective Date	Two business days prior to the Effective Date
Last Trading Time (London time)	10.00 hours	10.00 hours	10.00 hours
Rate Source Page	Reuters Screen ISDAFIX2	Reuters Screen ISDAFIX2	Reuters Screen ISDAFIX2
Interest rate basis	30/360	30/360	30/360
Relevant Floating Rate	EURIBOR	EURIBOR	EURIBOR

1 The delivery months available for trading will normally be the relevant number of nearest quarterly delivery months. A new delivery month will be made available for trading on, or shortly before, the Last Trading Day of the current delivery month.

2 If such a day is not a business day, "Last Trading Day" shall mean the business day following such day.

Issue Date: 4 April 2002

