



**London**  
Stock Exchange Group

## **London Stock Exchange Group plc**

(Registered number 5369106, incorporated with limited liability under the laws of England and Wales)

### **£1,000,000,000 Euro Medium Term Note Programme**

Under this £1,000,000,000 Euro Medium Term Note Programme (the **Programme**) London Stock Exchange Group plc (the **Issuer**) may from time to time issue notes (the **Notes**) denominated in any currency agreed between the Issuer and the relevant Dealer (as defined on page 1).

**An investment in Notes issued under the Programme involves certain risks.** For a description of these risks, see “Risk Factors” below.

Application has been made to the Financial Services Authority (the **UK Listing Authority**) in its capacity as competent authority under the Financial Services and Markets Act 2000, as amended (the **FSMA**) for Notes issued during the period of 12 months from the date of this Offering Circular to be admitted to the official list of the UK Listing Authority (the **Official List**) and to the London Stock Exchange plc (the **London Stock Exchange**) for such Notes to be admitted to trading on the London Stock Exchange’s regulated market. References in this Offering Circular to Notes being “listed” (and all related references) shall either mean that such Notes have been admitted to trading on the London Stock Exchange’s regulated market and have been admitted to the Official List or shall be construed in a similar manner in respect of any other EEA State Stock Exchange, as applicable. The expression “EEA State” when used in this Offering Circular has the meaning given to such term in the FSMA (as defined above). The London Stock Exchange’s regulated market is a regulated market for the purposes of the Markets in Financial Instruments Directive (Directive 2004/39/EC).

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and certain information which is applicable to each Tranche (as defined on page 75) of Notes will be set forth in a final terms document (the **Final Terms**) which, with respect to Notes to be listed on the London Stock Exchange, will be delivered to the UK Listing Authority and to the London Stock Exchange on or before the date of issue of the Notes of such Tranche or such later date as the UK Listing Authority and the London Stock Exchange may agree. Copies of the applicable Final Terms in relation to Notes to be listed on the London Stock Exchange will also be published on the website of the Regulatory News Service operated by the London Stock Exchange.

The Issuer may also issue Notes that are admitted to trading through the electronic order book for retail bonds (**ORB**) of the London Stock Exchange. The Issuer may also issue unlisted Notes and/or Notes not admitted to trading on any market.

The Programme has been assigned ratings of A– by Standard & Poor’s Rating Services, a division of McGraw Hill International (UK) Limited (**S&P**) and Baa2 by Moody’s Investors Service Limited (**Moody’s**). The Issuer has been assigned long term debt ratings of A– by S&P and Baa2 by Moody’s. S&P is not registered in accordance with Regulation (EC) No. 1060/2009 (as amended) of the European Parliament and of the Council of 16 September 2009 on credit rating agencies (the **CRA Regulation**). Moody’s is established in the European Union and registered under the CRA Regulation.

The rating of certain Series (as defined herein) of Notes to be issued under the Programme may be specified in the Final Terms applicable to the Series of Notes (the **applicable Final Terms**). A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

**Arranger**

**BARCLAYS**

**Dealers**

**BARCLAYS**

**HSBC**

**BANCA IMI**

**LLOYDS BANK**

**MITSUBISHI UFJ SECURITIES  
INTERNATIONAL PLC**

**MORGAN STANLEY**

**THE ROYAL BANK OF  
SCOTLAND**

**UNICREDIT BANK**

## IMPORTANT INFORMATION

This Offering Circular comprises a base prospectus for the purposes of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the **Prospectus Directive**).

The Notes may be issued on a continuing basis to one or more of the Dealers specified on the back page of this Offering Circular and any additional Dealer appointed under the Programme from time to time, which appointment may be for a specific issue or on an ongoing basis (each a **Dealer** and together the **Dealers**). References in this Offering Circular to the “relevant Dealer” shall, in the case of an issue of Notes being (or intended to be) subscribed by more than one Dealer, be to all Dealers agreeing to purchase such Notes.

The Notes of each Tranche (as defined herein) will initially be represented by a temporary global Note or a permanent global Note, in each case as specified in the applicable Final Terms which will be deposited on the issue date thereof with a common safekeeper or common depository for Clearstream Banking, *société anonyme* (**Clearstream, Luxembourg**) and Euroclear Bank S.A./N.V. (**Euroclear**) and/or any other agreed clearing system. A temporary global Note will be exchangeable, as specified in the applicable Final Terms, for either a permanent global Note or Notes in definitive form, in each case upon certification as to non-US beneficial ownership as required by US Treasury regulations. A permanent global Note will be exchangeable for Notes in definitive form either upon request or only upon an Exchange Event (as specified in the applicable Final Terms), all as further described in “Form of the Notes” below. If so specified in the applicable Final Terms, following the delivery of an issue of Notes into Euroclear or Clearstream, Luxembourg, investors may also hold interests in the Notes through Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) (**CREST**) through the issuance of dematerialised depository interests (**CREST Depository Interests** or **CDIs**), issued, held, settled and transferred through CREST, representing interests in the relevant Notes underlying the CDIs (the **Underlying Notes**). CREST Depository Interests are independent securities distinct from the Notes, constituted under, and governed by, English law and transferred through CREST and will be issued by CREST Depository Limited (the **CREST Depository**) pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated) (the **CREST Deed Poll**).

The Issuer accepts responsibility for the information contained in this Offering Circular and any Final Terms. To the best of the knowledge and belief of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see “Documents Incorporated by Reference” below). This Offering Circular shall be read and construed on the basis that such documents are so incorporated and form part of this Offering Circular.

Copies of the applicable Final Terms will be available from the registered office of the Issuer and the specified office of each of the Paying Agents (as defined on page 75) (save that the applicable Final Terms relating to a Note which is neither admitted to trading on a regulated market in any Member State of the European Economic Area nor offered to the public in any Member State of the European Economic Area in circumstances where a prospectus is required to be published under the Prospectus Directive will only be obtainable by a holder of such Note and such holder must produce evidence satisfactory to the Issuer or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity), and copies of the applicable Final Terms relating to Notes which are admitted to trading on the London Stock Exchange’s regulated market and/or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will also be available on the website of the Regulatory News Service operated by the London Stock Exchange.

Save for the Issuer, no other party has separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by any Dealer or the Trustee (as defined on page 75) as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Issuer in connection with the Programme or the Notes or their distribution. No person is or has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other information supplied in connection with the Programme or the Notes and, if given or

made, such information or representation must not be relied upon as having been authorised by the Issuer, any Dealer, Barclays Bank PLC (the **Arranger**) or the Trustee.

Neither this Offering Circular nor any other information supplied in connection with the Programme or any Notes (i) is intended to provide the basis of any credit or other evaluation or (ii) should be considered as a recommendation or as constituting an invitation or offer by the Issuer, any Dealer, the Arranger or the Trustee that any recipient of this Offering Circular or any other information supplied in connection with the Programme or any Notes should purchase any Notes. Each investor contemplating purchasing any Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer. Neither this Offering Circular nor any other information supplied in connection with the Programme or the issue of any Notes constitutes an offer by or on behalf of the Issuer, any Dealer, the Arranger or the Trustee to any person to subscribe for or to purchase any Notes.

Neither the delivery of this Offering Circular nor the offering, sale or delivery of any Notes shall at any time imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof or that any other information supplied in connection with the Programme is correct as at any time subsequent to the date indicated in the document containing the same. The Dealers, the Arranger and the Trustee expressly do not undertake to review the financial condition or affairs of the Issuer during the life of the Programme or to advise any investor in the Notes of any information coming to their attention. When deciding whether or not to purchase Notes of any Tranche, investors should review, *inter alia*, the documents incorporated by reference into this Offering Circular and any supplement to this Offering Circular (including the Final Terms relating to such Tranche, but not including any other Final Terms).

## **IMPORTANT INFORMATION RELATING TO PUBLIC OFFERS OF NOTES**

### **Restrictions on Public Offers of Notes in Relevant Member States**

Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a **Public Offer**. This Offering Circular has been prepared on a basis that permits Public Offers of Notes. However, any person making or intending to make a Public Offer of Notes in any Member State of the European Economic Area which has implemented the Prospectus Directive (each, a **Relevant Member State**) may only do so if this Offering Circular has been approved by the competent authority in that Relevant Member State (or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State) and published in accordance with the Prospectus Directive, provided that the Issuer has consented to the use of this Offering Circular in connection with such offer as provided under “*Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)*” and the terms of that consent are complied with by the person (the **Offeror**) making the Public Offer of such Notes.

Save as provided above, neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any Public Offer of Notes in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

### **Consent given in accordance with Article 3.2 of the Prospectus Directive (Retail Cascades)**

Any person (an **Investor**) intending to acquire or acquiring any Notes from any Offeror other than the Issuer or a relevant Dealer should be aware that, in the context of a Public Offer of such Notes, the Issuer will be responsible to the Investor for this Offering Circular under section 90 of the FSMA only if the Issuer has consented to the use of this Offering Circular by that Offeror to make the Public Offer to the Investor. None of the Issuer and any Dealer makes any representation as to the compliance by that Offeror with any applicable conduct of business rules or other applicable regulatory or securities law requirements in relation to any Public Offer and none of the Issuer and any Dealer has any responsibility or liability for the actions of that Offeror. **Save as provided below, neither the Issuer nor any Dealer has authorised the making of any Public Offer by any Offeror or consented to the use of this Offering Circular by any other person in connection with any Public Offer of Notes. Any Public Offer made without the consent of the Issuer is unauthorised and neither the Issuer nor any Dealer accepts any responsibility or liability for the actions of the persons making any such unauthorised offer.** If the Issuer has not consented to the use of this Offering Circular by an Offeror, the Investor should check with the Offeror whether anyone is responsible for this Offering Circular for the purposes of section 90 of the FSMA in the context of the Public Offer

and, if so, who that person is. If the Investor is in any doubt about whether it can rely on this Offering Circular and/or who is responsible for its contents it should take legal advice.

In connection with each Tranche of Notes, and provided that the applicable Final Terms specifies an Offer Period, the Issuer consents to the use of this Offering Circular in connection with a Public Offer of such Notes subject to the following conditions:

- (i) the consent is only valid during the Offer Period so specified;
- (ii) the only Offerors authorised to use this Offering Circular to make the Public Offer of the relevant Tranche of Notes are the relevant Dealer and either:
  - (a) (i) if the applicable Final Terms names financial intermediaries authorised to offer the Notes, the financial intermediaries so named and/or (ii) if the Issuer appoints additional financial intermediaries after the date of the applicable Final Terms and publishes details of them on its website, each financial intermediary whose details are so published; or
  - (b) if specified in the applicable Final Terms, any financial intermediary which is authorised to make such offers under Directive 2004/39/EC (the Markets in Financial Instruments Directive (MiFID)) which states on its website that it is relying on this Offering Circular to offer the relevant Tranche of Notes during the Offer Period;
- (iii) the consent only extends to the use of this Offering Circular to make Public Offers of the relevant Tranche of Notes in the United Kingdom; and
- (iv) the consent is subject to any other conditions set out in Part B of the applicable Final Terms.

**Any Offeror falling within sub-paragraph (ii)(b) above who meets all of the other conditions stated above and wishes to use this Offering Circular in connection with a Public Offer is required, for the duration of the relevant Offer Period, to publish on its website that it is relying on this Offering Circular for such Public Offer with the consent of the Issuer.**

The Issuer accepts responsibility, in the jurisdictions to which the consent to use the Offering Circular extends, for the content of this Offering Circular in relation to any Investor who acquires any Notes in a Public Offer made by any person to whom consent has been given to use this Offering Circular in that connection in accordance with the preceding paragraph, provided that such Public Offer has been made in accordance with all the conditions attached to that consent.

The only Relevant Member State which may, in respect of any Tranche of Notes, be specified in the applicable Final Terms (if any Relevant Member States are so specified) will be the United Kingdom, and accordingly, each Tranche of Notes may only be offered to Investors as part of a Public Offer in the United Kingdom, as specified in the applicable Final Terms, or otherwise in circumstances in which no obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A PUBLIC OFFER FROM AN OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE ISSUER WILL NOT BE A PARTY TO ANY SUCH ARRANGEMENTS WITH SUCH INVESTORS IN CONNECTION WITH THE PUBLIC OFFER OR SALE OF THE NOTES CONCERNED AND, ACCORDINGLY, THIS OFFERING CIRCULAR AND ANY FINAL TERMS WILL NOT CONTAIN SUCH INFORMATION. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NEITHER THE ISSUER NOR ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

## IMPORTANT INFORMATION RELATING TO THE USE OF THIS OFFERING CIRCULAR AND OFFERS OF NOTES GENERALLY

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in any jurisdiction to any person to whom it is unlawful to make the offer or solicitation in such jurisdiction. The distribution of this Offering Circular and the offer or sale of Notes may be restricted by law in certain jurisdictions. The Issuer, the Dealers, the Arranger and the Trustee do not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, unless specifically indicated to the contrary in the applicable Final Terms, no action has been taken by the Issuer, the Dealers, the Arranger or the Trustee which is intended to permit a public offering of any Notes or distribution of this Offering Circular in any jurisdiction (other than the United Kingdom) where action for that purpose is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction except under circumstances that will result in compliance with any applicable laws and regulations, and the Dealers have represented or, as the case may be, will be required to represent that all offers and sales by them will be made on the same terms. Persons into whose possession this Offering Circular or any Notes come must inform themselves about, and observe, any such restrictions. In particular, there are restrictions on the distribution of this Offering Circular and the offer or sale of Notes in the United States of America, the European Economic Area (including the United Kingdom and France), Japan, Jersey and the Isle of Man (see “Subscription and Sale” below).

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended, (the **Securities Act**) and include Notes in bearer form that are subject to certain US tax law requirements. Subject to certain exceptions, Notes may not be offered, sold or delivered within the United States of America or to US persons (see “Subscription and Sale” below).

Certain Tranches of Notes issued in NGN form (as defined in “Form of the Notes” below) may be held in a manner which will allow Eurosystem eligibility. This simply means that the Notes are intended upon issue to be delivered to one of Euroclear or Clearstream, Luxembourg as common safekeeper and does not necessarily mean that the Notes will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any or all times during their life. Such recognition will depend upon satisfaction of the Eurosystem eligibility criteria.

This Offering Circular contains forward-looking statements, including, without limitation, statements containing the words “believes”, “anticipates”, “expects”, “intends”, “may”, “will”, “should” and “estimated” or, in each case, their negative or other variations or similar expressions. Such forward-looking statements involve unknown risk, uncertainties and other factors, which may cause the actual results of operations, performance or achievement of the Issuer, or industry results, to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Prospective investors are cautioned not to place any undue reliance on such forward-looking statements, which speak only as at the date of this Offering Circular. Subject to its compliance with its legal and regulatory obligations (including under the Listing Rules, Disclosure and Transparency Rules and Prospectus Rules), the Issuer undertakes no obligation to update or revise any forward-looking statement contained in this Offering Circular to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any statement is based.

The Notes may not be a suitable investment for all investors. Each potential investor in the Notes must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- (i) has sufficient knowledge and experience to make a meaningful evaluation of the Notes, the merits and risks of investing in the Notes and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;
- (ii) has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Notes and the impact the Notes will have on its overall investment portfolio;

- (iii) has sufficient financial resources and liquidity to bear all of the risks of an investment in the Notes, including Notes where the currency for principal or interest payments is different from the potential investor's currency;
- (iv) understands thoroughly the terms of the Notes and is familiar with the behaviour of any relevant indices and financial markets; and
- (v) is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Legal investment considerations may restrict certain investments. The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Notes are legal investments for it, (ii) Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

### **PRESENTATION OF INFORMATION**

In this Offering Circular, all references to:

- **Sterling** and **£** refer to the currency of the United Kingdom;
- **US dollars**, **US\$** and **\$** refer to the currency of the United States of America;
- **Australian dollars** and **A\$** refer to the currency of Australia;
- **Canadian dollars** and **C\$** refer to the currency of Canada;
- **JPY** and **¥** refer to the currency of Japan;
- **Swiss francs** and **CHF** refer to the currency of Switzerland;
- **euro** and **€** refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended; and
- **Hong Kong dollars** and **HK\$** refer to the currency of Hong Kong.

### **STABILISATION**

In connection with the issue of any Tranche of Notes, one or more relevant Dealers (the **Stabilising Managers(s)**) (or persons acting on behalf of any Stabilising Manager(s)) may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation action or over-allotment must be conducted by the relevant Stabilising Manager(s) (or persons acting on behalf of any Stabilising Manager(s)) in accordance with all applicable laws and rules.

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## Summary of the Programme

Summaries are made up of disclosure requirements known as “Elements”. These Elements are numbered in Sections A – E (A.1 – E.7). This Summary contains all the Elements required to be included in a summary for the Notes and the Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in a summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element should be included in the summary with the mention of “not applicable”.

### Section A—Introduction and warnings

Element	
A.1	<p><b>This summary must be read as an introduction to the base prospectus and the applicable Final Terms. Any decision to invest in any Notes should be based on a consideration of the Offering Circular as a whole, including any documents incorporated by reference, and the applicable Final Terms. Where a claim relating to information contained in the Offering Circular and the applicable Final Terms is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating the Offering Circular and the applicable Final Terms before the legal proceedings are initiated. Following the implementation of the relevant provisions of Article 5.4 of Directive 2003/71/EC as amended (which includes the amendments made by Directive 2010/73/EU to the extent that such amendments have been implemented in a relevant Member State of the European Economic Area) (the Prospectus Directive) in each Member State of the European Economic Area, no civil liability will attach to the Issuer in any such Member State solely on the basis of this summary, including any translation hereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of the Offering Circular and the applicable Final Terms or it does not provide, when read together with the other parts of the Offering Circular and the applicable Final Terms, key information (as defined in Article 2.1(s) of the Prospectus Directive) in order to aid investors when considering whether to invest in the Notes.</b></p>
A.2	<p>Certain Tranches of Notes with a denomination of less than €100,000 (or its equivalent in any other currency) may be offered in circumstances where there is no exemption from the obligation under the Prospectus Directive to publish a prospectus. Any such offer is referred to as a <b>Public Offer</b>.</p> <p>[Not Applicable; the Notes are issued in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[The Issuer consents to the use of the Offering Circular in connection with a Public Offer of the Notes subject to the following conditions:</p> <ul style="list-style-type: none"> <li>(i) the consent is only valid during the period from [[            ] until] [[            ]/[Issue Date]]/[the date which falls [            ] business days thereafter]] (the <b>Offer Period</b>);</li> <li>(ii) the only Offerors authorised to use the Offering Circular to make the Public Offer of the Notes are the relevant [Dealer/Manager] and [(i) [            ] [and [            ]] and/or (ii) if the Issuer appoints additional financial intermediaries after [            ] (being the date of the Final Terms) and publishes details of them on its website, each financial intermediary whose details are so published]/[any financial intermediary which is authorised to make such offers under Directive 2004/39/EC (the Markets in Financial Instruments Directive) which acknowledges on its website that it is relying on this Offering Circular to offer the relevant Tranche of Notes during the Offer Period; [and]</li> </ul>



(iii) the consent only extends to the use of this Offering Circular to make Public Offers of the relevant Tranche of Notes in [ ] [and [ ]]; [and]

[(iv) the consent is subject to the following other condition[s]: [ ]].

**[Any Offeror falling within sub-paragraph (ii) above who meets all of the other conditions stated above and wishes to use this Offering Circular in connection with a Public Offer is required, at the relevant time, to publish on its website that it is relying on this Offering Circular for such Public Offer with the consent of the Issuer].**

The consent referred to above is valid for the period of 12 months from the date of this Offering Circular. The Issuer accepts responsibility, in the jurisdictions to which the consent to use the Offering Circular extends, for the content of this Offering Circular in relation to any investor who acquires any Notes in a Public Offer made by any person to whom consent has been given to use this Offering Circular in that connection in accordance with the preceding paragraphs, provided that such Public Offer has been made in accordance with all the Conditions attached to that consent.

**AN INVESTOR INTENDING TO ACQUIRE OR ACQUIRING ANY NOTES IN A PUBLIC OFFER FROM AN OFFEROR OTHER THAN THE ISSUER WILL DO SO, AND OFFERS AND SALES OF SUCH NOTES TO AN INVESTOR BY SUCH OFFEROR WILL BE MADE, IN ACCORDANCE WITH ANY TERMS AND OTHER ARRANGEMENTS IN PLACE BETWEEN SUCH OFFEROR AND SUCH INVESTOR INCLUDING AS TO PRICE, ALLOCATIONS AND SETTLEMENT ARRANGEMENTS. THE INVESTOR MUST LOOK TO THE OFFEROR AT THE TIME OF SUCH OFFER FOR THE PROVISION OF SUCH INFORMATION AND THE OFFEROR WILL BE RESPONSIBLE FOR SUCH INFORMATION. NEITHER THE ISSUER NOR ANY DEALER HAS ANY RESPONSIBILITY OR LIABILITY TO AN INVESTOR IN RESPECT OF SUCH INFORMATION.**

## Section B—Issuer

Element	Title	
<b>B.1</b>	Legal and commercial name of the Issuer	The legal name of the Issuer is London Stock Exchange Group plc. The Issuer is a non-trading holding company with no commercial or trading name.
<b>B.2</b>	Domicile/legal form/legislation/country of incorporation	The Issuer is a public limited company incorporated with limited liability under the laws of England and Wales.
<b>B.4b</b>	Trend information	Not Applicable; there are no known trends affecting the Issuer and the industries in which it operates.
<b>B.5</b>	Description of the Group	The Issuer is the ultimate holding company of its group of companies (the <b>Group</b> ).
<b>B.9</b>	Profit forecast or estimate	Not Applicable; the Issuer has not made any profit forecasts or estimates.
<b>B.10</b>	Audit report qualifications	Not Applicable; there are no qualifications contained within:  (i) the audited consolidated financial statements of the Issuer as at and for the 12 months ended 31 March 2012; and  (ii) the audited consolidated financial statements of the Issuer as at and for the 12 months ended 31 March 2011.
<b>B.12</b>	Selected historical key financial information:	The financial summary set out below has been extracted without material adjustment from the audited consolidated financial statements of the Issuer as at and for the years ended 31 March 2012 and 2011 respectively. The summary financial information should be read together with the audited consolidated financial statements of the Issuer as at and for the years ended 31 March 2012 and 2011 respectively, each of which is incorporated by reference into the Offering Circular.

<b>Summary Consolidated Income Statement</b>			
Year ended 31 March 2012			
	Before acquisition amortisation and non- recurring items	Acquisition amortisation and non- recurring items	Total
<u>Continuing operations</u>	£m	£m	£m
<b>Total Income</b> . . . . .	<b>814.8</b>	—	<b>814.8</b>
Operating expenses . . . . .	(378.8)	(81.0)	(459.8)
Share of profit after tax of joint ventures/associates . . . . .	5.9	(2.4)	3.5
<b>Operating profit/(loss)</b> . . . . .	<b>441.9</b>	<b>(83.4)</b>	<b>358.5</b>
(Loss)/profit on disposal/acquisition of shares in subsidiary and joint venture . . . . .	(0.5)	324.3	323.8
Net finance expense . . . . .	(40.8)	(1.8)	(42.6)
<b>Profit/(loss) before taxation</b> . . . . .	<b>400.6</b>	<b>239.1</b>	<b>639.7</b>
Taxation . . . . .	(116.9)	8.6	(108.3)
<b>Profit/(loss) for the financial year</b> . . . . .	<b>283.7</b>	<b>247.7</b>	<b>531.4</b>
Basic earnings per share . . . . .			193.6p
Diluted earnings per share . . . . .			190.9p
Adjusted basic earnings per share . . . . .			100.6p
Adjusted diluted earnings per share . . . . .			99.2p

<b>Summary Consolidated Income Statement</b>			
Year ended 31 March 2011			
	Before acquisition amortisation and non- recurring items	Acquisition amortisation and non- recurring items	Total
<u>Continuing operations</u>	£m	£m	£m
<b>Total Income</b> . . . . .	<b>674.9</b>	—	<b>674.9</b>
Operating expenses . . . . .	(336.9)	(68.1)	(405.0)
Share of profit after tax of joint ventures/associates . . . . .	3.1	10.0	13.1
<b>Operating profit/(loss)</b> . . . . .	<b>341.1</b>	<b>(58.1)</b>	<b>283.0</b>
Net finance expense . . . . .	(44.8)	—	(44.8)
<b>Profit/(loss) before taxation</b> . . . . .	<b>296.3</b>	<b>(58.1)</b>	<b>238.2</b>
Taxation . . . . .	(89.8)	8.1	(81.7)
<b>Profit/(loss) for the financial year</b> . . . . .	<b>206.5</b>	<b>(50.0)</b>	<b>156.5</b>
Basic earnings per share . . . . .			56.4p
Diluted earnings per share . . . . .			55.9p
Adjusted basic earnings per share . . . . .			73.7p
Adjusted diluted earnings per share . . . . .			72.9p

<b>Summary Consolidated Balance Sheet</b>		
31 March		
	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>
Non-current assets . . . . .	2,214.0	1,525.4
Current assets		
CCP clearing business assets . . . . .	99,756.9	116,107.2
Other current assets . . . . .	452.7	425.7
Assets held for sale . . . . .	6.4	36.9
<b>Total assets . . . . .</b>	<b>102,430.0</b>	<b>118,095.2</b>
Current liabilities		
CCP clearing business assets . . . . .	99,747.2	116,104.5
Other current assets . . . . .	319.2	210.5
Non-current liabilities . . . . .	913.9	638.4
Liabilities held for sale . . . . .	—	4.8
<b>Total liabilities . . . . .</b>	<b>100,980.3</b>	<b>116,958.2</b>
<b>Net assets . . . . .</b>	<b>1,449.7</b>	<b>1,137.0</b>
Total shareholder funds . . . . .	1,376.8	1,036.9
Non-controlling interests . . . . .	72.9	100.1
<b>Total equity . . . . .</b>	<b>1,449.7</b>	<b>1,137.0</b>
<b>Summary Consolidated Cash Flow Statement</b>		
Year ended 31 March		
	<b>2012</b>	<b>2011</b>
	<b>£m</b>	<b>£m</b>
Net cash inflow/(outflow) from operating activities . . . . .	303.0	264.5
Net cash (outflow)/inflow from investing activities . . . . .	(486.1)	(43.8)
Net cash inflow/(outflow) from financing activities . . . . .	140.2	(174.0)
<b>(Decrease)/increase in cash and cash equivalents . . . . .</b>	<b>(42.9)</b>	<b>46.7</b>
Cash and cash equivalents at beginning of year . . . . .	267.0	223.1
Exchange losses on cash and cash equivalents . . . . .	(8.1)	(0.9)
Transfer to assets held for sale . . . . .	—	(1.9)
<b>Cash and cash equivalents at end of year . . . . .</b>	<b>216.0</b>	<b>267.0</b>
<i>Statements of no significant or material adverse change</i>		
<p>There has been no significant change in the financial or trading position of the Issuer or the Issuer and its subsidiaries (as defined under section 1159 of the Companies Act 2006 (<b>Subsidiaries</b>)) since 31 March 2012 and there has been no material adverse change in the financial position or prospects of the Issuer or the Issuer and its Subsidiaries since 31 March 2012.</p>		

<b>B.13</b>	Events impacting the Issuer's solvency	Not Applicable; there have been no recent events particular to the Issuer which are to a material extent relevant to the evaluation of the Issuer's solvency.
<b>B.14</b>	Dependence upon other group entities	The Issuer is a holding company with no material assets other than its equity interests in its Subsidiaries. Almost all of the Issuer's operations are carried out through its operating Subsidiaries. The Issuer's principal source of income is, and its ability to meet its financial obligations is therefore dependent upon the level of, dividends, loan repayments, distributions and other intercompany transfers of funds it receives from its operating Subsidiaries. There is no contractual obligation for its operating Subsidiaries to make regular dividend payments to the Issuer.

B.15	Principal activities	<p>The Issuer operates, through members of the Group, a broad range of international equity, bond and derivatives markets, including the London Stock Exchange plc, Borsa Italiana, MTS (facilitating electronic fixed income trading in Europe) and Turquoise Global Holdings Limited (offering pan-European and US “lit” and “dark” equity trading). Through its markets, the Group offers domestic and international businesses access to Europe’s capital markets.</p> <p>Post-trade services are also offered by the Group, including clearing, settlement and custody services for cash equity, derivative and fixed income securities through CC&amp;G and Monte Titoli.</p> <p>The Group offers its customers around the world an extensive range of real-time and reference data products with FTSE providing benchmark and other indices to active and passive asset managers and other market users on a global basis. The Group also develops high performance trading platforms and capital markets software through Millennium IT.</p>
B.16	Controlling shareholders	<p>As at 8 October 2012, the Issuer has been notified of the following interests amounting to more than 3 per cent. in the issued share capital of the Issuer in accordance with sections 791 to 828 of the Companies Act 2006 and the disclosure and transparency rules made by the Financial Services Authority (FSA) under Part VI of the Financial Services and Markets Act 2000 (FSMA) (the <b>Disclosure and Transparency rules</b>): Borse Dubai Limited 20.6 per cent., Qatar Investment Authority 15.1 per cent. and FIL Limited 5.2 per cent.</p>
B.17	Credit ratings	<p>The Issuer has been assigned long term debt ratings of A – by Standard &amp; Poor’s Rating Services a division of McGraw-Hill International (UK) Limited (<b>S&amp;P</b>) and Baa2 by Moody’s Investors Service Limited (<b>Moody’s</b>). The Euro Medium Term Note Programme (the <b>Programme</b>) has been rated “A –” by S&amp;P and “Baa2” by Moody’s. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.</p>

## Section C—Securities

Element	Title	
C.1	Description of Notes/ISIN	<p>The Notes described in this section are debt securities with a denomination of [less than]/[at least] €100,000 (or its equivalent in any other currency). The Notes may be fixed rate Notes, floating rate Notes, zero coupon Notes, RPI-Linked Notes or a combination of the foregoing. The Notes are [£/€/US\$/A\$/C\$/JPY/CHF/HK\$/] [[ ] per cent./floating rate/zero coupon/RPI-Linked] Notes due [ ].</p> <p>International Securities Identification Number (ISIN): [ ]</p>
C.2	Currency	<p>The currency of each Series of Notes issued will be agreed between the Issuer and the relevant Dealer at the time of issue. The currency of this Series of Notes is [Pounds Sterling (£)/Euro (€)/US dollars (US\$)/Australian dollars (A\$)/Canadian dollars (C\$)/Japanese Yen (JPY)/Swiss Francs (CHF)/Hong Kong dollar (HK\$)/([ )].</p>
C.5	Transferability	<p>There are no restrictions on the free transferability of the Notes.</p>
C.8	Rights attached to the Notes and ranking	<p><b>Status</b></p> <p>The Notes and the relative Coupons constitute direct, unconditional, unsubordinated and (subject to the provisions of the negative pledge) unsecured obligations of the Issuer and rank and will rank <i>pari passu</i> without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other outstanding unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.</p> <p><b>Taxation</b></p> <p>All payments in respect of Notes will be made without deduction for or on account of withholding taxes. In the event that any such deduction is required in respect of taxes imposed by or on behalf of the United Kingdom, the Issuer will, save in certain limited circumstances, be required to pay additional amounts to cover the amounts so deducted.</p> <p>All payments in respect of the Notes will be made subject to any withholding or deduction required pursuant to Section 1471(b) of the US Internal Revenue Code of 1986, as amended (the <b>Code</b>) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto, as provided in Condition 8 of the Conditions of the Notes.</p>

***Negative pledge***

The terms of the Notes contain a negative pledge provision which prohibits the Issuer from creating security interests over its undertakings and assets to secure certain indebtedness evidenced by (i) bonds, notes, debentures or other securities which are listed or traded on any stock exchange or any securities market or (ii) any guarantee or indemnity in respect of any such indebtedness listed in (i), subject to certain specified exceptions.

***Events of Default***

The terms of the Notes contain, amongst others, the following events of default which, following their occurrence, the Trustee (as defined below) at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an extraordinary resolution of the Noteholders (but in the case of the happening of certain events, only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become immediately due and repayable:

- (a) default in payment of (i) any principal or (ii) interest due in respect of the Notes continuing for a period of 7 days;
- (b) failure to observe any of the other obligations under the Notes and the Trust Deed and the failure continues (except in any case where the Trustee considers the failure to be incapable of remedy where no continuation will be required) for a period of 30 days (or such longer period as the Trustee permits);
- (c) events relating to the winding up, dissolution, administration, bankruptcy, insolvency and creditor arrangements of the Issuer and certain material subsidiaries of the Issuer;
- (d) (i) indebtedness for borrowed money of the Issuer or certain material subsidiaries of the Issuer being accelerated by reason of the occurrence of an event of default in relation to such indebtedness; or (ii) failure by the Issuer or any material subsidiary to make any payment in respect of indebtedness for borrowed money on the due date thereof or at the expiry of any applicable grace period; or (iii) any security given by the Issuer or certain material subsidiaries for certain types of indebtedness for borrowed money becomes enforceable and the holder thereof takes steps to enforce the same; or (iv) any payment due under any guarantee and/or indemnity of any such indebtedness for borrowed money given by the Issuer or certain material subsidiaries of the Issuer, when due and called upon save in any such case where there is a *bona fide* dispute as to whether payment or repayment is due, all subject to an aggregate threshold of £30,000,000.

		<p><b>Meetings</b></p> <p>The terms of the Notes contain provisions for calling meetings of holders of such Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority.</p> <p><b>Governing law</b></p> <p>English law.</p>
C.9	Interest/Redemption	<p>Notes may or may not bear interest. Interest bearing Notes will either bear interest payable at a fixed rate, a floating rate or at a rate calculated by reference to movements in the UK Retail Prices Index (<b>RPI</b>).</p> <p><b>Fixed Rate Notes:</b></p> <p>Fixed interest will be payable in arrear on the date or dates in each year specified in the applicable Final Terms.</p> <p>The Notes are [not] Fixed Rate Notes. [The Notes bear interest from the Interest Commencement Date at a rate of [ ] per cent. per annum payable in arrear on [ ] in each year.]</p> <p><b>Floating Rate Notes:</b></p> <p>Floating Rate Notes issued under the Programme will bear interest as follows:</p> <p>(a) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc. or,</p> <p>(b) by reference to LIBOR or EURIBOR as adjusted for any applicable margin.</p> <p>[The Notes are [not] Floating Rate of Notes.] [The Notes will bear a floating rate of interest from the Interest Commencement Date of [ ] [+/-] [ ] per cent. per annum payable in arrear on [ ] in each year.]</p> <p><b>Zero Coupon Notes:</b></p> <p>Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.</p> <p>[The Notes are [not] Zero Coupon Notes and do not bear interest.]</p> <p><b>RPI-Linked Notes</b></p> <p>Payments of interest and principal in respect of RPI-Linked Notes will be calculated by reference to an Index Ratio, derived from the RPI (all items) published by the Office of National Statistics or the relevant successor index (<b>RPI-Linked Notes</b>).</p> <p>[The Notes are [not] RPI-Linked Notes]. [The Notes will bear interest from the Interest Commencement Date at a rate of [ ] per cent. per annum, payable [annually/semi-annually/quarterly/monthly] in arrear on [ ] and adjusted in accordance with [ ]].</p>



		<p><b><i>Interest Periods and Rates of Interest:</i></b></p> <p>The length of the interest periods for Notes issued under the Programme and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both.</p> <p><b><i>Maturities:</i></b></p> <p>The relevant maturity date in respect of RPI-Linked Notes will be such date as may be agreed between the Issuer and the relevant Dealer at the time of issue of RPI-Linked Notes. [Not Applicable; the Notes are not RPI-Linked Notes].</p> <p>[The Maturity Date of the Notes will be [            ].]</p> <p><b><i>Final Redemption:</i></b></p> <p>[The Final Redemption Amount of each Note is [            ] per Calculation Amount.]</p> <p><b><i>Optional Redemption:</i></b></p> <p>The Notes issued under the Programme may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part).</p> <p>[The Optional Redemption Amount [(Put)]/[(Call)] of each Note is [            ] per Calculation Amount.]</p> <p><b><i>Early Redemption for taxation reasons:</i></b></p> <p>Notes issued under the Programme may be subject to redemption by the Issuer for reasons related to taxation.</p> <p>[The Early Redemption Amount (for taxation reasons) of each Note is [            ] per Calculation Amount.]</p> <p><b><i>Early Redemption for indexation reasons:</i></b></p> <p>RPI-Linked Notes issued under the Programme may be subject to redemption by the Issuer for reasons related to indexation.</p> <p>[The Early Redemption Amount (for indexation reasons) of each Note is [            ] per Calculation Amount.]</p> <p><b><i>Redemption at the Option of the Noteholders following a Change of Control:</i></b></p> <p>Notes issued under the Programme may be subject to optional redemption by Noteholders following a change of control (a <b>Change of Control Put Event</b>).</p> <p>If at any time while any relevant Note remains outstanding, a Change of Control Put Event occurs the Noteholders will, upon the giving of an exercise notice, have the option to require the Issuer to redeem the Note on the specified date at a specified amount (to be stated in the applicable Final Terms).</p> <p>[Change of Control Put Option is [Applicable/Not Applicable]]</p>
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**Indication of Yield:**

The yield in respect of each issue of Fixed Rate Notes under the Programme will be calculated on the basis of the Issue Price using the following formula:

$$\text{Rate of Interest} * \frac{1 - \left( \frac{1}{(1 + \text{Yield})^n} \right)}{\text{Yield}} + \left[ \text{Final Redemption Amount} * \frac{1}{(1 + \text{Yield})^n} \right]$$

Where:

**Rate of Interest** means the Rate of Interest expressed as a percentage as specified in the applicable Final Terms and adjusted according to the frequency (and in the case of Zero Coupon Notes, means “0”) i.e. for a semi-annual paying Note, the rate of interest is half the stated annualised rate of interest in the applicable Final Terms;

**Yield** means the yield to maturity calculated on a frequency commensurate with the frequency of interest payments as specified in the applicable Final Terms (and in the case of Zero Coupon Notes, means the Accrual Yield as specified in the applicable Final Terms); and

**n** means the number of interest payments to maturity.

As an example, where:

$$N = 6$$

$$\text{Rate of Interest} = 3.875\%$$

$$\text{Issue Price} = 99.392$$

$$\text{Final Redemption Amount} = 100$$

$$99.392 =$$

$$99.392 = 3.875 * \frac{1 - \left( \frac{1}{(1 + \text{Yield})^6} \right)}{\text{Yield}} + \left[ 100 * \frac{1}{(1 + \text{Yield})^6} \right]$$

$$\text{Yield} = 3.99\% \text{ (calculated by iteration)}$$

The yield specified in the applicable Final Terms in respect of a Series of Notes will not be an indication of future yield.

*Issue specific summary:*

[The Yield of the Notes is [            ] per cent. per annum.]

**Representative of holders**

HSBC Corporate Trustee Company (UK) Limited (the **Trustee**) will act as trustee for the holders of Notes. The Trustee may, without the consent of any holders and without regard to the interests of particular holders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of the Notes or (ii) determine without the consent of any holders that an event of default or potential event of default shall not be treated as such or (iii) the substitution of another company as principal debtor under the Notes in place of the Issuer.

<p><b>C.10</b></p>	<p>Derivative component</p>	<p>[Not Applicable; the Notes are not derivative securities.]</p> <p>[The Notes are derivative securities, reflecting the fact that the amount of interest payable on each Interest Payment Date and/or the amount to be repaid upon redemption of the Notes will be calculated by reference to movements in RPI (a familiar general purpose domestic measure of inflation used in the UK since 1947 which measures the average change from month to month in the price of goods and services purchased by most households in the UK) within a reference period. If prices rise compared to the previous month, the RPI goes up, and vice versa.</p> <p>The real rate of interest will be specified in the applicable Final Terms. The amount due on each Interest Payment Date will then be adjusted to take account of inflation. The real rate of interest will be multiplied by a ratio, which reflects the change in RPI from a period relating to the start of the RPI-Index Note's life (the <b>Base Index Figure</b>) and the RPI figure relating to a particular month or date (as specified in the applicable Final Terms) prior to the relevant Interest Payment Date (the <b>Reference Period</b>).</p> <p>[A decrease in RPI over the Reference Period will reduce the amount of interest payable on the Notes. In a deflationary environment, the annual interest received may be lower than the rate of [       ] per cent. per annum [subject to [       ]].</p> <p>As an example, if an investor owns £2,000 face value of Notes issued in September 2012 for which the Rate of Interest is 1 per cent. and the calculation amount is £100 (the <b>Calculation Amount</b>), the interest amount per Calculation Amount each investor will receive on the first interest payment date in March 2013 will be:</p> $\begin{aligned} & \text{RPI relating to April 2019 of 253.8} \\ \text{£100} \times & \frac{\text{RPI relating to April 2019 of 253.8}}{\text{Base Redemption RPI of 238.0}} = \text{£106.64} \\ & \\ & = \text{£100} \times 0.50\% \times \frac{242.1}{238.0} = \text{£0.51} \end{aligned}$ <p>As the face value of Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on the first interest payment date in March 2013 will be £0.51 × 20 = £10.20.</p> <p>[However, a] [A] decrease in RPI over the Reference Period [may] [will not] reduce the amount to be repaid upon redemption of the Notes to less than [the nominal amount] of the Notes.</p>
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		<p>As an example, if an investor owns £2,000 face value of the Notes issued in September 2012 and the calculation amount is £100 (the <b>Calculation Amount</b>), the amount per Calculation Amount each investor will receive on redemption of the Notes in December 2019 will be:</p> $\left( \text{£}100 \times \frac{1\%}{2} \times \frac{\text{RPI relating to July 2012}}{\text{Base RPI of 238.0}} \right)$ <p>As the face value of Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on redemption of the Notes in December 2019 will be <math>\text{£}106.64 \times 20 = \text{£}2,132.80</math>.</p> <p>In this example, the Final Redemption Amount of the Notes is not subject to a maximum or minimum redemption amount as may be specified for any given issue Notes.]</p>
<b>C.11</b>	Listing/Distribution	<p><i>Listing</i></p> <p>[The Notes will be listed on the official list of the UK Listing Authority and admitted to trading on the London Stock Exchange's regulated market [and electronic order book for retail bonds].] [The Notes will not be listed on any stock exchange.]</p> <p><i>Distribution</i></p> <p>[The Notes may be offered to the public in [            ] [and [            ]].] [The Notes are being sold only to [            ] [and [            ]].]</p>
<b>C.15</b>	Any underlying which may affect the value of Notes	<p>Payments of principal on RPI-Linked Notes and interest on RPI-Linked Notes will be adjusted to take into account changes in RPI from the relevant Base Index Figure.</p> <p>[Not Applicable; the Notes are not RPI-Linked Notes.]</p> <p>[In respect of the Notes, the Rate of Interest ([            ] per cent. per annum) will, for the purposes of determining the amount of interest payable on any Interest Payment Date, be multiplied by the ratio which reflects the change in RPI between the Base Index Figure and the RPI figure relating to the [eighth month] [            ] prior to the relevant Interest Payment Date.]</p> <p>[Subject to any early redemption of the Notes, the Notes will be redeemed on [            ] at [            ] per cent., of their aggregate nominal amount, provided that:</p> <p>(i) if the RPI figure relating to the [eighth month] [            ] prior to the relevant [month in/date on] which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in RPI will also be paid [(subject to the maximum redemption amount of [            ]]); and</p>

		(ii) if the RPI figure relating to the [eighth month] [ ] prior to the relevant [month in/date on] which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the Notes will be reduced to reflect such decrease in RPI [(subject to the minimum redemption amount of [ ])].
<b>C.16</b>	Exercise date/final reference date	The relevant maturity date in respect of RPI-Linked Notes will be such date as may be agreed between the Issuer and the relevant Dealer at the time of issue of RPI-Linked Notes.  [Not Applicable; the Notes are not RPI-Linked Notes].  The maturity date of the Notes will be [ ].
<b>C.17</b>	Settlement procedure of derivative securities	[Not Applicable; the Notes are not RPI-Linked Notes.]  [Euroclear Bank S.A./N.V. and/or Clearstream Banking, société anonyme [and/or [ ]].]  Noteholders will hold interests in the Notes through CREST through the issuance of dematerialised depositary interests ( <b>CDIs</b> ), issued, held, settled and transferred through Euroclear UK & Ireland Limited (formerly known as CRESTCo Limited) ( <b>CREST</b> ), representing interests in the Notes underlying the CDIs. CDIs are independent securities constituted under English law and transferred through CREST and will be issued by CREST Depository Limited pursuant to the global deed poll dated 25 June 2001 (as subsequently modified, supplemented and/or restated).  Neither the Notes nor any rights attached thereto will be issued, held, transferred or settled within the CREST system other than through the issue, holding, transfer and settlement of CDIs. Holders of CDIs will not be entitled to deal directly in the Notes and, accordingly, all dealings in the Notes will be effected through CREST in relation to the holding of CDIs.]
<b>C.18</b>	Return on derivative securities	Payments of principal and/or interest on RPI-Linked Notes are subject to adjustment by reference to movements in RPI.  [Not Applicable; the Notes are not RPI-Linked Notes.]  [The amount of interest payable to Noteholders on each Interest Payment Date will be adjusted for changes in RPI between [ ] and [ ] prior to the relevant Interest Payment Date.]

		<p>[Subject to any early redemption of the Notes, the Notes will be redeemed on [ ] at [ ] per cent, of their aggregate nominal amount, provided that:</p> <p>(i) if the RPI figure relating to the [eighth month] prior to the relevant [month in/date on] which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in RPI will also be paid [(subject to the maximum redemption amount of [ ]]; and</p> <p>(ii) if the RPI figure relating to the [eighth month] prior to the relevant [month in/date on] which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the Notes will be reduced to reflect such decrease in RPI [(subject to the minimum, redemption amount of [ ]].]</p>
<b>C.19</b>	Exercise price/final reference price	[Not Applicable; the Notes are not RPI-Linked Notes] [The amount payable in respect of the Notes will be calculated using the Base Index Figure and a second reference price that relates to RPI relating to the [eighth month] prior to the relevant payment date in respect of the Notes.]
<b>C.20</b>	Underlying	<p>[Not Applicable; the Notes are not RPI-Linked Notes]</p> <p>[RPI is one of the most familiar general purpose domestic measures of inflation in the United Kingdom RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the United Kingdom. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.</p> <p>RPI is compiled by the United Kingdom ONS using a large and representative selection separate goods and services for which price movements are regularly measured in various areas throughout the United Kingdom. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the ONS to compile the index, so each month's RPI figure is published during the following month, (e.g. the figure relating to July will be published in August). The RPI figures used in the calculation of [interest payments on the Notes] [and] [the redemption amount of the Notes] are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.</p> <p>More information on RPI, including past and current levels, can be found at the following website: <a href="http://www.statistics.gov.uk">www.statistics.gov.uk</a>.]</p>

## Section D—Risks

Element	Title	
D.2	Key risks regarding the Issuer	<p>The following is a summary of the key risks relating to the Issuer:</p> <p><b>Key financial markets risks</b></p> <ul style="list-style-type: none"> <li>• The Group is highly dependent upon the level of activity in capital markets, as well as the individual market capitalisations of the issuers listed or admitted to trading on the markets that the Group operates. Many of the factors that influence the levels of secondary market trading, primary market issuance (listings), issuers' market capitalisations and trading and clearing volumes will be beyond the control of the Group, including economic, fiscal, legal, regulatory, political and geopolitical market conditions.</li> <li>• The Group may be subject to risks associated with the Eurozone debt crisis. The Group has a significant proportion of its assets, liabilities and expenses denominated in euro. If one or more countries default and/or leave the euro and re-establish their own national currency or European monetary union collapses, it is likely that there would be significant, extended and generalised market dislocation with unpredictable and materially adverse consequences for all participants in the world's financial markets, including members of the Group.</li> </ul> <p>Redenomination of the euro in a country in which a clearing subsidiary of the Group is located may result in exposures (but not the corresponding rights or collateral) or the rights (but not the corresponding exposures or collateral) or simply just the collateral being redenominated into a currency other than the euro. If a Eurozone country in which a clearing subsidiary of the Group is incorporated or located leaves the euro such a move may be accompanied by exchange control and mandatory payment laws.</p> <p><b>Key regulatory risks</b></p> <ul style="list-style-type: none"> <li>• The Group and its exchanges, central clearing counterparties (CCPs) and other regulated entities operate in highly and increasingly regulated industries and are subject to extensive regulation by governmental, competition and regulatory bodies at European and national levels. In particular, as a result of the multi-market environment, difficult global economic conditions, the increasing systemic importance of CCPs and prevailing regulatory changes, the Group may be subject to more intensive regulation of its businesses by regulators in the jurisdictions in which the Group operates and may in future operate.</li> <li>• The Group may be required to adversely change the manner in which its exchanges, CCPs and authorised firms conduct their respective businesses or govern themselves.</li> </ul>

		<ul style="list-style-type: none"> <li>• The draft technical standards recently published by the European Securities and Markets Authority and European Banking Authority will, if endorsed by the European Commission and finalised in their current form, (i) require CCP entities within the Group to hold more liquid financial resources and such requirements will restrict the range of investments which such entities can hold as collateral or in which it can invest, which will in turn limit the extent to which additional investment income can be earned on collateral held by (and/or investments of) the CCPs in the Group; and (ii) increase the capital requirements of CCP entities within the Group.</li> <li>• Other regulatory changes may increase the capital requirements of one or more entities within the Group.</li> <li>• Increased capital requirements for market participants may adversely affect the level of market activity in the Group trading and clearing venues.</li> <li>• Other regulatory developments bring further risk of changes to the regulatory environment in which the Group will operate, including as a result of the creation of three new European supervisory authorities, the revision of the UK regulatory structure, developments in relation to recovery and resolution regimes for financial market infrastructures (including CCPs) and proposals for a UK resolution regime for non-banks, including exchanges, CCPs, investment firms and parent undertakings of investment firms.</li> <li>• The risk of conflict between regulatory regimes in the various countries in which the Group operates.</li> </ul> <p><b>Key competition risk</b></p> <ul style="list-style-type: none"> <li>• The Group is exposed to the risk of competition in relation to other exchange groups, venues and alternative platforms, post-trade, information services and technology sales. Competitors may respond more quickly to competitive pressures or develop similar products to those the Group offers and/or alternative competitive products that are preferred by customers.</li> </ul> <p><b>Key business risks</b></p> <ul style="list-style-type: none"> <li>• The Group may be unsuccessful in the implementation of future business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties.</li> <li>• The Group and its brand and reputation are highly dependent on the development and successful and secure operation of sophisticated technology and advanced information systems.</li> <li>• The calibre and performance of the Group's senior management and other key employees, as a whole, is critical to the success of the Group, and there can be no assurance that the Group will be successful in attracting and retaining the personnel it requires.</li> </ul>
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<b>D.3</b>	Key risks regarding the Notes	<p>There are also risks associated with the Notes including a range of risks relating to the structure of the Notes, market risks and risks relating to Notes generally including that the Issuer is dependent on its subsidiaries to meet its payment obligations under the Notes; changes in prevailing interest rates and inflation could affect the value of the Notes; the Notes may be subject to early redemption, which may limit their market value; principle paid on redemption may be less than the face value of the Note; there may be no or only a limited secondary market in the Notes; the Notes are not protected by the UK Financial Services Compensation Scheme; the Conditions of the Notes may be modified without the consent of the holder in certain circumstances; investors who purchase the Notes in denominations which are not an integral multiple of the Specified Denomination will be adversely affected if definitive Notes are subsequently required to be issued; the value of Notes may be affected by a change in law or regulation; investors who hold CDIs may experience different rights and returns than those who do not; the value of an investor's investment may be adversely affected by exchange rate movements where the Notes are not denominated in the investor's own currency; and any credit rating assigned to the Notes may not adequately reflect all risks associated with an investment in the Notes.</p>
<b>D.6</b>	Risk warning	<p>The Notes may be RPI-Linked Redemption Notes which do not specify a minimum redemption amount equal to at least 100 per cent. of the nominal amount of the Notes. In respect of such Notes, a decrease in RPI over the reference period will reduce the amount to be repaid upon redemption of the Notes to less than the face amount of the Notes. Investors as a consequence may lose the value of their entire investment or part of it.</p> <p>[Not Applicable; the Notes will be redeemed at [at least] 100 per cent. of their principal amount.] [A decrease in RPI over the reference period may reduce the amount of interest payable, or the amount to be repaid upon redemption of the Notes, to less than the specified rate of interest or the face amount of the Notes, as applicable.]</p>

**Section E—Offer**

<b>Element</b>	<b>Title</b>	
<b>E.2b</b>	Use of proceeds	The net proceeds from each issue of Notes may be applied by the Issuer for refinancing of indebtedness and for its general corporate purposes or may be applied for particular uses, as determined by the Issuer. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.
<b>E.3</b>	<p>Terms and conditions of the offer</p> <p>Offer Price:</p> <p>Conditions to which the offer is subject:</p> <p>Offer Period:</p> <p>Description of the application process:</p> <p>Details of the minimum and/or maximum amount of application:</p> <p>Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants:</p> <p>Details of the method and time limits for paying up and delivering the Notes:</p> <p>Manner in and date on which results of the offer are to be made public:</p> <p>Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised:</p> <p>Whether tranche(s) have been reserved for certain countries:</p>	<p>[Not Applicable; the Notes are in denominations of at least €100,000 (or its equivalent in any other currency).]</p> <p>[An investor intending to acquire or acquiring any Notes from an Offeror other than the Issuer will do so, and offers and sales of Notes to an investor by such Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such investor including as to price, allocations and settlement arrangement]</p> <p>[The Issue Price] [Not Applicable] [       ]</p> <p>[Not Applicable] [       ]</p> <p>[The period from [[       ] until [       ]/the Issue Date]]/[the date which falls [       ] Business Days thereafter]]</p> <p>[Not Applicable] [       ]</p> <p>[       ]</p> <p>[Not Applicable] [       ]</p> <p>[Not Applicable] [       ]</p> <p>[Not Applicable] [       ]</p> <p>[Not Applicable] [       ]</p> <p>[Not Applicable] [       ]</p> <p>[Not Applicable] [       ]</p>

	<p>Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made:</p> <p>Amount of any expenses and taxes specifically charged to the subscriber or purchaser:</p> <p>Name(s) and address(es), to the extent known to the Issuer, or the placers in the various countries where the offer takes place:</p> <p>Categories of potential investors to which the Notes are offered:</p>	<p>[Not Applicable] [       ]</p> <p>[Not Applicable] [       ]</p> <p>[None] [       ]</p> <p>[       ]</p>
<b>E.4</b>	<p>Interest of natural and legal persons involved in the issue/offer</p>	<p>The relevant Dealer(s) may be paid fees in relation to any issue of Notes under the Programme.</p> <p>[The [Dealers/Managers] will be paid aggregate commissions equal to [       ] per cent, of the nominal amount of the Notes.] Any [Dealer/Manager] and its affiliates may also have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.</p>
<b>E.7</b>	<p>Expenses charged to the investor by the Issuer or an offeror</p>	<p>It is not anticipated that the Issuer will charge any expenses to investors in connection with any issue of Notes. Other offerors may, however, charge expenses to investors. Such expenses (if any) will be determined on a case by case basis but would be expected to be in the range of between 1 per cent. and 7 per cent. of the nominal amount of the Notes to be purchased by the relevant investor.</p>

## RISK FACTORS

*The Issuer believes that the following factors may affect its ability to fulfil its obligations under Notes issued under the Programme. All of these factors are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.*

*The Issuer believes that the factors described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons and the Issuer does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision.*

*Words and expressions defined in the sections headed “Terms and Conditions of the Notes” and “Definitions” shall have the same meanings in this section.*

### **Risks relating to financial markets**

***Economic, political and social factors that influence the level of activity in capital markets and the market capitalisations of issuers are beyond the Group’s control and may adversely affect its financial condition.***

The Group is highly dependent upon the level of activity in capital markets, as well as the individual market capitalisations of the issuers listed or admitted to trading on the markets that the Group operates, for much of its revenues. Many of the factors that influence the levels of secondary market trading, primary market issuance (listings), issuers’ market capitalisations and trading and clearing volumes will be beyond the control of the Group, but have the potential to adversely affect the business, financial condition and operating results of all of the Group’s businesses. As shown during recent financial crises including but not limited to the current economic difficulties being experienced by the subset of European countries who have adopted the euro (the **Eurozone**), such factors include:

- economic, political and geopolitical market conditions;
- changes in government monetary policies;
- inflation;
- broad trends in business and corporate finance, including the broad investment strategies adopted by large financial institutions, investment houses and other fund managers and the mergers and acquisitions environment;
- governments’ fiscal policies and the laws and regulations of the jurisdictions in which the Group operates, which may affect the relative attractiveness of trading or investing in exchange-traded products and public market equity compared with other forms of investment and/or the attractiveness of the listing venues in which the markets, post trade services providers and information services providers of the Group operate (or to which the Group otherwise provides services) compared with alternative global locations;
- macro-economic changes in global or regional demand for equities, fixed income and other capital markets products and services;
- changes in the financial standing of members of the Group’s post-trade businesses who are based in the Eurozone and in the liquidity of the Eurozone financial markets;
- legislative and regulatory changes, including any direct or indirect restrictions on (or increased costs associated with) trading and clearing in relevant markets;
- institutional and retail investor confidence and disposable income levels, which may affect the propensity of investors to invest in and hold exchange-traded products;
- demographic changes, which may lead to an ageing population with a preference for low-risk, guaranteed-return products; and
- any change or development in global, national or regional political conditions, external events such as acts of terrorism or any outbreak of hostilities or war and natural disasters.

***The Group may be subject to risks associated with the Eurozone debt crisis.***

The Group has a significant proportion of its assets, liabilities and expenses denominated in euro and revenue and income arising from customers and products who are either based in, or have exposure to, the Eurozone and euro-denominated securities and, accordingly, it is exposed to risks in connection with the current Eurozone debt crisis.

The strains on financial institutions resulting from the crisis, both inside and outside the Eurozone increase the risks to the Group, in particular, the risk that its clearing business will experience defaults amongst its clearing members. The current heightened volatility in the market values for Eurozone government and bank debt instruments and related derivatives increases the risk that a defaulting clearing member's positions cannot be successfully closed out without recourse to the financial resources of those entities in the Group that operate clearing businesses. In addition, a default of a Eurozone member country or a lack of market confidence in euro-denominated securities (in particular, euro-denominated government debt instruments) may lead to adverse effects on fixed income trading and associated clearing volumes. Further, decreased financial stability in the Eurozone could reduce the amount of investment and trading from Eurozone-based market participants in the listing venues in which the Group operates markets and provides related services, reducing demand from such services from the Group. There is a risk that this would adversely affect the financial condition of the Group.

If the Eurozone debt crisis is not resolved, there is a possibility that one or more countries may default and/or leave the euro and re-establish their own national currency or that the European monetary union may collapse. There is no pre-ordained process for managing any such outcome and, were any such outcome to occur, it is likely that there would be significant, extended and generalised market dislocation with unpredictable and materially adverse consequences for all participants in the world's financial markets, including members of the Group. Of particular concern in such a situation would be the Group's clearing businesses, which have significant euro-denominated exposures with corresponding euro-denominated rights, margin, collateral and other investments denominated in euro. Redenomination of the euro in a country (in particular, a country in which a clearing subsidiary is actually located) could possibly result in exposures (but not the corresponding rights or collateral) or the rights (but not the corresponding exposures or collateral) or simply just the collateral being redenominated into a currency other than the euro. This could give rise to a potentially significant foreign exchange (FX) risk to the central clearing counterparty (CCP) which would not be passed on to any other person and could significantly adversely affect the solvency of the CCP. Either a localised or more general exit of countries from the Eurozone would be likely to affect the full recoverability of euro-denominated debts and other obligations from counterparties in the affected countries and could result in multiple defaults at a time when there is a general market dislocation, making realising collateral (irrespective of its currency of denomination) at acceptable prices very difficult.

Further, should any of the Eurozone countries in which the Group's clearing subsidiaries are incorporated leave the euro it is possible that such a move would be accompanied by exchange control and mandatory payment laws which might materially and adversely affect the subsidiary's ability to meet its obligations to clearing customers from other jurisdictions, significantly increasing the risk that the relevant subsidiary defaults on its obligations, which may trigger cross-default provisions in agreements to which it, or other Group members, are a party.

**Risks relating to regulation of the Group**

***The Group's businesses are subject to extensive regulatory oversight.***

The Group's exchanges, CCP and other regulated entities operate in increasingly regulated markets and are subject to extensive oversight by governmental, competition and regulatory bodies at European and national levels. Such regulation:

- may limit the Group's ability to build an efficient, competitive organisation and may also limit its ability to expand foreign and global access to its markets and services;
- may limit the Group's ability to outsource certain of its activities;
- may place financial and corporate governance restrictions on the Group as a whole and/or specific entities within the Group including, if the LCH Acquisition proceeds, LCH.Clearnet and the holding company/ies of LCH.Clearnet within the Group;

- may constrain or require changes to some of the Group's operations, including in particular certain listing or trading activities and the fee structures of the Group's markets, as well as the features and operations of its markets' systems and wider business activities. In some cases, such regulatory constraints may affect the Group disproportionately in comparison to some of its competitors, who are subject to less onerous regulatory requirements and restrictions. Such constraints, including the terms and conditions imposed by requisite regulatory approvals or reviews, as well as the timescales involved in seeking them, may increase the Group's costs and delay its plans for implementation of existing and new business strategies;
- may significantly increase compliance and associated costs of the Group; and
- may materially increase the costs of, and restrictions associated with, trading and clearing and this could decrease trading and clearing volumes and profits.

Such restrictions, restraints, constraints and costs could materially adversely affect the Group's business, financial condition and operating results.

There is a risk that one or more of the Group's regulated entities may fail to comply with the laws and regulatory and competition conditions and obligations to which it is, or becomes, subject. In this event, the regulated entity in question may be subject to censures, fines and other legal, regulatory or administrative proceedings.

In extreme circumstances, a competent regulator could revoke one or more Group entity's authorisations, regulatory approvals (to operate as an exchange or otherwise) or exemptions to conduct regulated activities.

*The Group may be subject to more intensive regulatory scrutiny (including over previously unregulated areas of the Group's business) and such scrutiny could impact the Group disproportionately.*

The Group could be subject to increased regulatory scrutiny in the future. The multi-market environment, difficult global economic conditions and the increasing systemic importance of CCPs may lead to more intensive regulation of the Group's business by regulators in the jurisdictions in which the Group operates and may in future operate, including the United Kingdom (UK), France, Italy, Europe more generally and the United States (US). Additionally, regulation could extend to areas of the Group's business that, to date, have not been regulated. Such increased regulatory scrutiny could affect the business of the Group disproportionately in comparison to those of its competitors who are subject to less onerous regulatory requirements and restrictions. This could increase the cost of complying with regulations and co-operating adequately with regulatory bodies, could reduce the scope for, and success of, new products and strategies of the Group, and could have an adverse effect on the business, financial condition and operating results of the Group.

*Changes in applicable regulations or requirements may have a negative impact on the Group's business.*

A number of regulatory initiatives and changes have been identified or proposed or are being implemented by regulators in the jurisdictions in which the Group operates and will operate. However, the Issuer cannot be certain whether, or in what form, regulatory changes will take place and cannot predict with certainty their impact on the Group's businesses and operations. Regulatory changes could require the Group to change the manner in which its exchanges, CCP and authorised firms conduct their respective businesses or govern themselves. In addition, such changes could extend regulatory restrictions to areas of the Group's businesses that to date have not been regulated.

Within Europe, there are a number of developments that will introduce changes to the regulatory environment, including the proposed amendments to MiFID, the introduction of the proposal for a Regulation of the European Parliament and of the Council on markets in financial instruments and amending EMIR (**MiFIR**), the Regulation of the European Parliament and of the Council on short selling and certain aspects of Credit Default Swaps (**Short-Selling Regulation**) and the proposal for a Regulation of the European Parliament and of the Council on CSDs and on the harmonisation of certain aspects of securities settlement in the EU (**CSD Regulation**).

Following the September 2009 G20 agreement on the mandatory clearing of certain over-the-counter (OTC) derivatives, legislators in different jurisdictions have proposed various measures to address such requirements and have proposed changes in, and additions to, the rules and regulations affecting European, US and other CCPs. Whilst the Issuer believes that these measures provide opportunities for

the Group's businesses, a number of the measures (including under the European regulation on OTC derivative transactions, CCPs and trade repositories (**EMIR**)) may include provisions which could negatively impact its business.

In Europe, EMIR provides for the mandatory clearing of specified OTC derivative contracts and the regulation of CCPs and trade repositories. EMIR includes a number of requirements which may have a significant impact on the Group's business and operations, including: (i) imposing transparency requirements in respect of process, fees charged and rebates offered; (ii) imposing independence requirements in respect of the board of directors of CCPs and risk management committees; (iii) requiring CCPs to have adequate regulatory capital and access to adequate liquidity; and (iv) requiring CCPs to offer different levels of position and collateral segregation to their members and their customers, all of which could increase operational costs for CCPs. On 26 and 27 September 2012 respectively, the European Banking Authority (**EBA**) and the European Securities and Markets Authority (**ESMA**) published the advice that they have provided to the European Commission in connection with new technical standards for the regulatory requirements for European CCPs under EMIR. The announcements mark the end of the ESMA/EBA consultation process on the draft technical standards with their recommendations now put forward to the European Commission. The European Commission has a period of three months from the date of its receipt of the recommendations to decide whether to endorse them before finalising technical standards that will govern the regulatory capital requirements of European CCPs in the future. This is expected to occur before the end of 2012. Although the new ESMA/EBA recommendations are finalised, their precise application remains subject to discussion with the relevant regulators.

In a number of other jurisdictions in which the Group does or may in future carry on its business, regulators are seeking to impose new regulations providing for the mandatory clearing of OTC derivatives and regulation of CCPs.

These developments may affect, amongst other things: (i) the market structure in which the Group operates; (ii) the small and medium-sized enterprise (**SME**) markets the Group operates; (iii) the level of market activity in the Group trading and clearing venues; (iv) sale of the Group's market data; and (v) standards for CCPs, trade repositories and CSDs; and may also impose requirements on the Group regarding short selling and imposing settlement discipline. These regulatory initiatives could also impose increased regulatory requirements for high frequency trading strategies (in particular, under the proposed amendments to MiFID and MiFIR and measures from ESMA), as well as capital requirements and proprietary trading restraints on market participants, which could constrain the level of activity on certain of the Group's markets. The changes (and other regulatory developments) could extend regulatory restrictions and/or impose regulatory requirements on areas of the Group's businesses that to date have not been regulated, including by imposing governance, economic and ownership restrictions or requirements. This may give rise to significant compliance and operational costs being incurred by the Group to maintain compliance with relevant regulations and for relevant markets within the Group to operate their existing businesses or to enter into new business areas. In addition, high levels of regulation may stifle growth and innovation in capital markets generally and may adversely affect the Group's business, financial condition and operating results.

The European Commission has published a working consultation document on a possible framework for the regulation of the production and use of indices serving as benchmarks in financial and other contracts. Any consequential regulatory changes may affect the Issuer's information services business, in particular, FTSE International Limited.

In addition, certain entities within the Group perform primary market regulatory functions, for example in relation to AIM. Changes to applicable regulation or legislation in certain jurisdictions may affect the ability of these entities to perform these functions, as well as the revenues and systems of the Group, and may diminish the extent of the Group's control over its primary markets' offering and products.

***Increased liquidity requirements for CCPs and a more restrictive investment policy may adversely affect the Group's CCPs.***

Prevailing regulatory changes (including EMIR) call for liquidity requirements for CCPs. The draft technical standards recently published by ESMA described above set out detailed rules on liquidity requirements for CCPs under EMIR. As a result of the introduction of these requirements, CCP entities within the Group will be required to hold more liquid financial resources and such requirements will restrict the range of investments which such entities can hold as collateral or in which it can invest. This will, in turn, limit the extent to which additional investment income can be earned on collateral held by



(and/or investments of) the CCPs in the Group. The lower return which the CCPs in the Group may earn as a result of these changes may adversely affect the financial results of the Group.

EMIR provides that a CCP's cash deposits placed with financial institutions shall be subject to highly secure arrangements. The draft technical standards published by ESMA provide that 95 per cent. of such deposits must be collateralised with debt instruments meeting certain conditions regarding, among other things, liquidity and credit and market risk. If endorsed by the European Commission, this proposal may have an adverse impact on the management of cash by the Group's CCP, including the prompt availability of cash; for example if the debt instruments provided as collateral under such arrangements become subject to liquidity stress.

Under EMIR, CCP entities within the Group will be required to have access to committed banking or other liquidity facilities, which they may not currently have. If a CCP is unable to secure committed banking or other liquidity facilities on commercially reasonable terms, there is a risk that that the CCP may not be able to access these facilities in stressed circumstances and as a consequence may not be able to meet its obligations as a CCP, which could require it to terminate the relevant CCP operations.

***Changes to regulatory capital requirements may negatively affect the Group.***

The Group operates within various defined regulatory capital regimes and certain of the regulated entities within the Group are and will be subject to minimum regulatory capital requirements. The regulatory capital regimes vary by jurisdiction and form of regulatory status and in some cases, entities within the Group benefit from customised regulatory capital regimes which differ from those of credit institutions, broker-dealers or other investment firms, while certain other firms in the Group are subject to the regulatory capital requirements applicable to credit institutions and investment firms established by the European Union (EU) Capital Requirements Directive. Many of these regulatory capital regimes are subject to change (as mentioned below). There is a risk that, as a result of changes to the regulatory capital requirements applicable to the Group or to one or more entities within the Group, increased capital requirements for one or more entities within the Group may be applied. This may adversely affect the Group's financial condition, operations and results as a whole.

Proposed regulatory changes include:

- CRD IV, the EU implementation of Basel III, which might affect the level of market activity in the Group's trading and clearing venues (as a result of higher capital requirements on participants) and may have a direct impact on the Group itself in terms of capital required. CRD IV is due to be implemented into member states' national law and to come into force on 1 January 2013 (subject to a transitional period, with full application of the new rules not expected until 2019). The FSA has, however, noted that the adoption of CRD IV has been delayed and that it does not currently appear feasible that it will enter into force by 1 January 2013;
- EMIR, which will increase the capital requirements for CCP entities within the Group. EMIR contemplates that CCPs will be required to hold sufficient capital on a solo, rather than a group, basis. As noted above ESMA and EBA have both now published the advice that they have provided to the European Commission in connection with new technical standards for the regulatory requirements for European CCPs under EMIR. The draft technical standards published by the EBA and ESMA, if endorsed by the European Commission, will increase the capital requirements for CCP entities within the Group. For example, the draft technical standards require the capital of a CCP to be at least equal to the sum of (i) its gross operational expenses for winding-down or restructuring over an appropriate time span, subject to a floor of six months and (ii) the capital required to cover overall operational and legal risks, credit, counterparty credit and market risks stemming from certain activities and business risk (the EBA had previously indicated that a CCP would be required to hold capital at least equal to the higher of (i) and (ii)). The EBA has also proposed that a CCP will be required to notify its regulator if it holds less than 110 per cent. of its capital requirement. Additionally, the draft regulatory technical standards published by ESMA referred to above provide, among other things, that a CCP will be required to hold an additional amount of its own resources equal to 25 per cent. of its minimum capital requirement, which it must use before using the default fund contribution of non-defaulting clearing members to cover losses arising from the default of a clearing member. This new regulatory framework is likely to provide more stringent rules on regulatory capital for the Group's CCP and has implications for LCH.Clearnet Group as summarized in the section entitled "Description of the Issuer";

- The financial resource requirements for UK Recognised Bodies (UK Recognised Investment Exchanges and UK Recognised Clearing Houses), on which the FSA published a policy statement in July 2012, which will introduce a more uniform approach to assessment which may, in some cases, impose higher regulatory capital requirements. The revised guidance is due to come into force on 1 February 2013; and
- The new Principles for Financial Market Infrastructures dated April 2012 issued by the Committee on Payment and Settlement Systems (established under the auspices of the Bank for International Settlements (the **Committee of Payment and Settlement Systems**) and the International Organisation of Securities' Commissions (**IOSCO**)), which replaces the Recommendations for Central Counterparties dated November 2004. This could lead to a need for increased capital in order for a CCP to be eligible for "Qualifying CCP" status under the new Basel III regime, which will allow for (relatively) lower capital requirements for clearing members' exposures to such CCPs. The Committee of Payment and Settlement Systems and IOSCO has issued a consultation paper on the assessment methodology for determining compliance with these principles which has not yet been finalised.

Given the uncertainty relating to the amended requirements of the various regulatory capital regimes which may be applicable to the Group, it is not possible to fully assess at this stage the potential impact of such changes on the Group. If an increase in the capital requirements for one or more entities within the Group or for the Group as a whole is significant (particularly given the prudent levels of regulatory capital resources already maintained within the Group), the relevant regulated entities and/or Group may be required to raise further capital by an equity issuance or other appropriate financing and the prevailing economic and market conditions may prevent the Group from completing any such financing within any time frame required. Any failure to do so may lead to the relevant entity or the Group being subject to regulatory sanctions and may adversely affect the Group's reputation, financial condition, operations and results.

***Regulatory changes may adversely impact costs payable by the Group's clearing members and, as a result, the demand for the clearing services and risk management services of the Group may decrease.***

Regulatory changes and developments, including those described, may increase costs for clearing members. CRD IV and other legislation will increase capital requirements for clearing participants including credit institutions and investment firms, by requiring them to hold capital against their exposure to CCPs.

Clearing members subject to CRD IV will be required to hold capital in respect of their default fund obligations under the rules of the CCP, with the amount of that required capital being dependent upon the size and structure of the default waterfall provided by the CCP. If competitors of the Group take a different approach to the default waterfall, it may encourage clearing members to migrate to those competitors and discourage clearing through the CCP of the Group, reducing revenues and profitability (or, in a case of extreme migration to competitors, closure of the service due to a lack of liquidity).

Regulations such as EMIR require a degree of segregation of clearing member customer accounts to be offered to clearing members' customers, which could increase costs for clearing members. Such changes could also result in an associated loss of treasury income for the clearing member due to the loss of netting efficiencies at the CCP level and loss of the ability of a general clearing member to earn income on gross margins.

Any such regulatory changes that increase costs to clearing members may reduce the overall volume of transactions being cleared, and the financial condition of the Group may be negatively impacted as a result. Further, if acting as a clearing member for clearing customers becomes less attractive and there is a move by clearing customers to themselves become clearing members as a result, this could increase the costs and operational risks of the CCP within the Group, which may adversely affect the results or financial condition of the Group's CCP and therefore may reduce the attractiveness of acting as a general clearing member for customers unless these costs can be passed on to customers.

***Other regulatory developments bring further risk of changes to the regulatory environment in which the Group will operate.***

The creation of three new European supervisory authorities with greater powers and the ability to implement binding technical standards, as well as the revision of the UK regulatory structure (with the replacement of the FSA with the Prudential Regulation Authority and the Financial Conduct Authority

and the Bank of England assuming responsibility for the supervision of CCPs) brings further risk of changes to the regulatory environment in which the Group will operate.

Additionally, in July 2012, the Committee on Payment and Settlement Systems and IOSCO issued a consultative report on recovery and resolution regimes for financial market infrastructures (including CCPs). The report could eventually lead to European and national legislative proposals to implement such regimes. This could result in increased prudential requirements, loss allocation mechanisms and systems to mitigate the effects of infrastructure failure.

In October 2012, the European Commission issued a working consultation document on a possible recovery and resolution framework for financial institutions other than banks. Among other things, the document considers the introduction of requirements for recovery and resolution plans and providing authorities with resolution powers (including the power to override rights of shareholders of an entity in resolution), reorganisation tools and loss allocation and refinancing tools (including conversion of debt into equity on resolution) in respect of CCPs and CSDs. The European Commission is also considering whether a resolution regime for CCPs and CSDs should be applied to the whole group to which a CCP or CSD is part of. It has also asked for views on whether a recovery and resolution regime should be introduced for other types of non-bank institutions, including trading venues.

In the UK, the government issued a consultation paper in August 2012 containing proposals for a UK resolution regime for non-banks, including exchanges, CCPs, investment firms and parent undertakings of investment firms. Among other things, the paper indicates that the UK government is considering whether it would be appropriate to provide the UK resolution authority with loss allocation or cash-call powers under which the owners or members/users of a non-CCP financial market infrastructure could be required to bear losses and/or provide additional funding in order to allow for continuity of service to be preserved (potentially subject to some kind of capped arrangement). No further details of the proposals are set out in the consultation paper.

*There may be conflicts between regulatory regimes in countries in which the Group or its customer or target customers are located.*

The Group operates, and offers its services to customers located, in a number of different countries. To the extent that existing or new regulations are implemented, there can be no assurance that the regulations will be consistent between different countries, which may adversely affect the ability of the Group to access customers in those countries, or make doing so considerably more expensive. This could adversely affect its future plans and/or its revenues.

### **Competitive pressures relating to the Group**

*The Group is exposed to the risk of competition in relation to:*

*Other exchange groups, venues and alternative platforms*

Consolidation, globalization and liberalization in the sectors in which the Group operates means that the Group's equity, fixed income and derivatives markets face increased competition for business from other domestic and foreign traditional exchange groups and alternative platforms, such as electronic communications networks and alternative trading systems, as categorised under MiFID (**Multilateral Trading Facilities**) or electronic communication networks and other trading and crossing venues, clearing member firms and inter-dealer broker (**IDB**) firms for trading, clearing and the provision of market data, as well as from internalisation by its member firms. Furthermore, a large number of equity, fixed income and derivatives trades do not occur on exchanges, but over-the-counter.

Competitors in all asset classes may respond more quickly to competitive pressures or develop similar products to those the Group offers and/or alternative competitive products that are preferred by customers. They may price their products more competitively, use, develop and expand their network infrastructures and offerings more effectively and cost efficiently and adapt more swiftly and better respond to or utilise new or emerging technologies and customer requirements. Increased competition could lead to reduced interest in the Group's products, which could materially adversely affect the Group's business and operating results.

MiFID, which came into force on 1 November 2007, has liberalised the markets in which the Group operates by creating a harmonised regime for equity trading across the EU and achieving consistent levels of transparency. While MiFID provides the Group with the opportunity to compete for additional revenue

streams, it also results in increased competition, which could result in a consequent loss of market share and a reduction in the level of fees that the Group's markets are able to charge.

In addition, many of the global investment banks, who provide significant liquidity to the Group's equity exchanges, now operate their own in-house electronic trade execution platforms, which can bypass exchange markets by executing client orders against each other or against proprietary capital, as well as holding equity interests in other competing alternative platforms. Global investment banks and other major participants in the markets operated by the Group may direct order flow to competing alternative platforms.

Such competition may increase, placing further strain on or even reducing the Group's share of value or volume traded, placing downward pressure on trading tariffs charged by the markets operated by the Group, and eroding in turn the Group's appeal as a trading venue. Such developments would negatively impact revenues across the Group and may lead to an adverse effect on the Group's business, financial condition and operating results.

#### *Post-trade*

It is expected that competition will continue to intensify within the post-trade environment in which the Group operates, especially in light of: (i) a general industry move towards inter-operability of CCPs (where participants on trading platforms are offered a choice of CCPs); (ii) a drive on the part of regulators and policy makers for more OTC trading to be carried out on electronic trading venues; (iii) legislative requirements for mandatory clearing of certain OTC derivative products following the G20 agreements reached after September 2009, including as proposed under EMIR and the Dodd-Frank Wall Street Reform and Consumer Protection Act (**Dodd-Frank**); and (iv) other reforms of, and regulatory initiatives within (for example, the Target2-Securities initiative from the ECB), the financial services industry.

The competitive landscape developing from such changes may create new business opportunities for the Group. However, in order to benefit from such new business opportunities, the Group will be required to respond to competitive third-party post-trade offerings. Competitors may respond more quickly to competitive pressures or develop similar products to those the Group offers and/or alternative competitive products that are preferred by customers. They may price their products more competitively, use, develop and expand their network infrastructures and offerings more effectively and cost efficiently and adapt more swiftly and better respond to or utilise new or emerging technologies and customer requirements. The Group may also need to introduce new post-trade offerings in relation to underlying instruments (such as OTC derivatives), which could lead to an increase in the costs associated with the Group's financial risk management. Such increased costs could have a negative impact on the Group's business, financial condition and operating results.

#### *Information services*

The environment in which the Group's information services business operates is subject to rapid change and strong competitive pressures. If the Group is unable to develop information products and services that are able to compete effectively with those of its competitors, this may adversely affect its business, financial condition and operating results.

#### *Technology sales*

The Group's business of technology sales operates in a rapidly changing and highly competitive environment. If the Group is unable to develop systems that are able to compete effectively with those of its competitors, this may adversely affect its business, financial condition and operating results.

In addition, the Group, as part of its technology sales, commits to develop and deliver new technological platforms and other products to third party customers. Delays or failures (in whole or part) in the delivery of such products may have an adverse effect on the Group's ability to compete and the reputation, revenues and financial condition of the Group.

## **Risks relating to the Group**

*The Group may be unsuccessful in the implementation of future business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties.*

New business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties are expected to be a material part of the Group's strategy. Any such business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties may pose regulatory and anti-trust risks, as well as integration risks, which may significantly affect the benefit or anticipated benefit of such acquisitions or investments. Furthermore, such actions will require significant time and resources from management and may require the diversion of resources from other activities. In particular, the attention of investors is drawn to the risk factors below under the heading "Risks related to the LCH Acquisition".

Due to the regulatory environment in which the Group operates, it faces restrictions with respect to the way in which it conducts certain operations. These may limit the Group's ability to implement its global strategy. Additionally, the Group may experience certain competitive disadvantages if it does not receive necessary regulatory approvals for new business initiatives, or if it receives them in an untimely manner. Certain competitors may be able to obtain regulatory approval more rapidly or with less cost or difficulty than the Group, providing them with an advantage in a new market or product area.

All of the foregoing factors may limit the Group's ability to achieve future business growth. Such risk extends to new acquisitions or mergers and will be particularly relevant if the Group seeks to develop business initiatives in new jurisdictions or in jurisdictions in which the Group has little or no regulatory expertise.

In addition, any companies, businesses or new initiatives acquired or invested in may not achieve levels of profitability or revenue that justify the original investment made by the Group or support the goodwill recorded on the acquisition. The occurrence of any of these risks could have a material adverse effect on the Group's prospects, business, financial condition or results of operations.

*The Group will be highly dependent on the development and operation of sophisticated technology and advanced information systems.*

The provision of platforms for the execution, clearing and settlement, as applicable, of trades on the Group's markets and for the collection and aggregation of trade and price information predominantly depends on technology that is secure, resilient and delivers high levels of availability and performance. The Group operates sophisticated technology platforms and service management processes in conjunction with external suppliers, and its markets do not rely upon third party suppliers for the majority of their information technology (IT) development. However, there is a risk that such use of internal resources to meet the requirements of the Group and those of third parties may result in resource over-stretch and an adverse effect on the results of operations of the Group as a whole.

To compete effectively, the Group must be able to anticipate and respond, in a timely and effective manner, to the need for new and enhanced technology. The areas in which the Group competes are characterised by rapidly changing technology, evolving industry standards, frequent enhancements to existing products and services, the introduction of new services and products and changing customer demands. If the Group's systems are unable to expand to meet increased demand, are disrupted or otherwise fail to perform, the Group's reputation, business and operating results could be materially adversely affected.

Major IT projects, whether internally or externally resourced, have risks associated with them, particularly with regards to migrating markets and existing operations to new technological platforms. Major IT projects and technology migrations are often associated with significant capital investment and there is no guarantee that such migrations will be completed successfully or in line with allocated budgets. New or upgraded trading platforms may not perform as intended or deliver the expected benefits, including, where relevant, increased trading volumes and lower operating costs. In such circumstances, the Group's ability to respond to customer needs for services may be hampered and consequently its profitability, reputation, markets and technology brands may suffer. The strategic flexibility of the Group and its ability to respond to customer needs for services could consequently be hampered.

***Systems failures, capacity constraints or security breaches may materially harm the Group's ability to conduct its operations and execute its business strategy and may mean that it is subjected to significant costs and liabilities.***

The Group is heavily dependent on the capacity, reliability and security of the computer and communications systems and software supporting its operations.

The Group has incident and disaster recovery and business continuity plans and procedures to minimise and mitigate the risk of an interruption to, or failure of, their critical IT operations and to manage and recover from such an event should one occur. However, the Group cannot entirely eliminate the risk of a system failure or interruption occurring. If the Group's systems suffer from major or repeated failures, this could interrupt or disrupt the Group's trading, clearing and settlement or information services and undermine confidence in the Group's exchanges and services, cause reputational damage, impact operating results and lead to customer claims, litigation and regulatory sanctions.

As with all IT dependent companies, the Group's IT systems and networks, and those of its third party service providers, may also be vulnerable to cyber attacks, unauthorised access, computer viruses and other security issues. These events could damage the integrity of the Group's markets and data provision as well as the Group's reputation and business more generally.

***The Group is dependent on the maintenance of its brands and reputation.***

The business (and in particular the exchange businesses) operated by the Group have iconic national brands that are well-recognised at international as well as at national levels. The strong reputation of the Group's businesses and its valuable brand names are currently and will continue to be a key competitive strength. Any events or actions that damage the reputation and/or brands of the Group will adversely affect its business, financial condition and operating results.

Damage to the reputation and brands of the Group may arise from internal factors (technology failures, regulatory investigations, sanctions and litigation) and external factors (legal, economic and political factors) which make the venues in which the Group operates less attractive. The impact of such damage on the Group may result in a reduction in listings, a loss of trading volumes and market share, a decline in sales of the Group's trading technology and increased regulatory oversight. There may also be an associated direct cost of resolving specific incidents or events.

***The Group depends on a number of third party suppliers.***

The Group depends on a number of third party suppliers such as IT service providers for elements of trading and clearing and other systems, providers of communications including telecommunication companies and networking services and equipment, banking and clearing settlement organisations, and administration service providers and data processors, over which it has no control beyond the contractual arrangements it has agreed with such suppliers.

These third party suppliers may not be able to provide these services or products without interruption and in an efficient, cost-effective manner. They also may not be able to adequately expand their services or develop their products to meet the Group's needs.

Any interruption in the Group's ability to rely on the services of these third parties, deterioration in their performance or errors experienced could impair the timing and quality of delivery of the Group's services and could damage the Group's business. Furthermore, if the contractual arrangements put in place with any of these third party providers are terminated, the Group may not find an alternative outsource provider on a timely basis or on equivalent terms. The occurrence of any of these events could have a material adverse effect on the Group's business, results of operations and/or financial condition. The costs of rectifying administrative errors could be significant, and may not be fully recoverable from outsource providers.

***The Group may be affected by the proposed introduction of an EU financial transaction tax.***

On 28 September 2011, the European Commission presented a proposal for a financial transaction tax, to be levied with effect from 1 January 2014, on transactions in financial instruments between financial institutions where at least one party to the transaction is established in a Member State.

Given the lack of certainty surrounding the proposals and their implementation, it is not possible to predict what effect the proposed financial transaction tax might have on the business of the Group; it could materially adversely affect the business of the Group, as it might, for example, increase costs of trading or

clearing and so cause a decrease in trading or clearing volumes that might lead to a fall in demand for the Group's clearing services. Taxes on financial transactions and high frequency trading which have been introduced or may in future be introduced in individual Member States may similarly affect the business of the Group.

***The Group may not be able to protect its intellectual property rights, which may materially harm its business.***

The Group derives a significant proportion of its revenues from its information products and services and information technology operations. Consequently, challenges to the intellectual property belonging to or licensed by the Group and/or claims or allegations of infringement by the Group of third party intellectual property on which the Group relies for revenue and which are specifically configured for the Group's use could, individually or in aggregate, have an adverse effect on the Group's business, financial condition, operating results and reputation.

The Group protects its intellectual property by relying upon a combination of statutory and common law trade mark laws, copyright laws, patent laws, trade secret protection, confidentiality agreements and other contractual arrangements with its customers, strategic partners and others. Such protection may be inadequate to deter misappropriation or misuse of the Group's proprietary information and other intellectual property rights, and there can be no assurance that the Group's registered intellectual property rights will not be successfully challenged. The Group may not be able to detect the unauthorised use of, or take adequate steps to enforce, its intellectual property rights. Failure to protect its intellectual property rights adequately could harm the Group's reputation and affect the ability of the Group to compete effectively. Further, defending or enforcing the Group's intellectual property rights could result in the expenditure of significant financial and managerial resources, which could adversely affect the Group's business, financial condition and operating results.

***Any infringement by the Group of the patent rights of others could result in litigation and adversely affect its ability to provide the Group's products and services.***

In addition to using its own intellectual property rights, the Group licenses a variety of intellectual property rights from third parties. In the event of a breach or alleged breach of any of these licences, or any other allegation of intellectual property right infringement, a third party may bring infringement or other claims against the Group or its customers. Any such litigation could be lengthy and costly. If determined in favour of a third party, it could result in a financial penalty and other remedies being awarded against the Group. Additionally, as a result of such litigation, the Group may be required to develop its own intellectual property or license similar intellectual property from an alternative supplier. There is no guarantee that either outcome could be achieved on cost-effective terms, which could have an impact on the business, financial condition and operating results of the Group.

***Any reduction in the Group's credit rating could impact the availability and cost of funding from the capital markets.***

The Group is currently rated investment grade S&P and by Moody's. These ratings are based on a number of factors, including the Group's financial strength as well as factors not entirely within its control, such as conditions affecting the macro economic environment and financial services industry generally. In light of the difficulties in the financial services industry and the financial markets over the last few years, there can be no assurance that the Group will maintain an investment grade rating by Moody's and S&P, particularly as the Group's ratings are currently on negative outlook with Moody's and are on creditwatch negative with S&P.

In addition, on 10 October 2012 S&P released a research update maintaining the Issuer's 'A-' credit rating and confirming that it remained on negative watch. However, as part of this update S&P noted the possibility of lowering the Issuer's rating by up to two notches on the basis of (amongst other factors) completion of the LCH Acquisition and subject to the form, extent and manner of funding of any capital contribution by the Issuer in LCH.Clearnet. Such a downgrade, should it eventually materialise, would bring the credit rating with S&P in line with that already given by Moody's and is therefore unlikely to have material financial consequences for the Issuer. S&P also noted that it will most likely remove the long-term rating on the Issuer from credit watch and affirm the Issuer's current credit rating should the LCH.Clearnet transaction not complete. A one-notch ratings downgrade by Moody's (as currently the lower of the two ratings) would not impact the Issuer's current facility agreements other than through an increase of 25 basis points (or 0.25 per cent) per annum to the rate paid on previously issued bonds.

However, a failure beyond these circumstances by the Issuer to maintain investment grade credit ratings would potentially limit the availability of new funding and adversely affect the terms of such new funding (including higher borrowing costs). If new funding is not available to the extent it is currently, this may limit the extent to which the Group can grow.

***Any impairment of the Group's goodwill and other intangible assets or investments may result in material, non-cash writedowns and could have a material adverse impact on the Group's results of operations.***

In connection with its previous acquisitions and investments, in accordance with generally accepted accounting practice, the Group has recorded goodwill and identifiable intangible assets. The Group assesses goodwill and intangible assets for impairment on an annual basis, or more frequently if indicators of impairment arise, and utilises recoverable amounts of the relevant cash generating units, which are determined based on value in use calculations using discounted cash flow projections prepared by management covering a five year period with cash flows beyond five years being extrapolated using estimated long term growth rates and applying pre-tax discount rates. The Group may experience future events over which the Group has little or no control that result in impairments, including in relation to its investments in its subsidiaries (including, if the LCH Acquisition proceeds, LCH.Clearnet). The risk of impairment losses may increase to the extent the market capitalisation and earnings of the Group decline. An impairment of the value of the Group's existing goodwill and intangible assets could have a significant negative impact on its future operating results.

***The loss of the Group's senior management and other key employees, as a whole, could have adverse consequences for the Group.***

The calibre and performance of the Group's senior management and other key employees, as a whole, is critical to the success of the Group. The Group's ability to attract and retain key personnel is dependent on a number of factors, including prevailing market conditions, compensation packages offered by competing companies and any regulatory impact thereon and the impact of share price performance on the Group's share schemes. There can be no assurance that the Group will be successful in attracting and retaining the personnel it requires, which may adversely affect the Group's ability to conduct its business through an inability to execute business operations and strategies effectively.

***The Group's clearing activities expose it in particular to the risk of a default by an issuer of bonds, a deposit-taking custodian bank, a clearing member or a third party central counterparty.***

The Group's post-trade operations provide CCP services to multiple trading venues on a broad range of asset classes (such as cash equities, exchange traded funds (ETFs), equity, fixed income and energy derivatives, closed-end funds, investment companies and government, corporate and convertible bonds and money market repos). This includes providing CCP services for the Group's markets and for markets outside the Group.

The day to day operations of the Group's clearers expose them to a number of risks including:

- *counterparty investment risk*—the risk that a custodian bank with whom the CCP has placed funds, or another CCP, defaults on its obligations to the Group's CCP;
- *pricing and model risk*—the risk that the CCP has incorrectly calculated the amount of margin (or security) required of a clearing member to close out of that member's trading positions and/or holds insufficient default funds collected from its clearing members and accordingly is exposed to additional loss in the event of the default of one or more clearing members;
- *market and liquidity risk*—the risk that a CCP is not able to monetise the margin it holds to achieve a price sufficient to cover a defaulting member's losses in the situation of such default, or to monetise such margin at all; and
- *legal risk*—the risk that a CCP is unable to enforce obligations owed to it by a third party.

Clearing providers hold margin and/or default funds comprising contributions of cash and highly liquid securities by clearing members. The cash is invested by the clearing provider and if such cash is not properly invested, it could result in partial or total loss of the funds. In addition, third party clearing provider entities within the Group have inter-operability margin arrangements with other CCPs requiring collateral to be exchanged in respect of the value of the underlying transactions involved. The relevant clearing provider entities within the Group are therefore exposed to the risk of a default of the third party



CCPs. Whilst the clearing provider entities within the Group have strict policies and procedures for financial management, which set stringent investment limits to mitigate such risk, losses could materially adversely affect the Group's business and operating results.

The Group's clearing providers guarantee all transactions that are cleared through their markets and are exposed to the risk of default by their clearing members. This risk is greater if unfavourable market conditions reduce the value of collateral posted by clearing members at the time of the default. Exposure to clearing members is closely monitored and addressed by setting high membership standards for firms, holding prudent levels of collateral in the form of margin deposits from clearing members and by maintaining significant default funds comprised of clearing members' contributions. In addition, credit lines have been arranged with a number of high quality commercial banks to cover the immediate liquidity requirements of the clearing provider.

Each clearer has rules which set out its powers to manage the default of a clearing member with a view to minimising losses. There can be no assurance that the operation of these procedures will result in the successful management of a defaulting clearing member's positions and could be pro-cyclical, making the position worse. If the defaulting clearing member's margin and default fund is insufficient to meet losses caused by that clearing member's default, there is a default fund waterfall (which, as noted above, for CCPs subject to EMIR is required to include an amount of the CCP's own financial resources) which may provide amounts to cover the remaining losses, but if extinguished by such losses, could ultimately lead to a call on the CCP's capital and, if and to the extent guarantees are in place with other Group companies, to a call on the Group's own capital (to the level of the guarantee—which the Group does not currently consider to be material in the context of the Group overall). As such a default by a clearing member could adversely affect the Group's revenues and its goodwill with customers and, in extreme circumstances could impact the capacity of the Group's clearing providers to continue to do business.

In addition, the credit lines arranged by the clearing provider are on demand facilities and there can be no guarantee that each of the banks will maintain their facilities or each be in a position to provide immediate liquidity to the clearing provider, particularly in extreme market circumstances. Whilst such circumstances are considered exceptional and highly unlikely to occur, the Group cannot be certain that its measures will be sufficient to protect it from a default.

The Group provides routing, netting and settlement services to ensure that cash and securities are exchanged in a timely and secure manner for a multitude of Italian products. There are operational risks associated with such services, particularly where processes are not fully automated. A failure to receive funds from participants may result in a debiting of the Group's cash accounts.

***The Group is exposed to third party credit risk.***

The Group is exposed to third party credit risk, including from customers (principally from the financial and information services sectors), counterparties and clearing and broking agents. The Group may undertake derivatives transactions to hedge the financial risks associated with its normal trading activities in accordance with its treasury management policies. Such parties may default on their obligations to the Group, which may adversely affect the results and operations of the Group.

The Group relies on established policies setting minimum counterparty credit criteria, instructions, rules and regulations, as well as procedures specifically designed to actively manage and mitigate such risks. There is no assurance that these measures will be sufficient to protect the Group from a default or that the Group's business, financial condition and operating results will not be materially adversely affected in the event of a significant default.

The Group manages its exposure to credit risk arising from investments in cash deposits by maintaining a diversified portfolio of investment counterparties.

The Group's exposure to credit risk resulting from uncollectable accounts is influenced by the individual characteristics of its numerous customers, many of whom are banks and financial institutions.

***There is a risk that the Group may not be able to refinance or renew its credit facilities on acceptable terms or at all and may not be able to pursue new opportunities or initiatives if it cannot secure financing.***

The Issuer's committed borrowing facilities expire at varying times from 2013 onwards, and there is a risk that the Group may not be able to secure replacement financing on acceptable or comparable terms. The Group has existing obligations to meet regular interest payments and comply with certain covenants under

its borrowing facilities. Such replacement financings may impose more onerous obligations with respect to interest and covenants than are applicable to the Group's current term borrowing facilities.

The Group may require additional funds to pursue new business initiatives, mergers, acquisitions, partnerships and joint ventures with third parties. The Group may need to raise such additional funds through equity or debt financing or from other sources. Any debt financing may not be available or may be available only on less favourable terms than under the Group's current borrowing facilities. There is a risk that such financing requirements may prevent the Group from pursuing these opportunities or that they may cause additional restrictions to be placed on the Group's future financing and operating activities.

***The Group is exposed to FX rate fluctuations.***

The Group is subject to risks associated with exchange rate fluctuations. The Group reports its results in sterling but generates its revenues and incurs its costs in a mixture of currencies, including pounds Sterling, euro and U.S. dollars. There can be no assurance that the Group will be successful in mitigating the impact of such potential risks associated with the volatility in foreign currency rates (particularly in the case of the collapse, or full or partial termination, of European monetary union). Changes to foreign currency rates could have an adverse effect on the sterling value of the Group's financial covenant ratios, operating results and financial condition.

In addition, collateral and default fund contributions provided by clearing members may be in different currencies to the exposures of such clearing member; in a default of such clearing member the relevant CCP operated by the Group is exposed to the risk of adverse foreign exchange movements which could have an adverse effect on the value of the Group's operating results and financial condition.

***The Group is exposed to interest rate fluctuations.***

The Group is subject to risks associated with interest rate fluctuations. It will hold a portion of its borrowings and deposit cash and cash equivalents (including but not limited to in the Group's clearing operations) at floating rates of interest.

There can be no assurance that the Group will be successful in mitigating the impact of any risks associated with the volatility of interest rates. Such rates or changes could have an adverse effect on the Group's financial covenant ratios, results and financial condition.

CCPs may pay interest on cash collateral and default fund contributions; there can be no assurance that they will be able to invest such cash within the same period as their interest obligations arise (in particular in the case of intra day margin calls) or at the same rate(s) as they are required to pay on such cash collateral or default fund contributions and may therefore generate insufficient revenue to cover such interest costs. Such interest rate risk could have an adverse effect on the Group's results and financial condition.

***The Group's cost structure is largely fixed.***

Most of the Group's expenses are fixed and cannot be easily reduced in the short-term if its revenue decreases. In addition, regulatory and legal constraints in certain jurisdictions and in certain businesses in which the Group operates further reduce the Group's flexibility to reduce its cost base. This could have an adverse effect on the Group's competitiveness, profitability and financial condition.

***Damage to, or destruction of, the Group's property or infrastructure could have adverse consequences for the Group.***

The Group has a portfolio of freehold and leasehold property. Damage to, or destruction of, property or its infrastructure could impair the conduct of its business and adversely impact its revenue. Given the Group's prominence in the global securities industry and property locations in several large cities, including London, Milan, Rome, New York and Colombo, the Group may be more likely than other companies to be the subject of terrorist activity.

Whilst the Group has established security measures and contingency plans, these may prove inadequate to prevent significant disruptions to its business operations, technology or access to the infrastructure and personnel required to maintain its business. Although unlikely, any damage to the Group's facilities due to terrorist attacks may be in excess of the amount of the Group's insurance coverage. The threat of terrorist attacks may prevent the Group from being insured against such damage at reasonable premiums.

Other potential impacts from this type of property security threat include reputational damage, decreased trading in the Group's markets and an increased difficulty to attract new employees and/or retain existing employees.

### *Risks related to the LCH Acquisition*

Completion of the LCH Acquisition (as further described in the section headed “Description of the Issuer”) is subject to the satisfaction (or waiver, where applicable) of a number of conditions, including regulatory approvals and merger control clearances. If these (or other) conditions are not satisfied (or waived if applicable), or the transaction is otherwise terminated in accordance with its terms, the LCH Acquisition will not be completed.

If the LCH Acquisition proceeds, it will both increase the exposure of the Group to certain of the risks described above and expose the Group to further specific risks as set out below.

#### *If the LCH Acquisition proceeds, it will increase the exposure of the Group to certain risks described elsewhere in this Prospectus*

If the LCH Acquisition proceeds, it will increase the size of the Group’s post-trade services businesses and accordingly increase the exposure of the Group to certain of the risks described elsewhere in this Prospectus, in particular the risk of default by any of its clearing members. It will also heighten the risk to the Group of the policy of the ECB on Eurozone clearing (as a significant proportion of instruments cleared by LCH.Clearnet Limited, which is located in the United Kingdom, is denominated in euro) and the possibility of more intensive regulatory scrutiny. Further, the LCH Acquisition will increase the exposure of the Group to changes in applicable regulations or requirements that may have a negative impact on the Group’s business, including:

- *Dodd-Frank*—a number of the rules under Dodd-Frank may materially impact LCH.Clearnet and the Group, in particular those imposing restrictions and requirements on the ownership and governance of designated clearing organisations (such as LCH.Clearnet Limited) and their holding or parent companies. There can be no certainty that such restrictions and requirements will not operate to further limit the Issuer’s ability to exercise influence over the LCH. Clearnet Group in the best interests of the Group. This could result in the Group no longer being able to consolidate the LCH.Clearnet Group for International Financial Reporting Standards (IFRS) accounting purposes, which could materially adversely affect the Group’s business, financial condition and operating results.

Dodd-Frank is likely to increase the capital requirements for LCH.Clearnet. It requires a derivative clearing organisation (DCO) to have financial resources exceeding the total amount that would be required for it to meet its financial obligations to its clearing members if the clearing member creating its largest financial exposure were to default in extreme but plausible market conditions. A DCO’s own capital and other permitted financial resources must also exceed the amount that would enable it to cover its operating costs for one year. Dodd-Frank also contains detailed rules that in general will require DCOs to impose more stringent margin requirements. Increased margin requirements may reduce liquidity and volume, leading to less demand for the Group’s clearing services.

Pursuant to Dodd-Frank, US regulators have adopted rules that will require DCOs to have and maintain financial resources in more liquid forms than they are currently required to hold. As a result of these requirements, CCP entities within the Group which are DCOs may be required to hold more liquid financial resources and such requirements may restrict the range of investments which such entities can hold as collateral or in which they can invest. This may, in turn, limit the extent to which additional investment income can be earned on collateral held by (and/or investments of) the CCPs in the Group which are DCOs. For example, the Commodity Futures and Trading Commission has adopted rules that establish restrictions on the ability of DCOs to invest customer collateral, so that such investments are, as a whole, more liquid. The lower return which the CCPs in the Group which are DCOs may earn as a result of these changes required by Dodd-Frank may adversely affect the financial results of the Group.

In addition, pursuant to Dodd-Frank and regulations thereunder, the eligibility criteria applied by DCOs, including LCH.Clearnet, to grant clearing member status must be relaxed so that LCH.Clearnet may be required to accept clearing members with smaller balance sheets and financial resources than it has in the past. Although the Group may seek or be required to adjust its risk management policies and procedures as a result, such a change may lead to increased risk of individual member defaults, increased risk for the CCP (as well as increased risk for clearing members) and significantly increased administration costs in monitoring and managing daily, and intra day, margin requirements with a much larger number of clearing members. If such risks materialise, they may adversely affect the Group’s business, financial condition and operating results.

Dodd-Frank may also impose restrictions and requirements on the ownership and governance of DCOs such as LCH.Clearnet Limited and their holding or parent companies, which may require amendments to the governance arrangements and board composition of the Group, as well as requiring amendments to the current contractual arrangements governing the operation of LCH.Clearnet's SwapClear businesses (and there is a risk that the Group may not be able to reach agreement with the relevant parties in respect of such amendments).

In addition to the capital requirements for clearing members under CRD IV described further above, it is proposed under Dodd-Frank that increased capital requirements will apply to Swap Dealers and Major Swap Participants (as defined within that legislation). As with EMIR, Dodd-Frank will also require a degree of segregation of clearing member customer accounts to be offered to clearing members' customers. Such requirements may have effects on clearing members (and therefore the Group) similar to those with respect to CRD IV and EMIR, respectively, described above in "Regulatory changes may adversely impact costs payable by the Group's clearing members and, as a result, the demand for the clearing services and risk management services of the Group may decrease."

Dodd-Frank also requires various financial firms active in the swaps market to register as Swap Dealers and Major Swap Participants in the US. Registration may be required even when a firm's principal swaps activities are outside the US. Registration as a Swap Dealer or Major Swap Participant will impose significant costs on regulatory obligations on registrants. It is possible that financial firms may seek to avoid such regulatory burdens by reducing their derivatives-related activities, or by shifting operations to less-regulated marketplaces, leading to reduced demand for the Group's services.

- *CRD IV*—it is not very clear at this stage how some of the requirements of CRD IV will apply to LCH.Clearnet S.A., which is both a credit institution and a CCP (and, in particular, having regard to any bespoke capital arrangements which may have been agreed with regulators) and LCH.Clearnet Group Limited. However, it is possible, given the relative uncertainty of the requirements, that LCH.Clearnet S.A. and/or LCH.Clearnet Group Limited may be required to hold additional regulatory capital as a result of these requirements.

In addition, certain preferred securities issued by LCH.Clearnet will no longer qualify as eligible regulatory capital under CRD IV, although it will have the benefit of certain grandfathering provisions. There is a risk that the Group will be required to inject additional regulatory capital, or take other steps, if it is required to replace these preferred securities as regulatory capital and is unable to retain profits.

- *New UK resolution regime for non-banks*—in its August 2012 consultation paper, the UK government has indicated that it is considering whether it would be appropriate to provide the UK resolution authority with powers to impose losses on shareholders of a UK Recognised Clearing House incorporated in the UK. No further details of the proposals are set out in the consultation paper.

***Performance of rights and duties as a CCP could expose the Group to liability to clearing members.***

Under the terms of their agreements with clearing members (including their rulebooks), the LCH.Clearnet Group's CCPs have extensive powers and obligations in circumstances of a clearing member's default to close out transactions entered into by the defaulting member and to apply margin and, if necessary, default fund monies, to meet any amounts they have to pay in doing so. These powers and obligations, when they do arise, have usually to be exercised in situations of great uncertainty and market volatility, and default management exercises typically have to be implemented under extreme time pressure and on the basis of imperfect information, and in such circumstances, disputes and errors may occur.

Under the terms of their agreements with clearing members (including rulebooks), the LCH.Clearnet Group's CCPs may be liable for any losses only if, or to the extent that they are determined to have been negligent in managing the default or to have acted in bad faith, though the scope of the liability is limited.

The LCH.Clearnet Group carries insurance which contains customary terms and exclusions. Since there is a possibility that a claim relating to a default management exercise (or any other claim) may not be fully covered by insurance (or at all), the LCH.Clearnet Group seeks to manage its capital levels in excess of regulatory capital requirements to provide an adequate precautionary buffer.

The LCH.Clearnet Group has not received any claim or threat of any claim in respect of any default management exercise or alleged negligence or bad faith in respect of any past default. However, the possibility of such claims being made or being successful cannot be excluded. Such claims could be made in respect of considerable amounts at any time until all insolvency proceedings in relation to the relevant defaults have been completed and the Group may not have sufficient insurance or other resources available to meet the claim. Such claims could adversely affect the financial and trading prospects of the Group (including potential diminution of the Group's regulatory capital) and could have a negative impact on the Group's reputation.

*The Issuer may become a Financial Holding Company which will result in the Group being required to hold significantly more regulatory capital.*

The Issuer has been in discussions with the *Autorité de Contrôle Prudentiel*, the French banking and financial supervisory body (as defined and regulated in articles 612-1 and seq. of the French monetary and financial code (ACP)) and the FSA regarding the application of the group consolidation requirements under the Banking Consolidation Directive and Capital Adequacy Directive (together, the **Directives**) to the Group following the LCH Acquisition. Under both Directives group consolidation and group capital requirements will apply to the Issuer should it become a financial holding company (*compagnie financière*) as defined in Article 517-1 of the French code *monétaire et financier* or in the laws, rules or regulations of any other EU Member State transposing Article 4 of Directive 2006/48/EC or Article 3 of Directive 2006/49/EC (a **Financial Holding Company** or **FHC**). The tests under both Directives are broadly the same and require an assessment of whether the Issuer's subsidiaries are "wholly or mainly" credit institutions, investment firms or financial institutions. There are no formal criteria nor is there guidance in the Directives indicating the basis upon which the assessment is to be made and regulators have some discretion over their interpretation.

Initial indications from the FSA are that, based on an assessment of the information provided to the FSA by the Issuer in relation to the projected balance of financial and non-financial business in the Group, completion of the LCH Acquisition will not lead to a change in the FSA's approach to group supervision. The FSA has indicated that a key factor supporting this conclusion is its assessment that any additional group risks created by the LCH Acquisition could be addressed by changes that could be applied by the FSA to the financial arrangement of the individual FSA-regulated entities within the Group (particularly the exchange and CCP businesses, which must meet solo financial resources under the FSA's Handbook for Recognised Investment Exchanges and Recognised Clearing Houses: requirements applying to recognised bodies). The initial views expressed by the ACP also indicate that the Issuer should not be treated as an FHC. The ACP has indicated that it will formally make this decision as part of the approval process for the LCH Acquisition.

Even if the ACP and FSA determine that the Issuer will not become an FHC as a result of completion of the LCH Acquisition, the test is an ongoing one and there is a risk that the Issuer could become an FHC at some point in the future if the regulators determine its subsidiaries have become "wholly or mainly" credit institutions, investment firms or financial institutions. This will depend in part on the growth and expansion of the business of the subsidiaries in the Group that are credit institutions, investment firms or financial institutions relative to those that are not, and the exercise of discretion by the ACP and FSA (and any successor authorities) in applying these requirements.

There is a risk that if the Issuer becomes an FHC this will result in significantly increased regulatory capital requirements for the Group (and potentially the application of other regulatory requirements to the Issuer, such as those contemplated under the European Commission's legislative proposal for a directive on the recovery and resolution of credit institutions and investment firms). Should the LCH Acquisition proceed, to the extent that the Group divests any of its interest in the LCH.Clearnet Group in response to this or other regulatory developments (or for any other reason), there is a risk that this would materially adversely affect the extent of control that the Group has over the LCH.Clearnet Group, the Group's operating results and the costs of the Group's operations (including with respect to value added tax imposed by the Value Added Tax Act 1994 and legislation and regulations supplemental thereto and other tax costs).

***Following completion of the LCH Acquisition the revenues and profits of the Group's post-trade businesses will form a greater proportion of the revenues and profits of the Group, which may be adversely affected if it is unable to retain its current customers or attract new customers.***

Following completion of the LCH Acquisition the revenues and profits of the Group's post-trade businesses will form a greater proportion of the overall revenues and profits of the Group, which will therefore be more susceptible to factors that may impact the success of such businesses. The Group's post-trade businesses and revenues will be adversely affected if it: (i) fails to maintain or increase its clearing volume; (ii) fails to expand its product offerings and clearing facilities; (iii) loses and fails to replace a substantial number of its current customers or a subset of customers representing a significant percentage of clearing volume; (iv) is unable to attract new customers; or (v) fails to respond to ever-increasing competitive pressures.

In particular, the LCH.Clearnet Group's non-OTC business revenue has historically been concentrated amongst a small number of venues, a large proportion of which is derived from the provision of clearing services to the NYSE Euronext group and to LME, and accordingly to their respective customers.

NYSE Euronext has announced that it intends to establish its own CCP for its European derivatives markets by summer 2013. NYSE Euronext has announced that it will terminate the current outsourcing arrangements between LCH.Clearnet Limited and NYSE Liffe in June 2013 in the areas of default management, risk management, collateral, treasury activities, banking and payment systems. NYSE Euronext has further announced that clearing for its derivatives business traded in Amsterdam, Brussels, Lisbon and Paris, currently cleared with LCH.Clearnet SA in Paris, will be transferred to its own CCP in London early in the first quarter of 2014. NYSE Euronext has announced that it intends to agree a long term clearing arrangement with LCH.Clearnet for NYSE Euronext's continental regulated cash equities market. The termination of this relationship (and the failure to replace it with relationships of a similar individual or aggregate value) and/or the failure of the LCH.Clearnet Group to identify future opportunities would have a negative impact on the LCH.Clearnet Group's (and accordingly the Group's) ability to maintain its current revenues or to generate additional revenues.

Furthermore, in December 2011, LME announced that it intended to establish its own CCP and launch its own clearing services, expected to go live in 2014. In July 2012 shareholders of LME Holdings Limited, the parent company of LME, approved the acquisition of LME Holdings Limited by Hong Kong Exchanges & Clearing Limited. Hong Kong Exchanges & Clearing Limited operates three CCPs and is supportive of LME's intention to establish its own CCP. The termination of LME's CCP clearing service agreement with the LCH.Clearnet Group (absent replacement with relationships of a similar individual or aggregate value or any compensating changes in LCH.Clearnet's strategy) would have a material adverse effect on the LCH.Clearnet Group's (and accordingly the Group's) ability to maintain its current revenues or to generate additional revenues. To date, LME has not served a termination notice to LCH.Clearnet and continues to clear its business with LCH.Clearnet.

***There is no guarantee that the OTC initiatives of the LCH.Clearnet Group will be successful.***

The Group's goal following the acquisition of LCH.Clearnet is to provide a comprehensive multi-asset class clearing solution to the market for maximum operational ease and the capital efficiency that may flow from connecting to the single CCP. It offers clearing services for cleared OTC derivatives, including credit default swaps and interest rate swaps. Its strategy also includes extending its OTC services into other asset classes. Under the terms of the LCH Acquisition, the Issuer has agreed that it will not introduce OTC interest rate swaps, OTC FX trades or OTC credit default swap (CDS) trades onto its exchange or other execution platforms without the approval of the SwapClear Businesses (as defined in the Definitions below) governing committees, subject to applicable regulation not mandating electronic trading in such products and subject to compliance with all applicable competition laws.

Although Dodd-Frank and EMIR may create new opportunities for the Group to expand its OTC services, the impact and timing of future legislation and regulation remain uncertain. Any changes to the regulatory environment for the trading and clearing of OTC derivatives may also affect demand for the Group's services and change the competitive environment. As noted above, the Group's trading or clearing members may not support any OTC initiatives, which may further limit the Group's opportunities to expand its OTC services.

***The LCH.Clearnet Group's OTC clearing businesses are subject to particular risk.***

SwapClear, ForexClear and CDSClear are subject to specific risks arising from the SwapClear Agreements entered into with the SwapClear Banks (as defined in the Definitions below) for the establishment of the SwapClear Businesses. The SwapClear Banks can, after an initial period, terminate any of the SwapClear Agreements on one year's notice, and obtain certain rights in respect of the IT systems and intellectual property of the relevant SwapClear Businesses. If there is a change of control of the Issuer, there is also a specific termination right. Termination of the SwapClear Agreements could materially adversely affect the value of the Group's investment in the LCH.Clearnet Group and the Group's future financial performance.

The markets for certain OTC products tend to be less liquid than is the case for exchange traded products, though the extent of liquidity differs between products and at different stages in the term of an OTC product, which may be very liquid initially but become less so during its term. The market value of such products may be more volatile and it may therefore be harder to assess the risk inherent in those products and accordingly the appropriate level of initial and variation margin that clearing members should provide in relation to them. Where products are illiquid, it may also make it harder to close out a defaulting member's positions in them, increasing the risk that the margin and default fund contributions held could prove inadequate to protect the clearing businesses against incurring unrecoverable financial cost as a result of such default.

The scale of the risks undertaken in relation to illiquid and volatile products is likely to increase as regulatory authorities require more OTC transactions to be cleared. Although LCH.Clearnet Group has put in place measures to protect itself against unlimited risk from its clearing businesses, its CCP subsidiaries could still have to pay up to £20 million out of their own resources for each major clearing member default in relation to certain of their clearing services even when those new liability limitation measures are in place.

In addition, as described in "Changes to regulatory capital requirements may negatively affect the Group" above, ESMA has provided the European Commission with its advice on draft technical standards in relation to the use of a CCP's own resources to cover losses arising from a clearing member default.

***An increased concentration of value in the clearing of fixed income will magnify any adverse impact of changes to the trading and clearing of fixed income products.***

Following completion of the LCH Acquisition, the proportion of the Group's post-trade businesses relating to fixed income will increase. In the event that wider commercial, regulatory or business factors adversely affect the trading and clearing volumes of fixed income products, such increased concentration of value in the clearing of fixed income will magnify any such adverse impacts on the Group.

***The governance structure of the LCH.Clearnet Group post-completion of the LCH Acquisition will restrict the control exercisable by the Issuer over the LCH.Clearnet Group's activities and the Issuer may need to take corrective action to ensure that it continues, for Listing Rules purposes, to control the majority of the Group assets.***

Although the Group will be the majority shareholder of the LCH.Clearnet Group following Completion of the LCH Acquisition, the Issuer and LCH.Clearnet have agreed that the LCH.Clearnet Group's businesses will be operated on a horizontal, user-inclusive model so as to provide CCP and clearing services to their respective clearing members on a fair, reasonable, open, and non-discriminatory basis. Accordingly, the Issuer has agreed to restrict some of the direct statutory and customary rights for a majority shareholder in the Group's position and therefore the governance structure limits the direct control that the Group will have over the LCH.Clearnet Group's activities in certain areas.

The Issuer will have significant high-level governance rights, including appointment and removal rights in respect of a significant proportion of the LCH.Clearnet Board as well as consent rights over certain matters that are core to the LCH.Clearnet Group. In addition, the LCH.Clearnet Board must operate the LCH.Clearnet Group businesses in accordance with the Business Plan and the Budget and the Core Operating Principles, which safeguard the interests of the Group and the other LCH.Clearnet shareholder constituencies. However, the LCH.Clearnet Group will continue to have a diverse shareholder base, and key shareholders and communities of shareholders other than the Group will have material representation on the LCH.Clearnet Board. LCH.Clearnet shareholders other than the Group, including those with LCH.Clearnet Board representation rights, may not always have interests that are aligned with those of the Group. Accordingly, notwithstanding the Issuer's governance rights, in certain circumstances the Issuer

may be unable to exercise direct or indirect control over the actions of the LCH.Clearnet Group and this may impact the business, financial operations and revenues of the Group.

There can be no certainty that regulatory trends, in particular the developing regulatory framework proposed under EMIR and Dodd-Frank, will not operate to further limit the Issuer's ability to exercise influence over the LCH.Clearnet Group in the best interests of the Group.

Furthermore, LCH.Clearnet operates the SwapClear Businesses, which are potentially significant to the LCH.Clearnet Group's future growth prospects. Under the SwapClear Agreements, the SwapClear Banks are able to exercise commercial and operational influence over those activities. Accordingly, although LCH.Clearnet cannot be required by the SwapClear Banks to take steps that would expose LCH.Clearnet to increased financial, legal or reputational risk, in the case of these businesses the Issuer's ability to exercise influence will be limited.

The Issuer's interest in LCH.Clearnet does not currently constitute a majority of its assets, but as a result of the governance structure described above there may be future circumstances in which the Issuer may be deemed, for Listing Rules purposes, not to control the majority of its assets as required by those rules. In such circumstances, the Issuer would need to take corrective action. If the Issuer is not reasonably able to take effective corrective action, the Issuer may cease to be eligible for a premium listing on the Official List or its listing could be suspended in accordance with the Listing Rules. The Issuer will monitor its control over the Group assets via an agreed, adjusted profits after tax test as a proxy for market value<sup>(1)</sup> to ensure ongoing compliance with the Listing Rules.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE MARKET RISKS ASSOCIATED WITH NOTES ISSUED UNDER THE PROGRAMME**

### *Risks related to the structure of a particular issue of Notes*

A wide range of Notes may be issued under the Programme. A number of such Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common such features:

#### *General*

If an investor chooses to sell its Notes issued under the Programme in the open market at any time prior to the maturity of the Notes, the price the investor will receive from a purchaser may be less than its original investment, and may be less than the amount due to be repaid at the maturity of the Notes if an investor were to hold onto the Notes until that time. Factors that will influence the price received by investors who choose to sell their Notes in the open market may include, but are not limited to, market appetite, inflation, the period of time remaining to maturity of the Notes, prevailing interest rates and the financial position of the Issuer.

#### *The Notes are not protected by the Financial Services Compensation Scheme*

Unlike a bank deposit, the Notes are not protected by the Financial Services Compensation Scheme (the FSCS) or any other government savings or deposit protection scheme. As a result, the FSCS will not pay compensation to an investor in the Notes upon the failure of the Issuer. If the Issuer goes out of business or becomes insolvent, Noteholders (as defined in the Terms and Conditions below) may lose all or part of their investment in the Notes.

#### *Intra Group payment of dividends and distributions*

The Issuer is a holding company with no material assets other than its equity interests in its subsidiaries. Almost all of the Issuer's operations are carried out through its operating subsidiaries. The Issuer's principal source of income is, and its ability to meet its financial obligations is therefore dependent upon the level of, dividends, loan repayments, distributions and other intercompany transfers of funds it receives from its operating subsidiaries. There is no contractual obligation for its operating subsidiaries to make regular dividend payments to the Issuer. In addition, the ability of the directors of a subsidiary of the Issuer to declare dividends or the amount of dividends they may pay will depend on the relevant company's operating results and will be subject to applicable laws and regulations. Claims of creditors of the Issuer's

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(1) This test is a key financial indicator that excludes the effect of impairment of goodwill, amortisation of purchased intangible assets, non-recurring items and unrealised net investments losses and gains.



subsidiaries have priority as to the assets of such subsidiaries to the claims of the Issuer. Consequently, the claims of the holders of Notes issued by the Issuer are structurally subordinated, in the event of the insolvency of the Issuer's subsidiaries, to the claims of the creditors of the Issuer's subsidiaries.

*Fixed Rate Notes bear interest at a fixed rate, which may affect the secondary market value and/or the real value of the Notes over time due to fluctuations in market interest rates and the effects of inflation*

Fixed Rate Notes bear interest at a fixed rate. Investors should note that (i) if interest rates start to rise then the income to be paid by the Notes might become less attractive and the price the investors get if they sell such Notes could fall. However, the market price of the Notes has no effect on the interest amounts due on the Notes or what investors will be due to be repaid on the Maturity Date if the Notes are held by the investors until they expire; and (ii) inflation will reduce the real value of the Notes over time which may affect what investors can buy with their investments in the future and which may make the fixed interest rate on the Notes less attractive in the future.

*If the Issuer has the right to convert the interest rate on any Notes from a fixed rate to a floating rate, or vice versa, this may affect the secondary market and the market value of the Notes concerned*

Fixed/Floating Rate Notes are Notes which may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of the Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing market rates.

*If the Issuer has the right to redeem any Notes at its option, this may limit the market value of the Notes concerned and an investor may not be able to reinvest the redemption proceeds in a manner which achieves a similar effective return*

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

*Notes which are issued at a substantial discount or premium may experience price volatility in response to changes in market interest rates*

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

*The amount of interest and/or the amount to be repaid upon redemption of Notes may be subject to adjustment by reference to RPI, which may reduce the interest amount payable in respect of the relevant interest period and/or reduce the amount to be repaid upon redemption to less than the face value of such Notes*

The Issuer may issue Notes on terms that the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of the Notes will be calculated by reference to movements in the UK Retail Prices Index (**RPI**) during a reference period (**RPI-Linked Notes**). RPI may go down as well as up.

Where Notes in respect of which the amount of interest payable is subject to adjustment by reference to movements in RPI are issued, a decrease in RPI over the reference period will reduce the amount of

interest payable in respect of such Notes. In a deflationary environment, the annual interest received may be lower than the rate of interest specified in the applicable Final Terms.

Where the amount payable upon redemption of the Notes is subject to adjustment by reference to movements in RPI, a decrease in the RPI over the reference period may reduce the amount to be repaid upon redemption of the Notes to less than the nominal amount of the Notes, unless the applicable Final Terms specifies a minimum redemption amount which is equal to or higher than the nominal amount of the Notes. Investors as a consequence may lose the value of their entire investment or part of it.

The historical experience of RPI should not be viewed as an indication of future performance of RPI during the term of any RPI-Linked Notes. Accordingly, each potential investor should consult its own financial and legal advisers about the risk entailed by an investment in any RPI-Linked Notes and the suitability of such Notes in light of its particular circumstances.

#### ***Risks related to Notes generally.***

Set out below is a brief description of certain risks relating to the Notes generally:

*The conditions of the Notes contain provisions which may permit their modification without the consent of all investors and confer significant discretions on the Trustee which may be exercised without the consent of the Noteholders and without regard to the individual interests of particular Noteholders*

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders (as defined in the Terms and Conditions of the Notes below) to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Trustee may, without the consent of Noteholders and without regard to the interests of particular Noteholders, (i) agree to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the conditions of the Notes or any of the provisions of the Trust Deed (as defined on page 75) or (ii) determine that any condition, event or act which, but for such determination, would constitute an Event of Default (as defined in the Trust Deed), shall not be treated as such or (iii) agree to the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 18 of the Terms and Conditions of the Notes.

*The Notes may be subject to withholding taxes in circumstances where the Issuer is not obliged to make gross up payments and this would result in holders receiving less interest than expected and could significantly adversely affect their return on the Notes.*

#### *Withholding under the EU Savings Directive*

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Union (each a **Member State**) is required to provide to the tax authorities of any other Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to or for the benefit of, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories (including Switzerland) have adopted similar measures (a withholding system in the case of Switzerland).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Terms and Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

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

The “Foreign Account Tax Compliance Act” provisions of the U.S. “Hiring Incentives to Restore Employment Act” (commonly referred to as **FATCA**) generally will impose new information reporting, withholding and other requirements on certain non-U.S. financial institutions. Non-U.S. financial institutions that do not comply with these requirements generally will be subject to a 30 per cent. withholding tax on certain payments of U.S.-source income, gross proceeds from the sale of certain U.S. assets and, after 31 December 2016, certain other payments to the extent attributable to such U.S. source income or proceeds (**Passthru Payments**). Due to the nature of its activities, the Issuer expects to be treated as a non-U.S. financial institution under FATCA.

Under FATCA, non-U.S. financial institutions generally will be required to enter into agreements (**FFI Agreements**) with the U.S. Internal Revenue Service (the **IRS**) to (i) identify financial accounts held by U.S. persons or entities with substantial U.S. ownership, as well as accounts of other “financial institutions” that are not themselves participating in, or otherwise exempt from, the FATCA reporting and withholding regime, (ii) obtain information regarding each financial account that is held by U.S. persons or entities with substantial U.S. ownership (in which case the information must be obtained with respect to the entity’s “substantial U.S. owners”), (iii) provide the name, address, taxpayer identification number and certain other information with respect to such U.S. persons and substantial U.S. owners to the proper tax authorities. Under an FFI Agreement, a non-U.S. financial institution will also agree to withhold on Passthru Payments to (i) persons that do not provide required information about themselves or (ii) other non-U.S. financial institutions that have not entered into an FFI Agreement, unless such financial institutions are otherwise exempt from or deemed in compliance with FATCA.

Non-U.S. financial institutions subject to tax in certain jurisdictions whose governments enter into intergovernmental agreements with the U.S. government implementing FATCA may not be subject to the withholding tax or required to enter into an FFI Agreement with the IRS if they comply with information reporting requirements under local law and the relevant jurisdiction’s tax authority shares that information with the IRS under an information sharing agreement. The United Kingdom and the United States recently have entered into such an intergovernmental agreement (the **US-UK FATCA IGA**), but the provisions of the agreement have not yet been incorporated into United Kingdom law. It is not yet certain whether non-U.S. financial institutions not subject to FATCA withholding on payments they receive under the terms of an intergovernmental agreement will still be required to withhold on Passthru Payments they make to other non-U.S. financial institutions.

Compliance with the due diligence and information reporting obligations imposed by an FFI Agreement with the IRS or local law enacted pursuant to an intergovernmental agreement may impose additional costs on the Issuer in the future and unexpected withholding tax on payments received by the Issuer could adversely impact the Issuer and holders of its Notes.

If the Issuer enters into an FFI Agreement, holders of Notes that (i) do not provide information required by the Issuer to comply with its obligations under the FFI Agreement (or under an applicable intergovernmental agreement), (ii) fail to enter into their own FFI Agreements (or otherwise comply with FATCA), in the case of holders that are financial institutions or (iii) receive payments on the Notes through financial institutions that do not enter into FFI Agreements (or otherwise comply with FATCA), could be subject to withholding on Passthru Payments after 2016. Certain holders of Notes could also be subject to withholding on Passthru Payments if the US and UK tax authorities ultimately adopt an approach to Passthru Payments under the US-UK FATCA IGA that requires the Issuer (or financial institutions through which payments on the Notes are made) to withhold on payments to such holders. Passthru Payments on Notes issued by the Issuer before 1 January 2013 will generally not be subject to withholding under FATCA unless the Notes do not have a fixed maturity, are significantly modified after 31 December 2012 or are treated as equity securities for U.S. federal income tax purposes.

If an amount in respect of FATCA were to be deducted or withheld from interest, principal or other payments on the Notes, neither the Issuer nor any paying agent nor any other person would, pursuant to the conditions of the Notes be required to pay additional amounts as a result of the deduction or withholding of such tax.

This description of the FATCA rules is based on proposed regulations, preliminary guidance and the US-UK FATCA IGA. Further guidance and developments are anticipated prior to the effective date for the rules on Passthru Payments, which may significantly modify these rules as they apply to the Issuer and to investors. Prospective investors should consult their advisors about the application of FATCA.

*Investors who purchase Notes in denominations that are not an integral multiple of the Specified Denomination may be adversely affected if definitive Notes are subsequently required to be issued*

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination (as defined in Condition 1) plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If such Notes in definitive form are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

*The value of the Notes could be adversely affected by a change in English law or administrative practice*

The Terms and Conditions of the Notes are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular and any such change could materially adversely impact the value of any Notes affected by it.

***Risks relating to holding CREST Depository Interests.***

*Certain Notes may be held as CREST Depository Interests and holders of such Notes will be subject to additional provisions and, as a result, the rights of, and returns received by, the holders of such Notes may differ from those of holders of Notes which are not represented by CREST Depository Interests*

Terms used in this risk factor and not otherwise defined shall have the meanings given to such terms in the section entitled “*Clearing and Settlement—Crest Depository Interests*” in this Offering Circular.

CREST Depository Interests are separate legal obligations distinct from the Notes and CDI Holders will be subject to additional provisions other than the conditions of the Notes.

CDI Holders will hold or have an interest in a separate legal instrument and not be the legal owners of the Notes. The rights of CDI Holders to the Notes are represented by the relevant entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Notes. Accordingly, rights under the Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians. The enforcement of rights under the Notes will be subject to the local law of the relevant intermediaries. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Notes in the event of any insolvency or liquidation of any of the relevant intermediaries, in particular where the Notes held in clearing systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.

The rights of the CDI Holders will be governed by the arrangements between CREST, Euroclear, Clearstream, Luxembourg and the relevant Issuer, including the CREST Deed Poll. Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the CREST Depository. CDI Holders are bound by such provisions and may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the amounts originally invested by them. As a result, the rights of, and returns received by, CDI Holders may differ from those of holders of Notes which are not represented by CDIs.

In addition, CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by

it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service.

Potential investors should note that none of the Issuer, the relevant Dealer, the Trustee and the Paying Agents will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.

For further information on the issue and holding of CDIs see the section entitled “*Clearing and Settlement—Crest Depository Interests*” in this Offering Circular.

***Risks related to the market generally.***

Set out below is a brief description of the principal market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk:

*An active secondary market in respect of the Notes may never be established or may be illiquid and this would adversely affect the value at which an investor could sell his Notes*

Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities. There is no guarantee of what the market price for selling or buying the Notes will be at any time. If prevailing market conditions reduce market interest in the Notes, the availability of a market price may be impaired. Moreover, notwithstanding in the case of Notes issued under the Programme to be traded on the London Stock Exchange’s ORB the presence of at least one market maker for the Notes, if trading actively levels are low, this may severely and adversely impact the price that an investor would receive if it wishes to sell its Notes.

*If an investor holds Notes which are not denominated in the investor’s home currency, he will be exposed to movements in exchange rates adversely affecting the value of his holding. In addition, the imposition of exchange controls in relation to any Notes could result in an investor not receiving payments on those Notes*

The Issuer will pay principal and interest on the Notes in the Specified Currency (as defined in Condition 1). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the **Investor’s Currency**) other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Specified Currency would decrease (i) the Investor’s Currency-equivalent yield on the Notes, (ii) the Investor’s Currency equivalent value of the principal payable on the Notes and (iii) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate or the ability of the Issuer to make payments in respect of the Notes. As a result, investors may receive less interest or principal than expected, or no interest or principal.

*Credit ratings assigned to the Issuer or any Notes may not reflect the risks associated with an investment in those Notes*

One or more independent credit rating agencies may assign credit ratings to the Issuer or the Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time.

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances whilst the registration application is pending. Such general restriction will also apply in the case of credit ratings issued by non-EU credit rating agencies, unless the relevant credit ratings are endorsed by an EU-registered credit rating agency or the relevant non-EU rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list. Certain information with respect to the credit rating agencies and ratings will be disclosed in the applicable Final Terms.

*The yield associated with Fixed Rate Notes will differ according to the price at which the Notes are purchased*

The indication of yield stated within the Final Terms of the Notes applies only to investments made at (as opposed to above or below) the issue price of the Notes. If an investor invests in Notes issued under the Programme at a price other than the issue price of the Notes, the yield on the investment will be different from the indication of yield on the notes as set out in the Final Terms of the Notes.

## DOCUMENTS INCORPORATED BY REFERENCE

The following documents which have previously been published or are published simultaneously with this Offering Circular and have been approved by the FSA or filed with it shall be deemed to be incorporated in, and to form part of, this Offering Circular:

- (i) the audited consolidated financial statements of the Issuer for the year ended 31 March 2012, and the auditors' report thereon (set out on page 69 of the Issuer's annual report for 2011-2012);
- (ii) the audited consolidated financial statements of the Issuer for the year ended 31 March 2011, and the auditors' report thereon (set out on page 63 of the Issuer's annual report for 2010-2011);
- (iii) Financial Information relating to the LCH.Clearnet Group (found on pages 40-97 of the "Recommended cash offer by London Stock Exchange (C) Limited for LCH.Clearnet Group Limited" Circular to London Stock Exchange Group Shareholders and Notice of General Meeting dated 16 March 2012); and
- (iv) the description of the implementation agreement entered into between the Issuer and LCH.Clearnet found on pages 127-131 of the "Recommended cash offer by London Stock Exchange (C) Limited for LCH.Clearnet Group Limited" Circular to London Stock Exchange Group Shareholders and Notice of General Meeting dated 16 March 2012,

save that any statement contained herein, or in a document which is deemed to be incorporated by reference herein, shall be deemed to be modified or superseded for the purpose of this Offering Circular to the extent that a statement contained in any document which is subsequently incorporated by reference herein by way of a supplement prepared in accordance with Article 16 of the Prospectus Directive modifies or supersedes such earlier statement (whether expressly, by implication or otherwise). Any statement so modified or superseded shall not, except as so modified or superseded, constitute part of this Offering Circular.

Copies of documents incorporated by reference in this Offering Circular can be obtained from the registered office of the Issuer and from the specified offices of the Paying Agents for the time being.

Any documents themselves incorporated by reference in the document incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

Any non-incorporated parts of a document referred to herein are either deemed not relevant for an investor or are otherwise covered elsewhere in this Offering Circular.

## **SUPPLEMENTS AND NEW OFFERING CIRCULARS**

In the event of any significant new factor, material mistake or inaccuracy relating to information included in this Offering Circular which is capable of affecting the assessment of any Notes arising or being noted between the approval of this Offering Circular by the UK Listing Authority and the commencement of trading of such Notes on any EEA State Stock Exchange or the final closing of the offer of such Notes to the public in any EEA State, as the case may be, the Issuer will prepare a supplement to this Offering Circular or publish a new Offering Circular for use in connection with such Notes and any subsequent issue of Notes.



## FORM OF THE NOTES

Each Tranche of Notes will initially be represented by a temporary global Note without interest coupons or talons, or a permanent global Note without interest coupons or talons, in each case as specified in the applicable Final Terms. If the global Notes are intended to be issued in new global note (NGN) form, as stated in the applicable Final Terms, the temporary global Note or, as the case may be, the permanent global Note will be delivered on the original issue date of the Tranche to a common safekeeper (the **Common Safekeeper**) for Euroclear and Clearstream, Luxembourg. If the global Notes are not intended to be issued in NGN form, as stated in the applicable Final Terms, the temporary global Note or, as the case may be, the permanent global Note will be delivered on the original issue date of the Tranche to a common depository for Euroclear and Clearstream, Luxembourg and/or any other agreed clearing system.

Where the global Notes issued in respect of any Tranche are in NGN form, Euroclear and Clearstream, Luxembourg will be notified by or on behalf of the Issuer whether such global Notes are intended to be held in a manner which would allow Eurosystem eligibility. Any indication that the global Notes are to be so held does not necessarily mean that the Notes of the relevant Tranche will be recognised as eligible collateral for Eurosystem monetary policy and intra-day credit operations by the Eurosystem either upon issue or at any times during their life as such recognition depends upon satisfaction of the Eurosystem eligibility criteria. The Common Safekeeper for NGNs will either be Euroclear or Clearstream, Luxembourg or another entity approved by Euroclear and Clearstream, Luxembourg.

Whilst any Note is represented by a temporary global Note, payments of principal, interest (if any) and any other amount payable in respect of the Notes due prior to the Exchange Date (as defined below) will be made (against presentation of the temporary global Note if the temporary global Note is not intended to be issued in NGN form) only to the extent that certification (in a form to be provided) to the effect that the beneficial owners of interests in such Note are not US persons or persons who have purchased for resale to any US person, as required by US Treasury regulations, has been received by Clearstream, Luxembourg and/or Euroclear and Clearstream, Luxembourg and/or Euroclear, as applicable, has given a like certification (based on the certifications it has received) to the Agent (as defined on page 75). Any reference in this section “Form of the Notes” to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Agent and the Trustee.

On and after the date (the **Exchange Date**) which is 40 days after the date on which any temporary global Note is issued, interests in such temporary global Note will be exchangeable (free of charge) upon a request as described therein either for interests in a permanent global Note without interest coupons or talons or for definitive Notes with, where applicable, interest coupons and talons attached (as indicated in the applicable Final Terms and subject, in the case of definitive Notes, to such notice period as is specified in the applicable Final Terms) in each case against certification of beneficial ownership as described in the second sentence of the immediately preceding paragraph unless such certification has already been given. If any further Notes to be consolidated and form a single Series with any series of outstanding Notes are issued prior to the exchange of interests in the temporary global Note for interests in the permanent global Note representing such outstanding Notes, then the Exchange Date may be extended, without the consent of the holders, to a date which is not earlier than 40 days after the date of issue of such further Notes provided that the Exchange Date would not thereby fall on or after the first interest payment date for such outstanding Notes. The holder of a temporary global Note will not be entitled to collect any payment of interest or principal due on or after the Exchange Date unless upon due certification exchange of the temporary global Note is improperly withheld or refused. Pursuant to the Agency Agreement (as defined on page 75) the Agent shall arrange that, where a further Tranche of Notes is issued, the Notes of such Tranche shall be assigned a common code and international securities identification numbers (**ISIN**) by Clearstream, Luxembourg and Euroclear which are different from the common code and ISIN assigned to Notes of any other Tranche of the same Series until at least 40 days (as notified by the Agent to the relevant Dealer or, in the case of a syndicated issue, the lead manager) after the completion of the distribution of the Notes of such Tranche.

Payments of principal, interest (if any) and any other amount payable in respect of the Notes on a permanent global Note will be made through Clearstream, Luxembourg and/or Euroclear (against presentation or surrender (as the case may be) of such permanent global Note if the permanent global Note is not intended to be issued in NGN form) without any requirement for certification. The applicable Final Terms will specify that either (i) a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached

upon not less than 60 days' written notice from Clearstream, Luxembourg and/or Euroclear (acting on the instructions of any holder of an interest in such permanent global Note) to the Agent as described therein or (ii) a permanent global Note will be exchangeable (free of charge), in whole but not in part, for definitive Notes with, where applicable, interest coupons and talons attached upon the occurrence of an Exchange Event. **Exchange Event** means (i) an Event of Default has occurred and is continuing, (ii) either Clearstream, Luxembourg or Euroclear has been closed for business for a continuous period of 14 days (other than by reason of holiday, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so and no alternative clearing system satisfactory to the Trustee is available or (iii) the Issuer has or will become obliged to pay additional amounts as provided for or referred to in Condition 8 which would not be required were the Notes represented by such permanent global Note in definitive form. The Issuer will promptly give notice to Noteholders in accordance with Condition 15 if an Exchange Event occurs. In the event of the occurrence of an Exchange Event, Clearstream, Luxembourg and/or Euroclear (acting on the instructions of any holder of an interest in such permanent global Note) or the Trustee may give notice to the Agent requesting exchange and, in the event of the occurrence of an Exchange Event as described in (iii) above, the Issuer may also give notice to the Agent requesting exchange. Any such exchange shall occur not later than 60 days after the date of receipt of the first relevant notice by the Agent.

Global Notes and definitive Notes will be constituted by, or pursuant to, the Trust Deed and issued in accordance with the provisions of the Agency Agreement.

The following legend will appear on all global Notes with an original maturity of more than one year, and on all definitive Notes, interest coupons and talons relating to such Notes:

“Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code.”

The sections referred to in the legend provide that any United States person (as that term is defined in the U.S. Internal Revenue Code of 1986) will not, with certain exceptions, be permitted to deduct any loss and will not be eligible for favourable capital gains treatment with respect to any gain realized on a sale, exchange or redemption of any Note, interest coupon or talon.

#### **CREST Depository Interests**

If so specified in the applicable Final Terms, investors may also hold interests in the Notes through CREST through the issuance of CREST Depository Interests. See the section entitled “*Clearing and Settlement—Crest Depository Interests*” in this Offering Circular for more information regarding holding CREST Depository Interests.

## APPLICABLE FINAL TERMS

### NOTES WITH A DENOMINATION OF LESS THAN €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY)

[Date]

#### London Stock Exchange Group plc

Issue of [ ] [ ]  
under the £1,000,000,000 Euro Medium Term Note Programme

#### Part A—Contractual Terms

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Offering Circular dated [ ] 2012 which [ , as modified by a supplement to it dated [ ] ], constitutes a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/news/market-news/rns/rns.htm>.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in the Offering Circular dated [ ] 2012. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive which [as modified by the supplement to it dated [ ] ], which [together] constitute[s] a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. A summary of the Notes (which comprises the summary in the Offering Circular as amended to reflect the provisions of these Final Terms) is annexed to these Final Terms. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/news/market-news/rns/rns.htm>.]

The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

- |  |   |
|--|---|
| 1. Issuer:   | London Stock Exchange Group plc   |
| 2. [(i)] Series Number:  | [ ]   |
| [(ii)] Tranche Number:   | [ ]   |
| [(iii)] Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph [23] below, which is expected to occur on or about [ ]][Not Applicable]] |
| 3. Specified Currency or Currencies:   | [ ]   |
| 4. Aggregate Nominal Amount:   | [ ]   |
| (i) Tranche:   | [ ]   |
| (ii) Series:   | [ ]   |
| 5. Issue Price:  | [ ] per cent. of the Aggregate Nominal Amount [plus accrued interest from [ ]]  |
| 6. (i) Specified Denominations:  | [ ]   |

- (ii) Calculation Amount: [ ]
7. (i) Issue Date: [ ]
- (ii) Interest Commencement Date: [[ ]/Issue Date/Not applicable: the Notes will not bear interest]
8. Maturity Date: [The Interest Payment Date falling in [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]
- [[ ] month [LIBOR/EURIBOR] +/- [ ] per cent. Floating Rate]
- [Zero Coupon]
- [RPI-Linked Interest]
- (further particulars specified below)
10. Redemption: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [98][99][100][101] per cent. of their nominal amount] [RPI-Linked Redemption]
- [11.] Change of Interest Basis: [Not Applicable][For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ], paragraph [14/15] applies and for the period from (and including) [ ], up to (and including) the Maturity Date, paragraph [14/15] applies]
- [12.] Put/Call Options: [Save as provided in Condition 7(c), not applicable]
- [Investor Put pursuant to Condition 7(e)(i)]
- [Change of Control Put pursuant to Condition 7(e)(ii)]
- [Issuer Call pursuant to Condition 7(d)]
- [Condition 7(c) also applies]
- [13.] [Date [Board] approval for issuance of Notes obtained: [ ] [and [ ] respectively]]

#### **Provisions Relating to Interest (if any) Payable**

14. Fixed Rate Note Provisions: [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to (and including) the Maturity Date
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount
- (iv) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]]
- [Not Applicable]
- (v) Fixed Day Count Fraction: [Actual/Actual (ICMA)/30/360]
- (vi) Determination Date(s): [[ ] in each year][Not Applicable]
15. Floating Rate Note Provisions: [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iii) Additional Business Centre(s): [ ]

- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (vi) Screen Rate Determination:  
—Reference Rate and Relevant Financial Centre: Reference Rate: [ ] month  
[LIBOR/EURIBOR].  
Relevant Financial Centre: [London/Brussels/other]
- Interest Determination Date(s): [ ]
- Relevant Screen Page: [ ]
- (vii) ISDA Determination:  
—Floating Rate Option: [ ]
- Designated Maturity: [ ]
- Reset Date: [ ]
- (viii) Margin(s): [+/-][ ] per cent. per annum
- (ix) Minimum Rate of Interest: [ ] per cent. per annum
- (x) Maximum Rate of Interest: [ ] per cent. per annum
- (xi) Floating Day Count Fraction: [Actual/Actual (ISDA)][Actual/Actual]  
[Actual/365 (Fixed)]  
[Actual/360]  
[30/360][360/360][Bond Basis]  
[30E/360][Eurobond basis]  
[30E/360 (ISDA)]
16. Zero Coupon Note Provisions: [Applicable/Not Applicable]
- (i) Accrual Yield: [ ] per cent. per annum
- (ii) Reference Price: [ ]
- (iii) Day Count Fraction in relation to Early Redemption Amounts: [30/360]  
[Actual/360]  
[Actual/365]
17. RPI-Linked Note Provisions: [Applicable—Condition 5 applies/Not Applicable]
- (i) Rate of Interest [ ] per cent. per annum
- (ii) Name and address of Calculation Agent: [ ]
- (iii) Party responsible for calculating the Interest Amounts and Redemption Amount(s) (if not the Agent): [ ] [Not Applicable]
- (iv) Specified Period(s)/Specified Interest Payment Date(s): [ ]
- (v) Business Day Convention: [Not Applicable/Floating Rate Convention/  
Following Business Day Convention/Modified  
Following Business Day Convention/Preceding  
Business Day Convention]
- (vi) Additional Business Centre(s): [ ] [Not Applicable]
- (vii) Day Count Fraction: [Actual/Actual (ICMA)]  
[30/360 (as set out in Condition 4(a))]

- [Actual/Actual (ISDA)]  
 [Actual/Actual]]  
 [Actual/365 (Fixed)]  
 [Actual/360]  
 [30/360 (as set out in Condition 4(b))]  
 [360/360][Bond Basis]  
 [30E/360][Eurobond basis]  
 [30E/360 (ISDA)]
- (ix) Base Index Figure: [       ]
- (x) Index Figure applicable to: [particular month: paragraph (i) of the definition of “Index Figure applicable” applies] [first calendar day of any month: paragraph (ii) of the definition of “Index Figure applicable” applies] [[       ] in any month: paragraph (iii) of the definition of “Index Figure applicable” applies]
- (xi) Reference Gilt: [[       ] per cent. Index-Linked Treasury Stock due [       ]
- (xii) Limited Indexation: [Applicable][Not Applicable]
- Minimum Indexation Factor: [       ] [Not Applicable]
- Maximum Indexation Factor: [       ] [Not Applicable]
- Limited Indexation Month(s) or period for calculation of Limited Indexation Factor: [       ]

### Provisions Relating to Redemption

18. [(i)] Notice periods for Condition [7(b)]: Minimum period: [       ] days  
 Maximum period: [       ] days
- [(ii)] Notice periods for Condition [7(c)]: [Minimum period [       ] days  
 Maximum period: [       ] days][Not Applicable]
19. Issuer Call: [Applicable/[Save as provided in Condition [7(c)]]  
 [Not Applicable]
- (i) Optional Redemption Date(s): [       ]
- (ii) Optional Redemption Amount: [       ] per Calculation Amount
- (iii) If redeemable in part:
- (a) Minimum Redemption Amount: [       ] per Calculation Amount
- [(b)] Maximum Redemption Amount: [       ] per Calculation Amount
- (iv) Notice periods: Minimum period: [       ] days  
 Maximum period: [       ] days
20. Investor Put: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [       ]
- (ii) Optional Redemption Amount(s): [       ] per Calculation Amount
- (a) Minimum Optional Redemption Amount: [       ] per Calculation Amount][Not Applicable]
- (b) Maximum Optional Redemption Amount: [       ] per Calculation Amount][Not Applicable]
- (iii) Notice periods: Minimum period: [       ] days  
 Maximum period: [       ] days
21. Change of Control Put: [Applicable/Not Applicable]

- (i) Change of Control Redemption Amount(s): [ ] per Calculation Amount
- (a) Minimum Change of Control Redemption Amount: [[ ] per Calculation Amount][Not Applicable]
- (b) Maximum Change of Control Redemption Amount: [[ ] per Calculation Amount][Not Applicable]
22. Final Redemption Amount: [[ ] per Calculation Amount]
- (i) Minimum Final Redemption Amount: [ ] per Calculation Amount][Not Applicable]
- (ii) Maximum Final Redemption Amount: [ ] per Calculation Amount][Not Applicable]
23. Early Redemption Amount(s) payable on redemption for taxation reasons, indexation reasons or on event of default: [[ ] per Calculation Amount]/[In accordance with Condition [7(f)]]
- (i) Minimum Early Redemption Amount: [[ ] per Calculation Amount][Not Applicable]
- (ii) Maximum Early Redemption Amount: [[ ] per Calculation Amount][Not Applicable]

### General Provisions Applicable to the Notes

24. (i) Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]  
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]  
[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]  
[CREST Depository Interests (CDIs) representing the Notes may also be issued in accordance with the usual procedures of Euroclear UK & Ireland Limited (CREST)]
- (ii) New Global Note: [Yes] [No]
25. Additional Financial Centre(s): [Not Applicable/[[ ]]]

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of London Stock Exchange Group plc:

By: \_\_\_\_\_

*Duly authorised*



## Part B—Other Information

### 1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and through the London Stock Exchange's electronic order book for retail bonds and listing on the Official List of the UK Listing Authority with effect from [ ].] [Not Applicable.]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].] [Not Applicable.]

[ ] will be appointed as registered market maker[s] through ORB (<http://www.londonstockexchange.com/exchange/prices-and-markets/retail-bonds-search.html>) when the Notes are issued. Market-making will be supported by [ ] on [the bondscape platform ([www.bondscape.net](http://www.bondscape.net))] [ ].

### 2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ]]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

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

[(i) Reasons for the offer:

[To refinance indebtedness and for its general corporate purposes].

[(ii) Estimated net proceeds:

[ ]

[(iii) Estimated total expenses:

[ ]

### 5. [YIELD]

[ ]

Indication of yield:

[Calculated as [ ] on the Issue Date.]

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

### 6. [HISTORIC INTEREST RATES]

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

### 7. POST-ISSUANCE INFORMATION

The Issuer [intends to provide post-issuance information. The following post-issuance information will be reported: [ ] and can be obtained from [ ] [does not intend to provide post-issuance information.]

### 8. OPERATIONAL INFORMATION

(i) ISIN Code:

[ ]

(ii) Common Code:

[ ]

(iii) Names(s) and address(es) of any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable/[ ]]

[The Notes will also be made eligible for CREST via the issue of CDIs representing the Notes]

- (iv) Delivery: Delivery [against/free of] payment
- (v) Names and addresses of additional Paying Agent(s) [ ]  
(if any):

## 9. DISTRIBUTION

- (i) Names and addresses of Manager[s] and underwriting commitments: [ ]
- (ii) Date of underwriting Agreement: [ ]
- (iii) Total commission and concession: [ ] per cent. of the Aggregate Nominal Amount
- (iv) US Selling Restrictions: [Reg. S Compliance Category [1/2/3]; TEFRA D/TEFRA C/TEFRA not applicable]
- (v) Non exempt Offer: [Not Applicable] [An offer of the Notes may be made by the Managers and the following financial intermediaries/placers: [ ] [and/or if the Issuer appoints additional financial intermediaries/placers after the date of these Final Terms and publishes details of them on its website, each financial intermediary/placer whose details are so published.]/ [An offer of the Notes may be made by the Managers and any financial intermediary which is authorised to make such offers under Directive 2004/39/EC (the Markets in Financial Instruments Directive) which states on its website that it has been duly appointed as a financial intermediary to offer the Notes and states that it is relying on this Offering Circular to offer the relevant Tranche of Notes during the Offer Period (as defined below)] (together with the Managers, the **Financial Intermediaries**) other than pursuant to Article 3(2) of the Prospectus Directive in [ ] (the **Public Offer Jurisdictions**) during the period from [ ] until [[ ]/[the Issue Date]]/[the date which falls [ ] Business Days thereafter] (the **Offer Period**). The above consent is subject to the following other conditions: [ ].]

## 10. TERMS AND CONDITIONS OF THE OFFER

- (i) Offer Price: [Issue Price/Not applicable/[ ]]
- (ii) Conditions to which the offer is subject: [Not applicable/[ ]]
- (iii) Offer Period: See paragraph 9 above
- (iv) Description of the application process: [Not applicable/[ ]]
- (v) Details of the minimum and/or maximum amount of application: [Not applicable/[ ]]
- (vi) Description of possibility to reduce subscriptions and manner for refunding excess amount paid by applicants: [Not applicable/[ ]]
- (vii) Details of the method and time limits for paying up and delivering the Notes: [Not applicable/[ ]]
- (viii) Manner in and date on which results of the offer are to be made public: [Not applicable/[ ]]
- (ix) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not applicable/[ ]]
- (x) Whether tranche(s) have been reserved for certain countries: [Not applicable/[ ]]

- (xi) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not applicable/[ ]]
- (xii) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not applicable/[ ]]
- (xiii) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. The Financial Intermediaries identified in or in the manner specified in paragraph 9 above.
- (xiv) [Categories of potential investors to which the Notes are offered: [Offers or solicitations may be made by the Managers and/or [ ] in [ ] during the Offer Period set out above to any person [ ]. No offer or solicitation in respect of the Notes shall be made by the Managers [and/or the Financial Intermediaries] except pursuant to an exemption from the obligation under the Prospectus Directive as implemented in such countries to publish a prospectus (a) in any other Member State of the European Economic Area or (b) after the Offer Period set out above has ended.]]

**ISSUE SPECIFIC SUMMARY**

[                    ]

**NOTES WITH A DENOMINATION OF €100,000 (OR ITS EQUIVALENT IN ANY OTHER CURRENCY) OR MORE**

[Date]

**London Stock Exchange Group plc**

Issue of [ ] [ ]  
under the £1,000,000,000 Euro Medium Note Programme

**Part A—Contractual Terms**

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes set forth in the Offering Circular dated [ ], 2012 which [ , as modified by a supplement to the Offering Circular dated [ ],] constitutes a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**). This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive and must be read in conjunction with the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/news/market-news/rns/rns.htm>.

Terms used herein shall be deemed to be defined as such for the purposes of the Terms and Conditions of the Notes (the **Conditions**) set forth in this Offering Circular dated. This document constitutes the Final Terms of the Notes described herein for the purposes of Article 5.4 of the Prospectus Directive which constitute a base prospectus for the purposes of the Prospectus Directive (the **Offering Circular**), including the Conditions incorporated by reference in the Offering Circular. Full information on the Issuer and the offer of the Notes is only available on the basis of the combination of these Final Terms and the Offering Circular. The Offering Circular has been published on the website of the Regulatory News Service operated by the London Stock Exchange at <http://www.londonstockexchange.com/news/market-news/rns/rns.htm>.

The expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State) and includes any relevant implementing measure in the Relevant Member State and the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

- |  |   |
|--|---|
| 1. Issuer:   | London Stock Exchange Group plc   |
| 2. [(i)] Series Number:  | [ ]   |
| [(ii)] Tranche Number:   | [ ]   |
| [(iii)] Date on which the Notes will be consolidated and form a single Series: | [The Notes will be consolidated and form a single Series with [ ] on [the Issue Date/exchange of the Temporary Global Note for interests in the Permanent Global Note, as referred to in paragraph 24 below, which is expected to occur on or about [ ]][Not Applicable]] |
| 3. Specified Currency or Currencies:   | [ ]   |
| 4. Aggregate Nominal Amount:   | [ ]   |
| (i) Tranche:   | [ ]   |
| (ii) Series:   | [ ]   |
| 5. Issue Price:  | [ ] per cent. of the Aggregate Nominal Amount<br>[plus accrued interest from [ ] (if applicable)]   |
| 6. (i) Specified Denominations:  | [ ]   |
| (ii) Calculation Amount:   | [ ]   |
| 7. (i) Issue Date:   | [ ]   |
| (ii) Interest Commencement Date:   | [[ ]/Issue Date/Not Applicable]   |

8. Maturity Date: [The Interest Payment Date falling in [ ]]
9. Interest Basis: [[ ] per cent. Fixed Rate]  
[[ ] month [LIBOR/EURIBOR] +/-  
[ ] per cent. Floating Rate] [Zero Coupon]  
[RPI-Linked Interest]  
(further particulars specified below)
10. Redemption: [Subject to any purchase and cancellation or early redemption, the Notes will be redeemed on the Maturity Date at [98][99][100][101] per cent. Of their nominal amount]  
[RPI-Linked Redemption]
11. Change of Interest Basis [Not Applicable][For the period from (and including) the Interest Commencement Date, up to (but excluding) [ ] paragraph [14/15] applies and for the period from (and including) [ ], up to (and including) the Maturity Date, paragraph [14/15] applies]
12. Put/Call Options: [Save as provided in Condition 7, not applicable]  
[Investor Put (see paragraph 20 below)]  
[Change of Control Put (see paragraph 21 below)]  
[Issuer Call (see paragraph 19 below)]  
[Condition [7(c)] also applies]
13. [Date [Board] approval for issuance of Notes obtained: [ ] [and [ ], respectively]]

**Provisions Relating to Interest (if any) Payable**

14. Fixed Rate Note Provisions [Applicable/Not Applicable]
- (i) Rate[(s)] of Interest: [ ] per cent. per annum payable in arrear on each Interest Payment Date
- (ii) Interest Payment Date(s): [ ] in each year up to (and including) the Maturity Date
- (iii) Fixed Coupon Amount(s): [ ] per Calculation Amount (*Applicable to Notes in definitive form*)
- (iv) Broken Amount(s): [[ ] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [ ]] [Not Applicable]
- (v) Fixed Day Count Fraction: [Actual/Actual (ICMA)/30/360]
- (vi) Determination Date(s): [[ ] in each year][Not Applicable]
15. Floating Rate Note Provisions [Applicable/Not Applicable]
- (i) Specified Period(s)/Specified Interest Payment Dates: [ ]
- (ii) Business Day Convention: [Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
- (iii) Additional Business Centre(s): [ ]
- (iv) Manner in which the Rate of Interest and Interest Amount is to be determined: [Screen Rate Determination/ISDA Determination]
- (v) Party responsible for calculating the Rate of Interest and Interest Amount (if not the Agent): [ ]
- (vi) Screen Rate Determination:

—Reference Rate and Relevant Financial Centre:	Reference Rate: [     ] month [LIBOR/ EURIBOR].
	Relevant Financial Centre: [London/Brussels]
—Interest Determination Date(s):	[     ]
—Relevant Screen Page:	[     ]
(vii) ISDA Determination:	
—Floating Rate Option:	[     ]
—Designated Maturity:	[     ]
—Reset Date:	[     ]
(viii) Margin(s):	[+/-][     ]per cent. per annum
(ix) Minimum Rate of Interest:	[     ] per cent. per annum
(x) Maximum Rate of Interest:	[     ] per cent. per annum
(xi) Floating Day Count Fraction:	[Actual/Actual (ISDA)][Actual/Actual]] [Actual/365 (Fixed)] [Actual/360] [30/360][360/360][Bond Basis] [30E/360][Eurobond basis] [30E/360 (ISDA)]
16. Zero Coupon Note Provisions	[Applicable/Not Applicable]
(i) Accrual Yield:	[     ] per cent. per annum
(ii) Reference Price:	[     ]
(iii) Day Count Fraction in relation to Early Redemption Amounts:	[30/360] [Actual/360] [Actual/365]
17. RPI-Linked Note Provisions	[Applicable—Condition 5 applies/Not Applicable]
(i) Rate of Interest	[     ] per cent. per annum
(ii) Name and address of Calculation Agent:	[     ]
(iii) Party responsible for calculating the Interest Amounts and Redemption Amount(s) (if not the Agent):	[     ] [Not Applicable]
(iv) Specified Interest Payment/Specified Determination Date(s):	[     ]
(v) Business Day Convention:	[Not Applicable/Floating Rate Convention/ Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention]
(vi) Additional Business Centre(s):	[     ] [Not Applicable]
(vii) Day Count Fraction:	[Actual/Actual (ICMA)] [30/360 (as set out in Condition 4(a))] [Actual/Actual (ISDA)] [Actual/Actual] [Actual/365 (Fixed)] [Actual/360] [30/360 (as set out in Condition 4(b))]

- [360/360][Bond Basis]  
 [30E/360][Eurobond basis]  
 [30E/360 (ISDA)]
- (ix) Base Index Figure: [       ]
- (x) Index Figure applicable to: [particular month: paragraph (i) of the definition of “Index Figure applicable” applies] [first calendar day of any month: paragraph (ii) of the definition of “Index Figure applicable” applies] [[       ] in any month: paragraph (iii) of the definition of “Index Figure applicable” applies]
- (xi) Reference Gilt: [[       ] per cent. Index-Linked Treasury Stock due [       ]
- (xii) Limited Indexation:  
 —Minimum Indexation Factor: [       ] [Not Applicable]  
 —Maximum Indexation Factor: [       ] [Not Applicable]  
 —Limited Indexation Month(s) or period for calculation of Limited Indexation Factor: [       ]

### Provisions Relating to Redemption

18. [(i)] Notice periods for Condition [7(b)]: Minimum period: [       ] days  
 Maximum period: [       ] days  
 [(ii)] Notice periods for Condition [7(c)]: [Minimum period: [       ] days  
 Maximum period: [       ] days] [Not Applicable]
19. Issuer Call: [Applicable/[Save as provided in Condition 7(c)].  
 [Not Applicable]
- (i) Optional Redemption Date(s): [       ]
- (ii) Optional Redemption Amount: [       ] per Calculation Amount
- (iii) If redeemable in part:  
 (a) Minimum Redemption Amount: [       ] per Calculation Amount  
 (b) Maximum Redemption Amount: [       ] per Calculation Amount
- (iv) Notice periods: Minimum period: [       ] days  
 Maximum period: [       ] days
20. Investor Put: [Applicable/Not Applicable]
- (i) Optional Redemption Date(s): [       ]
- (ii) Optional Redemption Amount(s): [       ] per Calculation Amount  
 (a) Minimum Optional Redemption Amount: [       ] per Calculation Amount [Not Applicable]  
 (b) Maximum Optional Redemption Amount: [       ] per Calculation Amount [Not Applicable]
- (iii) Notice periods: Minimum period: [       ] days  
 Maximum period: [       ] days
21. Change of Control Put: [Applicable / Not Applicable]
- (i) Change of Control Redemption Amount(s): [       ] per Calculation Amount  
 (a) Minimum Change of Control Redemption Amount: [[       ] per Calculation Amount] [Not Applicable]  
 (b) Maximum Change of Control Redemption Amount: [[       ] per Calculation Amount] [Not Applicable]
22. Final Redemption Amount: [       ] per Calculation Amount  
 (i) Minimum Final Redemption Amount: [       ] per Calculation Amount [Not Applicable]



- (ii) Maximum Final Redemption Amount: [ ] per Calculation Amount][Not Applicable]
23. Early Redemption Amount(s) payable on redemption for taxation reasons, indexation reasons or on event of default: [[ ] per Calculation Amount]/[In accordance with Condition [7(f)]]
- (i) Minimum Early Redemption Amount: [ ] per Calculation Amount][Not Applicable]
- (ii) Maximum Early Redemption Amount: [ ] per Calculation Amount][Not Applicable]

**General Provisions Applicable to the Notes**

24. (i) Form of Notes: [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]  
[Temporary Global Note exchangeable for Definitive Notes on and after the Exchange Date.]  
[Permanent Global Note exchangeable for Definitive Notes [on 60 days' notice given at any time/only upon an Exchange Event].]  
Notes shall not be physically delivered in Belgium, except to a clearing system, a depository or other institution for the purpose of their immobilisation in accordance with article 4 of the Belgium Law of 14 December 2005
- (ii) New Global Note: [Yes] [No]
25. Additional Financial Centre(s): [Not Applicable/[ ]]

[[ ] has been extracted from [ ]. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware and is able to ascertain from information published by [ ], no facts have been omitted which would render the reproduced information inaccurate or misleading.]

Signed on behalf of London Stock Exchange Group plc:

By: \_\_\_\_\_  
*Duly authorised*

## Part B—Other Information

### 1. LISTING AND ADMISSION TO TRADING

[Application has been made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].]

[Application is expected to be made by the Issuer (or on its behalf) for the Notes to be admitted to trading on the London Stock Exchange's regulated market and listing on the Official List of the UK Listing Authority with effect from [ ].]  
[Not Applicable.]

### 2. RATINGS

Ratings:

[The Notes to be issued [[have been]/[are expected to be]] rated [ ] by [ ].]

### 3. INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE

[Save for any fees payable to the [Managers/Dealers], so far as the Issuer is aware, no person involved in the issue of the Notes has an interest material to the offer. The [Managers/Dealers] and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.]

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

[(i) Reasons for the offer:

[To refinance indebtedness and for its general corporate purposes.]

[(ii) Estimated net proceeds:

[ ]

[(iii) Estimated total expenses:

[ ]

### 5. [YIELD (*Fixed Rate Notes only*)]

[Calculated as [ ] on the Issue Date]

Indication of yield:

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

### 6. POST-ISSUANCE INFORMATION

The Issuer [intends to provide post-issuance information. The following post-issuance information will be reported: [ ] and can be obtained from [ ] [does not intend to provide post-issuance information.]

### 7. HISTORIC INTEREST RATES

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

### 8. OPERATIONAL INFORMATION

(i) ISIN Code:

[ ]

(ii) Common Code:

[ ]

(iii) Name(s) and address(es) of any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):

[Not Applicable] [ ]

(iv) Delivery:

Delivery [against/free of] payment

[ ]

Any notice delivered to Noteholders through the clearing systems will be deemed to have been given on the on which it was given to Euroclear and Clearstream, Luxembourg.

(v) Names and addresses of additional Paying Agent(s) (if any):

[ ]

**9. DISTRIBUTION**

- (i) Names and addresses of Manager[s] and [Not Applicable] [ ]  
underwriting commitments:
- (ii) Date of underwriting Agreement: [ ]

**ISSUE SPECIFIC SUMMARY**

[ ]

## TERMS AND CONDITIONS OF THE NOTES

*The following are the Terms and Conditions of the Notes which will be incorporated by reference into each global Note and each definitive Note, in the latter case only if permitted by the relevant stock exchange or other relevant authority (if any) and agreed by the Issuer and the relevant Dealer at the time of issue but, if not so permitted and agreed, such definitive Note will have endorsed thereon or attached thereto such Terms and Conditions. The applicable Final Terms (or the relevant provisions thereof) will be endorsed upon, or attached to, each global Note and definitive Note. Reference should be made to “Applicable Final Terms” above for the form of Final Terms which will include the meaning of certain terms used in the following Terms and Conditions or specify which of such terms are to apply in relation to the relevant Notes.*

This Note is one of a Series (as defined below) of Notes issued by London Stock Exchange Group plc (the **Issuer**) constituted by a Trust Deed (as modified and/or supplemented and/or restated from time to time, the **Trust Deed**) dated 11 October 2012 made between the Issuer and HSBC Corporate Trustee Company (UK) Limited (the **Trustee**, which expression shall include any successor as trustee).

References herein to the **Notes** shall be references to the Notes of this Series and shall mean:

- (i) in relation to any Notes represented by a global Note, units of each Specified Denomination in the Specified Currency;
- (ii) definitive Notes issued in exchange for a global Note; and
- (iii) any global Note.

The Notes and the Coupons (as defined below) also have the benefit of an Agency Agreement (as modified and/or supplemented and/or restated from time to time, the **Agency Agreement**) dated 11 October 2012 and made among the Issuer, HSBC Bank plc, as issuing and principal paying agent and agent bank (the **Agent**, which expression shall include any successor agent specified in the applicable Final Terms), any other paying agent named therein (together with the Agent, the **Paying Agents**, which expression shall include any additional or successor paying agents) and the Trustee.

Interest bearing definitive Notes have interest coupons (**Coupons**) and, in the case of Notes which, when issued in definitive form, have more than 27 interest payments remaining, talons for further Coupons (**Talons**) attached on issue. Any reference herein to Coupons or coupons shall, unless the context otherwise requires, be deemed to include a reference to Talons or talons. Global Notes do not have Coupons or Talons attached on issue.

The final terms for this Note (or the relevant provisions thereof) are set out in Part A of the Final Terms attached to or endorsed on this Note and which supplement these Terms and Conditions (the **Conditions**). References to the **applicable Final Terms** are, unless otherwise stated, to Part A of the Final Terms (or the relevant provisions thereof) attached to or endorsed on this Note.

The Trustee acts for the benefit of the holders of the Notes (the **Noteholders**, which expression shall, in relation to any Notes represented by a global Note, be construed as provided below) and the holders of the Coupons (the **Couponholders**, which expression shall, unless the context otherwise requires, include the holders of the Talons), all in accordance with the provisions of the Trust Deed.

As used herein, **Tranche** means Notes which are identical in all respects (including as to listing and admission to trading) and **Series** means a Tranche of Notes together with any further Tranche or Tranches of Notes which are (i) expressed to be consolidated and form a single series and (ii) identical in all respects (including as to listing and admission to trading) except for their respective Issue Dates, Interest Commencement Dates and/or Issue Prices. The following statements include summaries of, and are subject to, the detailed provisions of the Trust Deed and the applicable Final Terms. Copies of the Trust Deed and the Agency Agreement are available for inspection during normal business hours at the principal office of the Trustee at 8 Canada Square, London E14 5HQ, and at the specified office of each of the Paying Agents. Copies of the applicable Final Terms are available for viewing and copies may be obtained from the registered office of the Issuer and from the specified office of the Paying Agents save that, if this Note is neither admitted to trading on a regulated market in an EEA State nor offered to the public in an EEA State in circumstances where a prospectus is required to be published under the Prospectus Directive, the applicable Final Terms will only be obtainable by a Noteholder holding one or more Notes and such Noteholder must produce evidence satisfactory to the Issuer or, as the case may be, the relevant Paying Agent as to its holding of such Notes and identity. If the Notes are to be admitted to trading on the regulated market of the London Stock Exchange the applicable Final Terms will be published on

the website of the London Stock Exchange through a regulatory information service (<http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>).

The Noteholders and the Couponholders are deemed to have notice of, and are entitled to the benefit of, all the provisions of the Trust Deed, the Agency Agreement and the applicable Final Terms which are binding on them.

Words and expressions defined in the Trust Deed or the Agency Agreement or used in the applicable Final Terms shall have the same meanings where used in these Conditions unless the context otherwise requires or unless otherwise stated and provided that, in the event of any inconsistency between the Agency Agreement and the Trust Deed, the Trust Deed will prevail and, in the event of any inconsistency between the Agency Agreement or the Trust Deed and the applicable Final Terms, the applicable Final Terms will prevail.

In the Conditions, **euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended.

### **1. Form, Denomination and Title**

The Notes are in bearer form and, in the case of definitive Notes, serially numbered, in the currency (the **Specified Currency**) and the denomination(s) (the **Specified Denomination(s)**) specified in the applicable Final Terms. Notes of one Specified Denomination may not be exchanged for Notes of another Specified Denomination.

This Note may be a Fixed Rate Note, a Floating Rate Note, a Zero Coupon Note, an RPI-Linked Interest Note or a combination of any of the foregoing, depending upon the Interest Basis shown in the applicable Final Terms.

This Note may be an RPI-Linked Redemption Note depending on the Redemption Basis shown in the applicable Final Terms.

Definitive Notes are issued with Coupons attached, unless they are Zero Coupon Notes in which case references to Coupons and Couponholders in these Conditions are not applicable.

Subject as set out below, title to the Notes and Coupons will pass by delivery. The Issuer, the Trustee, the Agent and any other Paying Agent may deem and treat the bearer of any Note or Coupon as the absolute owner thereof (whether or not overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof) for all purposes but, in the case of any global Note, without prejudice to the provisions set out in the next succeeding paragraph. For so long as any of the Notes is represented by a global Note held on behalf of Clearstream Banking, société anonyme (**Clearstream, Luxembourg**) and/or Euroclear Bank S.A./N.V. (**Euroclear**) each person (other than Clearstream, Luxembourg or Euroclear) who is for the time being shown in the records of Clearstream, Luxembourg or of Euroclear as the holder of a particular nominal amount of such Notes (in which regard any certificate or other document issued by Clearstream, Luxembourg or Euroclear as to the nominal amount of such Notes standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes for all purposes other than with respect to the payment of principal or interest on such nominal amount of such Notes, for which purpose the bearer of the relevant global Note shall be treated by the Issuer, the Trustee, the Agent and any other Paying Agent as the holder of such nominal amount of such Notes in accordance with and subject to the terms of the relevant global Note and the expressions “Noteholder” and “holder of Notes” and related expressions shall be construed accordingly. Notes which are represented by a global Note will be transferable only in accordance with the rules and procedures for the time being of Clearstream, Luxembourg or of Euroclear, as the case may be. In determining whether a particular person is entitled to a particular nominal amount of Notes as aforesaid, the Trustee may rely on such evidence and/or information and/or certification as it shall, in its absolute discretion, think fit and, if it does so rely, such evidence and/or information and/or certification shall, in the absence of manifest error, be conclusive and binding on all concerned.

References to Clearstream, Luxembourg and/or Euroclear shall, whenever the context so permits, be deemed to include a reference to any additional or alternative clearing system approved by the Issuer, the Trustee and the Agent and specified in Part B of the applicable Final Terms.

## 2. Status of the Notes

The Notes and the relative Coupons are direct, unconditional, unsubordinated and (subject to the provisions of Condition 3) unsecured obligations of the Issuer and rank and will rank *pari passu*, without any preference among themselves and (save for certain obligations required to be preferred by law) equally with all other outstanding unsecured (subject as aforesaid) and unsubordinated obligations of the Issuer, present and future, but, in the event of insolvency, only to the extent permitted by applicable laws relating to creditors' rights.

## 3. Negative Pledge

So long as any of the Notes remain outstanding (as defined in the Trust Deed) the Issuer shall not create or permit to be outstanding any mortgage, charge, lien (other than a lien arising by operation of law), pledge or other security interest (each a **Security Interest**) upon the whole or any part of its undertaking or assets, present or future (including any uncalled capital) to secure any Relevant Indebtedness (as defined below), unless the Issuer, in the case of the creation of a Security Interest, before or at the same time and, in any other case, promptly, takes any and all action necessary to ensure that:

- (a) all amounts payable by it under the Notes, the Coupons and the Trust Deed are secured by a Security Interest equally and rateably with the Relevant Indebtedness to the satisfaction of the Trustee; or
- (b) such other Security Interest or other arrangement (whether or not it includes the giving of a Security Interest) is provided either (A) as the Trustee in its absolute discretion deems not materially less beneficial to the interests of the Noteholders or (B) as is approved by an Extraordinary Resolution (which is defined in the Trust Deed as a resolution duly passed by a majority of not less than two thirds of the votes cast thereon) of the Noteholders.

For the purpose of this Condition 3, **Relevant Indebtedness** means (i) any indebtedness for borrowed money having an original maturity of more than one year, which is evidenced by bonds, notes, debentures or other securities which, with the consent of the Issuer, are, or are intended to be, listed or traded on any stock exchange, over-the-counter or other securities market and (ii) any guarantee or indemnity in respect of any such indebtedness.

## 4. Interest

The applicable Final Terms will indicate whether the Notes are Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes or RPI-Linked Interest Notes or a combination thereof.

(a) *Interest on Fixed Rate Notes:* This Condition 4(a) applies to Fixed Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of fixed rate interest and must be read in conjunction with this Condition 4(a) for full information on the manner in which interest is calculated on Fixed Rate Notes. In particular, the applicable Final Terms will specify the Interest Commencement Date, the Rate(s) of Interest, the Interest Payment Date(s), the Maturity Date, the Fixed Coupon Amount, any applicable Broken Amount, the Calculation Amount, the Fixed Day Count Fraction and any applicable Determination Date.

Each Fixed Rate Note bears interest from (and including) the Interest Commencement Date at the rate(s) per annum equal to the Rate(s) of Interest payable in arrear on the Interest Payment Date(s) in each year and on the Maturity Date if that does not fall on an Interest Payment Date.

If the Notes are in definitive form, except as provided in the applicable Final Terms, the amount of interest payable on each Interest Payment Date will amount to the Fixed Coupon Amount. Payments of interest on any Interest Payment Date in respect of the Fixed Interest Period ending on (but excluding) such date will, if so specified in the applicable Final Terms, amount to the Broken Amount(s) so specified.

As used in these Conditions, **Fixed Interest Period** means the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date.

Except in the case of Notes in definitive form where an applicable Fixed Coupon Amount or Broken Amount is specified in the applicable Final Terms, interest shall be calculated in respect of any period by applying the Rate of Interest to:

- (A) in the case of Fixed Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Fixed Rate Notes represented by such global Note; or

(B) in the case of Fixed Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Fixed Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Fixed Rate Note in definitive form is a multiple of the Calculation Amount, the amount of interest payable in respect of such Fixed Rate Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions:

**Fixed Day Count Fraction** means:

- (i) if “Actual/Actual (ICMA)” is specified in the applicable Final Terms:
  - (a) in the case of Notes where the number of days in the relevant period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (the Accrual Period) is equal to or shorter than the Determination Period during which the Accrual Period ends, the number of days in such Accrual Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; or
  - (b) in the case of Notes where the Accrual Period is longer than the Determination Period during which the Accrual Period ends, the sum of:
    - (1) the number of days in such Accrual Period falling in the Determination Period in which the Accrual Period begins divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates (as specified in the applicable Final Terms) that would occur in one calendar year; and
    - (2) the number of days in such Accrual Period falling in the next Determination Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Dates that would occur in one calendar year; and
- (ii) if “30/360” is specified in the applicable Final Terms, the number of days in the period from (and including) the most recent Interest Payment Date (or, if none, the Interest Commencement Date) to (but excluding) the relevant payment date (such number of days being calculated on the basis of 12 30-day months) divided by 360;

**Determination Period** means the period from (and including) a Determination Date to (but excluding) the next Determination Date (including, where either the Interest Commencement Date or the final Interest Payment Date is not a Determination Date, the period commencing on the first Determination Date prior to, and ending on the first Determination Date falling after, such date); and

**sub-unit** means, with respect to any currency other than euro, the lowest amount of such currency that is available as legal tender in the country of such currency and, with respect to euro, means one cent.

(b) *Interest on Floating Rate Notes:* This Condition 4(b) applies to Floating Rate Notes only. The applicable Final Terms contains provisions applicable to the determination of floating rate interest and must be read in conjunction with this Condition 4(b) for full information on the manner in which interest is calculated on Floating Rate Notes. In particular, the applicable Final Terms will identify any Specified Interest Payment Dates, any Specified Period, the Interest Commencement Date, the Business Day Convention, any Additional Business Centre(s), whether ISDA Determination or Screen Rate Determination applies to the calculation of interest, the party who will calculate the amount of interest due if it is not the Agent, the Margin, any maximum or minimum interest rates and the Day Count Fraction. Where (a) ISDA Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Floating Rate Option, Designated Maturity and Reset Date, and (b) Screen Rate Determination applies to the calculation of interest, the applicable Final Terms will also specify the applicable Reference Rate, Relevant Financial Centre, Interest Determination Date(s) and Relevant Screen Page.



- (i) *Interest Payment Dates*: Each Floating Rate Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:
- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
  - (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each Interest Period (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(b)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
  - (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open. In these Conditions, **TARGET2 System** means the Trans-European Automated Real-Time Gross Settlement Express Transfer (TARGET2) System.
- (ii) *Rate of Interest*: The Rate of Interest payable from time to time in respect of Floating Rate Notes will be determined in the manner specified in the applicable Final Terms.
- (A) *ISDA Determination for Floating Rate Notes*: Where ISDA Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will be the relevant ISDA Rate plus or minus (as indicated in the applicable Final Terms) the Margin (if any). For the purposes of this subparagraph (A), **ISDA Rate** for an Interest Period means a rate equal to the Floating Rate that would be determined by the Agent under an interest rate swap transaction if the Agent were acting as Calculation Agent for that swap transaction under the terms of an agreement incorporating the 2006 ISDA

Definitions, as amended and updated as at the Issue Date of the first Tranche of the Notes and as published by the International Swaps and Derivatives Association, Inc. (the **ISDA Definitions**) and under which: (1) the Floating Rate Option is as specified in the applicable Final Terms; (2) the Designated Maturity is a period specified in the applicable Final Terms; and (3) the relevant Reset Date is the day specified in the applicable Final Terms.

For the purposes of this sub-paragraph (A), **Floating Rate, Calculation Agent, Floating Rate Option, Designated Maturity** and **Reset Date** have the meanings given to those terms in the ISDA Definitions.

Unless otherwise stated in the applicable Final Terms, the Minimum Rate of Interest shall be deemed to be zero.

(B) *Screen Rate Determination for Floating Rate Notes:* Where Screen Rate Determination is specified in the applicable Final Terms as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Period will, subject as provided below, be either:

- (1) the offered quotation; or
- (2) the arithmetic mean (rounded if necessary to the fifth decimal place, with 0.000005 being rounded upwards) of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at 11.00 a.m. (Relevant Financial Centre time) on the Interest Determination Date in question plus or minus (as indicated in the applicable Final Terms) the Margin (if any), all as determined by the Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Agent for the purpose of determining the arithmetic mean (rounded as provided above) of such offered quotations.

The Agency Agreement contains provisions for determining the Rate of Interest in the event that the Relevant Screen Page is not available or if, in the case of (1) above, no such quotation appears or, in the case of (2) above, fewer than three such offered quotations appear, in each case as at the time specified in the preceding paragraph.

(iii) *Minimum and/or Maximum Interest Rate:* If the applicable Final Terms specifies a Minimum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is less than such Minimum Rate of Interest, the Rate of Interest for such Interest Period shall be such Minimum Rate of Interest. If the applicable Final Terms specifies a Maximum Rate of Interest for any Interest Period, then, in the event that the Rate of Interest in respect of such Interest Period determined in accordance with the provisions of paragraph (ii) above is greater than such Maximum Rate of Interest, the Rate of Interest for such Interest Period shall be such Maximum Rate of Interest.

(iv) *Determination of Rate of Interest and calculation of Interest Amounts:* The Agent will, at or as soon as practicable after each time at which the Rate of Interest is to be determined, determine the Rate of Interest for the relevant Interest Period.

The Agent will calculate the amount of interest (the **Interest Amount**) payable on the Floating Rate Notes for the relevant Interest Period by applying the Rate of Interest to:

- (A) in the case of Floating Rate Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or
- (B) in the case of Floating Rate Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by the applicable Floating Day Count Fraction, and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of a Floating Rate Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by

which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

In these Conditions, **Floating Day Count Fraction** means, in respect of the calculation of an amount of interest for any Interest Period in accordance with this Condition 4(b):

- (i) if “Actual/Actual” or “Actual/Actual (ISDA)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Interest Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Interest Period falling in a non-leap year divided by 365);
- (ii) if “Actual/365 (Fixed)” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 365;
- (iii) if “Actual/360” is specified in the applicable Final Terms, the actual number of days in the Interest Period divided by 360;
- (iv) if “30/360”, “360/360” or “Bond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (v) if “30E/360” or “Eurobond Basis” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (vi) if “30E/360 (ISDA)” is specified in the applicable Final Terms, the number of days in the Interest Period divided by 360, calculated on a formula basis as follows:

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

where:

“Y<sub>1</sub>” is the year, expressed as a number, in which the first day of the Interest Period falls;

“Y<sub>2</sub>” is the year, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

“M<sub>1</sub>” is the calendar month, expressed as a number, in which the first day of the Interest Period falls;

“M<sub>2</sub>” is the calendar month, expressed as a number, in which the day immediately following the last day of the Interest Period falls;

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

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

- (vii) *Notification of Rate of Interest and Interest Amounts:* The Agent will cause the Rate of Interest and each Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the other Paying Agents and any stock exchange on which the relevant Floating Rate Notes are for the time being listed and notice thereof to be published in accordance with Condition 15 in each case as soon as possible after their determination but in no event later than the fourth London Business Day thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant Floating Rate Notes are for the time being listed and to the Noteholders in accordance with Condition 15. For the purposes of this paragraph, the expression **London Business Day** means a day (other than a Saturday or Sunday) on which banks and foreign exchange markets are open for general business in London.
- (viii) *Determination or Calculation by Trustee:* If for any reason the Agent at any time after the Issue Date defaults in its obligation to determine the Rate of Interest or the Agent defaults in its obligation to calculate any Interest Amount in accordance with sub-paragraph (ii)(A) or (B) above or as otherwise specified in the applicable Final Terms, as the case may be, and in each case in accordance with paragraph (iv) above, the Trustee (or an agent appointed by the Trustee) shall determine the Rate of Interest at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition, but subject always to any Minimum Rate of Interest or Maximum Rate of Interest specified in the applicable Final Terms), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Agent (and, where practicable, in accordance with this Condition).
- (ix) *Certificates to be Final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(b), whether by the Agent or the Trustee shall (in the absence of negligence, fraud or wilful default) be binding on the Issuer, the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence of negligence, fraud or wilful default) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.
- (c) *Interest on RPI-Linked Interest Notes:* This Condition 4(c) applies to RPI-Linked Interest Notes only. The applicable Final Terms contains provisions applicable to the determination of RPI-linked interest and

must be read in conjunction with this Condition 4(c) and Condition 5 for full information on the manner in which interest is calculated on the RPI-Linked Interest Notes. In particular, the applicable Final Terms will identify the Interest Commencement Date, any Specified Interest Payment Dates, any Specified Period, any applicable Business Day Convention, any Additional Business Centres, the Rate of Interest, the party who will calculate the amount of interest due if it is not the Agent and the applicable Day Count Fraction.

- (i) *Interest Payment Dates*: Each RPI-Linked Interest Note bears interest from (and including) the Interest Commencement Date and such interest will be payable in arrear on either:
- (A) the Specified Interest Payment Date(s) in each year specified in the applicable Final Terms; or
  - (B) if no Specified Interest Payment Date(s) is/are specified in the applicable Final Terms, each date (each such date, together with each Specified Interest Payment Date, an **Interest Payment Date**) which falls the number of months or other period specified as the Specified Period in the applicable Final Terms after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date.

Such interest will be payable in respect of each **Interest Period** (which expression shall, in these Conditions, mean the period from (and including) an Interest Payment Date (or the Interest Commencement Date) to (but excluding) the next (or first) Interest Payment Date).

If a Business Day Convention is specified in the applicable Final Terms and (x) if there is no numerically corresponding day in the calendar month in which an Interest Payment Date should occur or (y) if any Interest Payment Date would otherwise fall on a day which is not a Business Day, then, if the Business Day Convention specified is:

- (1) in any case where Specified Periods are specified in accordance with Condition 4(c)(i)(B) above, the Floating Rate Convention, such Interest Payment Date (i) in the case of (x) above, shall be the last day that is a Business Day in the relevant month and the provisions of (B) below shall apply *mutatis mutandis* or (ii) in the case of (y) above, shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event (A) such Interest Payment Date shall be brought forward to the immediately preceding Business Day and (B) each subsequent Interest Payment Date shall be the last Business Day in the month which falls the Specified Period after the preceding Interest Payment Date occurred; or
- (2) the Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day; or
- (3) the Modified Following Business Day Convention, such Interest Payment Date shall be postponed to the next day which is a Business Day unless it would thereby fall into the next calendar month, in which event such Interest Payment Date shall be brought forward to the immediately preceding Business Day; or
- (4) the Preceding Business Day Convention, such Interest Payment Date shall be brought forward to the immediately preceding Business Day.

In this Condition, **Business Day** means a day which is both:

- (A) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in London and any Additional Business Centre specified in the applicable Final Terms; and
  - (B) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro, a day on which the TARGET2 System is open.
- (ii) *Rate of Interest*: The Rate of Interest payable from time to time in respect of RPI-Linked Interest Notes will be as specified in the applicable Final Terms. Amounts of interest payable in respect of RPI-Linked Interest Notes determined by reference to the applicable Rate of Interest shall be subject to adjustment in accordance with Condition 5(b).
- (iii) *Determination of applicable Index Ratio or Limited Index Ratio and calculation of Interest Amounts*: The Calculation Agent will, at or as soon as practicable after each time at which the Index Ratio or

Limited Index Ratio (as applicable) applicable to any payment of interest in respect of the Notes becomes capable of being determined, determine the Index Ratio or Limited Index Ratio (as applicable) applicable to the relevant payment of interest.

The Calculation Agent will calculate the amount of interest (the **Interest Amount**) payable on the RPI-Linked Interest Notes in respect of any period by applying the Rate of Interest to:

- (A) in the case of RPI-Linked Interest Notes which are represented by a global Note, the aggregate outstanding nominal amount of the Notes represented by such global Note; or
- (B) in the case of RPI-Linked Interest Notes in definitive form, the Calculation Amount;

and, in each case, multiplying such sum by (1) the applicable Fixed Day Count Fraction (as defined in Condition 4(a)) or Floating Day Count Fraction (as defined in Condition 4(b)) and (2) the applicable Index Ratio or Limited Index Ratio in accordance with Condition 5(b), and rounding the resultant figure to the nearest sub-unit of the relevant Specified Currency, half of any such sub-unit being rounded upwards or otherwise in accordance with applicable market convention. Where the Specified Denomination of an RPI-Linked Interest Note in definitive form is a multiple of the Calculation Amount, the Interest Amount payable in respect of such Note shall be the product of the amount (determined in the manner provided above) for the Calculation Amount and the amount by which the Calculation Amount is multiplied to reach the Specified Denomination, without any further rounding.

- (iv) *Notification of Interest Amounts:* The Calculation Agent will notify the Agent of the Interest Amount in respect of each Interest Period as soon as practicable after determining the same but in no event later than the second London Business Day (as defined in Condition 4(b)(vii)) and the Agent will cause the Interest Amount for each Interest Period and the relevant Interest Payment Date to be notified to the Issuer, the Trustee, the other Paying Agents and any stock exchange on which the relevant RPI-Linked Interest Notes are for the time being listed and notice thereof to be published in accordance with Condition 15, in each case as soon as possible after having been notified of the Interest Amount by the Calculation Agent but in no event later than the fourth London Business Day (as defined in Condition 4(b)(vii)) thereafter. Each Interest Amount and Interest Payment Date so notified may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without prior notice in the event of an extension or shortening of the Interest Period. Any such amendment will be promptly notified to each stock exchange on which the relevant RPI-Linked Interest Notes are for the time being listed and to the Noteholders in accordance with Condition 15.
- (v) *Determination or Calculation by Trustee:* If for any reason the Calculation Agent at any time after the Issue Date defaults in its obligation to (A) determine the Index Ratio or Limited Index Ratio applicable to any payment of interest in respect of the Notes or (B) calculate any Interest Amount for any Interest Period(s), in each case in accordance with sub-paragraph (iii) above or as otherwise specified in the applicable Final Terms, as the case may be, the Trustee (or an agent appointed by the Trustee) shall determine the Index Ratio or Limited Index Ratio applicable to the relevant payment at such rate as, in its absolute discretion (having such regard as it shall think fit to the foregoing provisions of this Condition and to the provisions of Condition 5), it shall deem fair and reasonable in all the circumstances or, as the case may be, the Trustee shall calculate the Interest Amount(s) for the relevant period(s) in such manner as it shall deem fair and reasonable in all the circumstances and each such determination or calculation shall be deemed to have been made by the Calculation Agent (and, where practicable, in accordance with this Condition).
- (vi) *Certificates to be Final:* All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4(c), whether by the Calculation Agent, the Agent or the Trustee, shall (in the absence of negligence, fraud or wilful default) be binding on the Issuer, the Calculation Agent, the Agent, the Trustee, the other Paying Agents and all Noteholders and Couponholders and (in the absence of negligence, fraud or wilful default) no liability to the Issuer, the Noteholders or the Couponholders shall attach to the Calculation Agent, the Agent or the Trustee in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.
- (d) *Accrual of Interest:* Each Note (or in the case of the redemption of part only of a Note, that part only of such Note) will cease to bear interest (if any) from the date for its redemption unless payment of principal is improperly withheld or refused. In such event, interest will continue to accrue as provided in the Trust Deed.

## 5. Indexation

This Condition 5 is applicable only if the applicable Final Terms specifies the Notes as RPI-Linked Interest Notes and/or RPI-Linked Redemption Notes.

### (a) Definitions:

**Base Index Figure** means (subject to Condition 5(c)(i)) the Base Index Figure specified in the applicable Final Terms;

**Index** or **Index Figure** means, subject as provided in Condition 5(c)(i), the UK Retail Prices Index (**RPI**) (for all items) published by the Office for National Statistics (January 1987 = 100) or any comparable index which may replace the UK Retail Prices Index for the purpose of calculating the amount payable on repayment of the Reference Gilt. Any reference in these Conditions and/or the applicable Final Terms to the **Index Figure applicable** to a month or date shall, subject in each case as provided in Conditions 5(c) and 5(e):

- (i) if the applicable Final Terms specify the Index Figure applicable to a particular month, be construed as a reference to the Index Figure published in the seventh month prior to that particular month and relating to the month before that of publication; or
- (ii) if the applicable Final Terms specify the Index Figure applicable to the first calendar day of any month, be construed as a reference to the Index Figure published in the second month prior to that particular month and relating to the month before that of publication; or
- (iii) if the applicable Final Terms specify the Index Figure applicable to any other day in any month be calculated by linear interpolation between (x) the Index Figure applicable to the first calendar day of the month in which the specified day falls, calculated as described in sub-paragraph (ii) above, and (y) the Index Figure applicable to the first calendar day of the month following the month in which the specified day falls, calculated as described in sub-paragraph (ii) above, and rounded to the nearest fifth decimal place (0.000005 being rounded upwards);

**Index Ratio** applicable to any month or date, as the case may be, means the Index Figure applicable to such month or date, as the case may be, divided by the Base Index Figure and rounded to the nearest fifth decimal place (0.000005 being rounded upwards);

**Limited Index Ratio** means (a) in respect of any month or date, as the case may be, prior to the relevant Issue Date, the Index Ratio for that month or date, as the case may be, (b) in respect of any Limited Indexation Date after the relevant Issue Date, the product of the Limited Indexation Factor for that month or date, as the case may be, and the Limited Index Ratio as previously calculated in respect of the month or date, as the case may be, twelve months prior thereto; and (c) in respect of any other month, the Limited Index Ratio as previously calculated in respect of the most recent Limited Indexation Month;

**Limited Indexation Date** means any date falling during the period specified in the applicable Final Terms for which a Limited Indexation Factor is to be calculated;

**Limited Indexation Factor** means, in respect of a Limited Indexation Month or Limited Indexation Date, as the case may be, the ratio of the Index Figure applicable to that month or date, as the case may be, divided by the Index Figure applicable to the month or date, as the case may be, twelve months prior thereto, provided that (a) if such ratio is greater than the Maximum Indexation Factor (if any) specified in the applicable Final Terms, it shall be deemed to be equal to such Maximum Indexation Factor and (b) if such ratio is less than the Minimum Indexation Factor (if any) specified in the applicable Final Terms, it shall be deemed to be equal to such Minimum Indexation Factor;

**Limited Indexation Month** means any month specified in the applicable Final Terms for which a Limited Indexation Factor is to be calculated;

**Limited Index Linked Notes** means RPI-Linked Notes in respect of which a Maximum Indexation Factor and/or a Minimum Indexation Factor is specified in the applicable Final Terms; and

**Reference Gilt** means the Treasury Stock specified in the applicable Final Terms for so long as such stock is in issue, and thereafter such issue of index-linked Treasury Stock determined to be appropriate by a gilt-edged market maker or other adviser selected by the Issuer (an **Indexation Adviser**).

(b) *Application of the Index Ratio:*

Each payment of (A) in the case of RPI-Linked Interest Notes, interest and (B) in the case of RPI-Linked Redemption Notes, principal in respect of the Notes shall be the amount provided in, or determined in accordance with, these Conditions, multiplied by the Index Ratio or (in the case of Limited Index Linked Notes) the Limited Index Ratio applicable to the month or date, as the case may be, in or on which such payment falls to be made and rounded in accordance with Condition 4(c)(iii) provided that, in the case of RPI-Linked Redemption Notes:

- (i) if a Minimum Final Redemption Amount, Minimum Early Redemption Amount, Minimum Change of Control Redemption Amount and/or Minimum Optional Redemption Amount is specified in the applicable Final Terms and such amount is greater than the amount of principal in respect of the Notes determined in accordance with this Condition 5(b) (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Minimum Final Redemption Amount, Minimum Early Redemption Amount, Minimum Change of Control Redemption Amount and/or Minimum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms; and/or
- (ii) if a Maximum Final Redemption Amount, Maximum Early Redemption Amount, Maximum Change of Control Redemption Amount and/or Maximum Optional Redemption Amount is specified in the applicable Final Terms and such amount is less than the amount of principal in respect of the Notes determined in accordance with this Condition 5(b) (expressed on a per Calculation Amount basis), the Final Redemption Amount, Early Redemption Amount, Change of Control Redemption Amount and/or Optional Redemption Amount (as applicable) shall be, respectively, the Maximum Final Redemption Amount, Maximum Early Redemption Amount, Maximum Change of Control Redemption Amount or Maximum Optional Redemption Amount (as applicable) so specified in the applicable Final Terms.

(c) *Changes in Circumstances Affecting the Index:*

- (i) Change in base: If at any time and from time to time the Index is changed by the substitution by the Calculation Agent of a new base therefor, then with effect from the month from and including that in which such substitution takes effect or the first date from and including that on which such substitution takes effect, as the case may be, (A) the definition of “Index” and “Index Figure” in Condition 5(a) shall be deemed to refer to the new date or month in substitution for January 1987 (or, as the case may be, to such other date or month as may have been substituted therefor), and (B) the new “Base Index Figure” shall be the product of the existing Base Index Figure and the Index Figure applicable to the date on which such substitution takes effect, divided by the Index Figure applicable to the date immediately preceding the date on which such substitution takes effect.
- (ii) Delay in publication of Index if sub-paragraph (i) of the definition of Index Figure is applicable: If the Index Figure which is normally published in the seventh month and which relates to the eighth month (the **relevant month**) before the month in which a payment is due to be made is not published on or before the 14th London Business Day (as defined in Condition 4(b)(vii)) before the date on which such payment is due (the **date for payment**), the Index Figure applicable to the month in which the date for payment falls shall be (A) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (B) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 5(c)(i) before the date for payment.
- (iii) Delay in publication of Index if sub-paragraph (ii) and/or (iii) of the definition of Index Figure is applicable: If the Index Figure relating to any month (the **calculation month**) which is required to be taken into account for the purposes of the determination of the Index Figure for any date is not published on or before the 14th London Business Day before the date on which such payment is due (the **date for payment**), the Index Figure applicable for the relevant calculation



month shall be (A) such substitute index figure (if any) as the Trustee considers (acting solely on the advice of the Indexation Adviser) to have been published by the United Kingdom Debt Management Office or the Bank of England, as the case may be, for the purposes of indexation of payments on the Reference Gilt or, failing such publication, on any one or more issues of index-linked Treasury Stock selected by an Indexation Adviser (and approved by the Trustee (acting solely on the advice of the Indexation Adviser)) or (B) if no such determination is made by such Indexation Adviser within seven days, the Index Figure last published (or, if later, the substitute index figure last determined pursuant to Condition 5(c)(i)) before the date for payment.

*(d) Application of Changes:*

Where the provisions of Condition 5(c)(ii) or Condition 5(c)(iii) apply, the determination of the Indexation Adviser as to the Index Figure applicable to the month in which the date for payment falls or the date for payment, as the case may be, shall be conclusive and binding. If, an Index Figure having been applied pursuant to Condition 5(c)(ii)(B) or Condition 5(c)(iii)(B), as applicable, the Index Figure relating to the relevant month or relevant calculation month, as the case may be, is subsequently published while a Note is still outstanding, then:

- (i) in relation to a payment of (A) in the case of RPI-Linked Interest Notes, interest and/or (B) in the case of RPI-Linked Redemption Notes, principal in respect of such Note other than upon final redemption of such Note, the interest and/or principal (as the case may be) next payable after the date of such subsequent publication shall be increased or reduced, as the case may be, by an amount equal to the shortfall or excess, as the case may be, of the amount of the relevant payment made on the basis of the Index Figure applicable by virtue of Condition 5(c)(ii)(B) or Condition 5(c)(iii)(B) below or above the amount of the relevant payment that would have been due if the Index Figure subsequently published had been published on or before the 14th London Business Day before the date for payment; and
- (ii) in relation to a payment of (A) in the case of RPI-Linked Interest Notes, interest and/or (B) in the case of RPI-Linked Redemption Notes, principal upon final redemption, no subsequent adjustment to amounts paid will be made.

*(e) Cessation of or Fundamental Changes to the Index:*

- (i) If (1) the Trustee has been notified by the Calculation Agent that the Index has ceased to be published or (2) any change is made to the coverage or the basic calculation of the Index which constitutes a fundamental change as the Calculation Agent will notify to the Issuer and the Trustee which would, in the opinion of (A) the Issuer be materially prejudicial to the interests of the Issuer, or (B) the Trustee (acting solely on the advice of the Indexation Adviser), be materially prejudicial to the interests of the Noteholders, the Trustee will give written notice of such occurrence to the Issuer (in the case of (1) or (2)(B) above) and the Issuer will give written notice of such occurrence to the Trustee (in the event of (2)(A) above), and the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) together shall seek to agree for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made.
- (ii) If the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) fail to reach agreement as mentioned above within 20 London Business Days following the giving of notice as mentioned in paragraph (i), a bank or other person in London nominated by the Issuer and approved by the Trustee (acting solely on the advice of the Indexation Adviser) shall be appointed by the Issuer or, failing agreement on the making of such appointment within 20 London Business Days following the expiry of the 20 London Business Day period referred to above and subject to Condition 5(f), by the Trustee (acting solely on the advice of the Indexation Adviser) (in each case, such bank or other person so appointed being referred to as the **Expert**), to determine for the purpose of the Notes one or more adjustments to the Index or a substitute index (with or without adjustments) with the intention that the same should leave the Issuer and the Noteholders in no better and no worse a position than they would have been had the Index not ceased to be published or the relevant fundamental change not been made. Any Expert so appointed shall act as an expert and not as an arbitrator and all fees, costs and expenses of the

Expert and of any Indexation Adviser and of any of the Issuer and the Trustee in connection with such appointment shall be borne by the Issuer.

- (iii) The Index shall be adjusted or replaced by a substitute index as agreed by the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert pursuant to the foregoing paragraphs, as the case may be, with effect from such date as may be agreed by the Issuer and the Trustee (acting solely on the advice of the Indexation Adviser) or as determined by the Expert, as the case may be, and references in these Conditions to the “Index” and to any “Index Figure” shall be deemed amended in such manner as the Trustee (acting solely on the advice of the Indexation Adviser) and the Issuer agree are appropriate to give effect to such adjustment or replacement. Such amendments shall be binding upon the Issuer, the Trustee, the Noteholders and the Couponholders, and the Issuer shall give notice to the Noteholders in accordance with Condition 15 of such amendments as promptly as practicable following such agreement or determination.

(f) *Trustee Action and/or Steps*

The Trustee shall not be obliged to take any action and/or steps described in this Condition 5 unless it shall have been indemnified and/or secured and/or prefunded to its satisfaction against all fees, expenses or other liabilities which may be incurred by it in connection with such action or steps.

## 6. Payments

(a) *Method of Payment:*

Subject as provided below:

- (i) payments in a Specified Currency other than euro will be made by transfer to an account in the relevant Specified Currency maintained by the payee with a bank in the principal financial centre of the country of such Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively); and
- (ii) payments in euro will be made by credit or transfer to a euro account (or any other account to which euro may be credited or transferred) specified by the payee.

Payments will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the US Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or law implementing an intergovernmental approach thereto.

(b) *Presentation of definitive Notes and Coupons:*

Payments of principal in respect of definitive Notes will (subject as provided below) be made in the manner provided in paragraph (a) above only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of definitive Notes, and payments of interest in respect of definitive Notes will (subject as provided below) be made as aforesaid only against presentation and surrender (or, in the case of part payment of any sum due, endorsement) of Coupons, in each case at the specified office of any Paying Agent outside the United States (which expression, as used herein, means the United States of America (including the States and the District of Columbia and its possessions)).

Fixed Rate Notes in definitive form (other than RPI-Linked Notes or Long Maturity Notes (as defined below)) should be presented for payment together with all unmatured Coupons appertaining thereto (which expression shall for this purpose include Coupons falling to be issued on exchange of matured Talons), failing which the amount of any missing unmatured Coupon (or, in the case of payment not being made in full, the same proportion of the amount of such missing unmatured Coupon as the sum so paid bears to the sum due) will be deducted from the sum due for payment. Each amount of principal so deducted will be paid in the manner mentioned above against surrender of the relative missing Coupon at any time before the expiry of 10 years after the Relevant Date (as defined in Condition 8) in respect of such principal (whether or not such Coupon would otherwise have become void under Condition 9) or, if later, five years from the date on which such Coupon would otherwise have become due, but in no event thereafter.

Upon any Fixed Rate Note in definitive form becoming due and repayable prior to its Maturity Date, all unmatured Talons (if any) appertaining thereto will become void and no further Coupons will be issued in respect thereof.

Upon the date on which any Floating Rate Note, RPI-Linked Note or Long Maturity Note in definitive form becomes due and repayable, unmatured Coupons and Talons (if any) relating thereto (whether or not attached) shall become void and no payment or, as the case may be, exchange for further Coupons shall be made in respect thereof.

A **Long Maturity Note** is a Fixed Rate Note (other than a Fixed Rate Note which on issue had a Talon attached) whose nominal amount on issue is less than the aggregate interest payable thereon provided that such Note shall cease to be a Long Maturity Note on the Interest Payment Date on which the aggregate amount of interest remaining to be paid after that date is less than the nominal amount of such Note.

If the due date for redemption of any definitive Note is not an Interest Payment Date, interest (if any) accrued in respect of such Note from (and including) the preceding Interest Payment Date or, as the case may be, the Interest Commencement Date shall be payable only against surrender of the relevant definitive Note.

(c) *Payments in respect of global Notes:*

Payments of principal and interest (if any) in respect of Notes represented by any global Note will (subject as provided below) be made in the manner specified above in relation to definitive Notes or otherwise in the manner specified in the relevant global Note, where applicable, against presentation or surrender, as the case may be, of such global Note at the specified office of any Paying Agent. A record of each payment made, distinguishing between any payment of principal and any payment of interest, will be made either on such global Note by such Paying Agent or in the records of Euroclear and Clearstream, Luxembourg, as applicable.

(d) *General provisions applicable to payments:*

The holder of a global Note shall be the only person entitled to receive payments in respect of Notes represented by such global Note and the Issuer will be discharged by payment to, or to the order of, the holder of such global Note in respect of each amount so paid. Each of the persons shown in the records of Clearstream, Luxembourg or Euroclear as the beneficial holder of a particular nominal amount of Notes represented by such global Note must look solely to Clearstream, Luxembourg or Euroclear, as the case may be, for his share of each payment so made by the Issuer to, or to the order of, the holder of such global Note.

Notwithstanding the foregoing, if any amount of principal and/or interest in respect of this Note is payable in US dollars, such US dollar payments of principal and/or interest in respect of this Note will be made at the specified office of a Paying Agent in the United States if:

- (i) the Issuer has appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment in US dollars at such specified offices outside the United States of the full amount of principal and interest on the Notes in the manner provided above when due;
- (ii) payment of the full amount of such principal and interest at all such specified offices outside the United States is illegal or effectively precluded by exchange controls or other similar restrictions on the full payment or receipt of principal and interest in US dollars; and
- (iii) such payment is then permitted under United States law without involving, in the opinion of the Issuer, adverse tax consequences to the Issuer.

(e) *Payment Day:* If the date for payment of any amount in respect of any Note or Coupon is not a Payment Day, the holder thereof shall not be entitled to payment until the next following Payment Day in the relevant place and shall not be entitled to further interest or other payment in respect of such delay. For these purposes, **Payment Day** means any day which (subject to Condition 9) is:

- (i) a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in:  
(A) in the case of Notes in definitive form only, the relevant place of presentation; and (B) each Additional Financial Centre specified in the applicable Final Terms; and

- (ii) either (1) in relation to any sum payable in a Specified Currency other than euro, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the principal financial centre of the country of the relevant Specified Currency (which, if the Specified Currency is New Zealand dollars or Australian dollars, shall be Auckland and Sydney, respectively) or (2) in relation to any sum payable in euro a day on which the TARGET2 System is open.
- (f) *Interpretation of Principal and Interest:* Any reference in these Conditions to principal in respect of the Notes shall be deemed to include, as applicable:
- (i) any additional amounts which may be payable with respect to principal under Condition 8 or pursuant to any undertaking given in addition thereto or in substitution therefor pursuant to the Trust Deed;
  - (ii) the Final Redemption Amount of the Notes;
  - (iii) the Early Redemption Amount of the Notes;
  - (iv) the Optional Redemption Amount(s) (if any) of the Notes;
  - (v) the Change of Control Redemption Amount (if any) of the Notes;
  - (vi) in relation to Zero Coupon Notes, the Amortised Face Amount (as defined in Condition 7(f)(iii)); and
  - (vii) any premium and any other amounts (other than interest) which may be payable by the Issuer under or in respect of the Notes.

Any reference in these Conditions to interest in respect of the Notes shall be deemed to include, as applicable, any additional amounts which may be payable with respect to interest under Condition 8 or pursuant to any undertakings given in addition thereto or in substitution therefor pursuant to the Trust Deed.

## 7. Redemption and Purchase

- (a) *At Maturity:* Unless previously redeemed or purchased and surrendered for cancellation as specified below, each Note (including each RPI-Linked Redemption Note) will be redeemed by the Issuer at its Final Redemption Amount specified in the applicable Final Terms (subject, in the case of RPI-Linked Redemption Notes, to adjustment in accordance with Condition 5(b)) in the relevant Specified Currency on the Maturity Date specified in the applicable Final Terms.
- (b) *Redemption for Tax Reasons:* The Notes may be redeemed at the option of the Issuer in whole, but not in part, at any time (if this Note is neither a Floating Rate Note nor an RPI-Linked Note) or on any Interest Payment Date (if this Note is either a Floating Rate Note or an RPI-Linked Note), on giving not less than the minimum period and not more than the maximum period of notice specified in the applicable Final Terms to the Trustee and, in accordance with Condition 15, the Noteholders (which notice shall be irrevocable), if the Issuer satisfies the Trustee immediately before the giving of the aforementioned notice that:
- (i) as a result of any change in, or amendment to, the laws or regulations of the United Kingdom, or any political subdivision or any authority thereof or therein having power to tax or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the Issue Date of the first Tranche of the Notes, on the next Interest Payment Date the Issuer would be required to pay additional amounts as provided or referred to in Condition 8; and
  - (ii) such requirement cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due.

Prior to the publication of any notice of redemption pursuant to this Condition, the Issuer shall deliver to the Trustee to make available at its specified office to the Noteholders (i) a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and

setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (ii) an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment, and the Trustee shall be entitled to accept the certificate as sufficient evidence of the satisfaction of the conditions precedent set out above, in which event it shall be conclusive and binding on the Noteholders and the Couponholders.

Notes redeemed pursuant to this Condition 7(b) will be redeemed at their Early Redemption Amount referred to in paragraph (f) below together (if appropriate) with interest accrued to (but excluding) the date of redemption.

- (c) *Redemption for Index Reasons*: In the case of RPI-Linked Redemption Notes, if either (i) the Index Figure for three consecutive months is required to be determined on the basis of an Index Figure previously published as provided in Condition 5(c)(ii)(B) or Condition 5(c)(iii)(B), as applicable, and the Trustee has been notified by the Calculation Agent that publication of the Index has ceased or (ii) notice is published by Her Majesty's Treasury, or on its behalf, following a change in relation to the Index, offering a right of redemption to the holders of the Reference Gilt, and (in either case) no amendment or substitution of the Index shall have been advised by the Indexation Adviser to the Issuer and such circumstances are continuing, the Issuer may, upon giving not more than the maximum period and not less than the minimum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 15, redeem all, but not some only, of the Notes at their Early Redemption Amount referred to in paragraph (f) below together (if applicable) with interest accrued to and (but excluding) the date of redemption.
- (d) *Redemption at the Option of the Issuer (Issuer Call)*: This Condition 7(d) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Issuer (other than for taxation or indexation reasons), such option being referred to as an **Issuer Call**. The applicable Final Terms contains provisions applicable to any Issuer Call and must be read in conjunction with this Condition 7(d) for full information on any Issuer Call. In particular, the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount, any minimum or maximum amount of Notes which can be redeemed and the applicable notice periods.

If Issuer Call is specified as being applicable in the applicable Final Terms, the Issuer shall, having given not less than the minimum period nor more than the maximum period of notice specified in the applicable Final Terms to the Noteholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption), redeem all or some only of the Notes then outstanding on any Optional Redemption Date and at the Optional Redemption Amount(s) specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the relevant Optional Redemption Date. Any such redemption must be of a nominal amount not less than the Minimum Redemption Amount or not more than the Maximum Redemption Amount, in each case as may be specified in the applicable Final Terms. In the case of a partial redemption of Notes, the Notes to be redeemed (**Redeemed Notes**) will be selected individually by lot, in the case of Redeemed Notes represented by definitive Notes, and in accordance with the rules of Clearstream, Luxembourg and/or Euroclear (to be reflected in the records of Euroclear and Clearstream, Luxembourg as either a pool factor or a reduction in nominal amount, at their discretion), in the case of Redeemed Notes represented by a global Note, not more than 30 days prior to the date fixed for redemption (such date of selection being hereinafter called the **Selection Date**). In the case of Redeemed Notes represented by definitive Notes, a list of the serial numbers of such Redeemed Notes will be published in accordance with Condition 15 not less than 10 days prior to the date fixed for redemption. No exchange of the relevant global Note will be permitted during the period from and including the Selection Date to and including the date fixed for redemption pursuant to this paragraph (c) and notice to that effect shall be given by the Issuer to the Noteholders in accordance with Condition 15 at least 5 days prior to the Selection Date.

- (e) *Redemption at the Option of the Noteholders (Investor Put)*:
- (i) *Redemption at the Option of the Noteholders (Investor Put) (other than a Change of Control Event Put)*: This Condition 7(e)(i) applies to Notes which are subject to redemption prior to the Maturity Date at the option of the Noteholder, such option being referred to as an **Investor Put**. The applicable Final Terms contains provisions applicable to any Investor Put and must be read in conjunction with this Condition 7(e)(i) for full information on any Investor Put. In particular,

the applicable Final Terms will identify the Optional Redemption Date(s), the Optional Redemption Amount and the applicable notice periods.

If Investor Put is specified as being applicable in the applicable Final Terms, upon the holder of any Note giving to the Issuer in accordance with Condition 15 not less than the minimum nor more than the maximum period of notice specified in the applicable Final Terms, the Issuer will, upon the expiry of such notice, redeem, in whole (but not in part), such Note on the Optional Redemption Date and at the Optional Redemption Amount specified in the applicable Final Terms together, if appropriate, with interest accrued to (but excluding) the Optional Redemption Date.

If this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the notice period, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from any specified office of any Paying Agent (a **Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Put Notice, be held to its order or under its control. If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the right to require redemption of this Note the holder of this Note must, within the notice period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable unless the Issuer otherwise agrees except where prior to the Optional Redemption Date an Event of Default shall have occurred and the Trustee shall have declared the Notes due and repayable, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Put Notice and instead treat its Notes as being forthwith due and repayable pursuant to Condition 10.

- (ii) *Redemption at option of the Noteholders on a change of control:* If Change of Control Put Event is specified in the applicable Final Terms, this Condition 7(e)(ii) shall apply.

(A) A **Change of Control Put Event** will be deemed to occur if:

- (i) a Change of Control has occurred; and
- (ii) on the date (the **Relevant Announcement Date**) that is the earlier of (1) the date of the first public announcement made by, or on behalf of or with the agreement of the Issuer of the relevant Change of Control and (2) the date of the earliest Relevant Potential Change of Control Announcement (if any):
  - (1) the Notes carry from any Rating Agency a credit rating of BBB–/Baa3 (or equivalent) (an **investment grade rating**) or better, and such rating from any Rating Agency is within the Change of Control Period either downgraded to a credit rating of BB+/Ba1, (or equivalent) (a **non-investment grade rating**), or below, or withdrawn and is not, within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to an investment grade rating by such Rating Agency; or
  - (2) the Notes carry from any Rating Agency a non-investment grade rating, and such rating from any Rating Agency is within the Change of Control Period either downgraded by one or more notches (by way of example, Baa1 to Baa2 being one notch) or withdrawn and is not within the Change of Control Period, subsequently (in the case of a downgrade) upgraded or (in the case of a withdrawal) reinstated, in either case, to its earlier credit rating or better by such Rating Agency; or
  - (3) the Notes do not carry a credit rating and a Negative Rating Event also occurs within the Change of Control Period,

provided that if on the Relevant Announcement Date the Notes carry a credit rating from more than one Rating Agency, at least one of which is an investment grade rating, then subparagraph (1) will apply; and

- (iii) in making the relevant decision(s) to downgrade or withdraw a credit rating pursuant to paragraphs (1) and (2) above or not to award a credit rating of at least an investment grade rating as described in paragraph (ii) of the definition of Negative Rating Event, the relevant Rating Agency announces publicly or confirms in writing to the Issuer or the Trustee that such decision(s) resulted, in whole or in part, from the occurrence of the Change of Control or the fact of the potential Change of Control as described in the Relevant Potential Change of Control Announcement.
- (B) If a Change of Control Put Event occurs, the holder of each Note will have the option (unless prior to the giving of the relevant Put Event Notice (as defined in paragraph (C) below) the Issuer has given notice of redemption under Condition 7(b), 7(c) or 7(d)) to require the Issuer to redeem or, at the Issuer's option, purchase (or procure the purchase of) that Note on the date which is seven days after the expiry of the Put Period (as defined below) (the **Put Date**) at the Change of Control Redemption Amount specified in the applicable Final Terms, together with, if appropriate, interest to (but excluding) the Put Date. Such option (the **Put Option**) shall operate as set out below.
  - (C) Promptly upon the Issuer becoming aware that a Change of Control Put Event has occurred, the Issuer shall, and at any time following the occurrence of a Change of Control Put Event the Trustee shall, if so requested by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders (subject in each case to being indemnified and/or secured and/or prefunded to its satisfaction), give notice (a **Put Event Notice**) to the Noteholders in accordance with Condition 15 specifying the nature of the Change of Control Put Event and the procedure for exercising the option contained in this Condition 7(e)(ii).
  - (D) To exercise the Put Option, if this Note is in definitive form and held outside Euroclear and Clearstream, Luxembourg, the holder of this Note must deliver, at the specified office of any Paying Agent at any time during normal business hours of such Paying Agent falling within the period (the **Put Period**) of 30 days after a Put Event Notice is given, a duly completed and signed notice of exercise in the form (for the time being current) obtainable from the specified office of any Paying Agent (a **Change of Control Put Notice**) and in which the holder must specify a bank account to which payment is to be made under this Condition accompanied by this Note or evidence satisfactory to the Paying Agent concerned that this Note will, following delivery of the Change of Control Put Notice, be held to its order or under its control. If this Note is represented by a global Note or is in definitive form and held through Euroclear or Clearstream, Luxembourg, to exercise the Put Option, the holder of this Note must, within the Put Period, give notice to the Agent of such exercise in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on his instruction by Euroclear or Clearstream, Luxembourg or any common depositary or common safekeeper, as the case may be, for them to the Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Change of Control Put Notice given by a holder of any Note pursuant to this paragraph shall be irrevocable except where prior to the Put Date an Event of Default shall have occurred and the Trustee shall have declared the Notes due and repayable, in which event such holder, at its option, may elect by notice to the Issuer to withdraw the Change of Control Put Notice and instead treat its Notes as being forthwith due and repayable pursuant to Condition 10. The Issuer shall redeem or, as the case may be, purchase or procure the purchase of this Note on the Put Date unless previously redeemed or purchased and cancelled.

- (E) If the rating designations employed by any of S&P, Moody's or Fitch are changed from those which are described in Condition 7(e)(ii)(A) above, or if a rating is procured from any other rating agency selected by the Issuer from time to time with the prior written approval of the Trustee to assign a credit rating to the Notes (a **Substitute Rating Agency**), the Issuer shall determine, with the agreement of the Trustee (not to be unreasonably withheld or delayed),

the rating designations of S&P or Moody's or Fitch or such Substitute Rating Agency (as appropriate) as are most equivalent to the prior rating designations of S&P or Moody's or Fitch and Condition 7(e)(ii)(A) shall be read accordingly.

(F) The Trustee is under no obligation to ascertain whether a Change of Control Put Event or Change of Control or any event which could lead to the occurrence of or could constitute a Change of Control Put Event or Change of Control has occurred and, until it shall have actual knowledge or notice pursuant to the Trust Deed to the contrary, the Trustee may assume that no Change of Control Put Event or Change of Control or other such event has occurred.

(G) In this Condition:

a **Change of Control** shall be deemed to occur if any of the following events occur:

(I) any person or persons acting in concert (as defined in the City Code on Takeovers and Mergers in force on the Issue Date), or any persons acting on behalf of such persons (each a **Relevant Person**), is/are or becomes/become interested (within the meaning of Part 22 of the Companies Act 2006) in more than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or such number of shares in the capital of the Issuer carrying more than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer; or

(II) the Issuer enters into a transaction pursuant to which the Issuer issues shares in the Issuer to the shareholders (or equivalent) of another entity in circumstances such that those persons who immediately prior to completion of such transaction held the entire issued or allotted ordinary share capital of the Issuer or such number of shares in the capital of the Issuer carrying all of the voting rights normally exercisable at a general meeting of the Issuer, immediately following completion of such transaction, hold less than 50 per cent. of the issued or allotted ordinary share capital of the Issuer or such number of shares in the capital of the Issuer carrying less than 50 per cent. of the voting rights normally exercisable at a general meeting of the Issuer; or

(III) London Stock Exchange plc or any successor thereto ceases to be a direct or indirect Subsidiary (as defined in Condition 10) of the Issuer;

provided that a Change of Control shall be deemed not to have occurred if (i) all or substantially all of the shareholders of the Relevant Person immediately after the event which would otherwise have constituted a Change of Control were the shareholders of the Issuer with the same (or substantially the same) pro rata economic interests in the share capital of the Relevant Person as such shareholders had in the share capital of the Issuer immediately prior to such event provided that such event is not part of a pre-determined series of events which, taken together, will constitute a Change of Control or (ii) the event which would otherwise have constituted a Change of Control occurs or is carried out for the purposes of a reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders;

**Change of Control Period** means the period commencing on the Relevant Announcement Date and ending 120 days after the Change of Control (or such longer period for which the Notes are under consideration for rating review or, as the case may be, rating by a Rating Agency (such consideration having been announced publicly within the period ending 120 days after the Change of Control and such period not to exceed 60 days after the public announcement of such consideration);

**Fitch** means Fitch Ratings Ltd., or its successor;

**Moody's** means Moody's Investors Service Limited, or its successor;

a **Negative Rating Event** shall be deemed to have occurred if at such time as there is no rating assigned to the Notes by a Rating Agency (i) the Issuer does not, either prior to, or not later than 21 days after, the occurrence of the Change of Control seek, and thereafter throughout the Change of Control Period use all reasonable endeavours to obtain, a rating of the Notes, or any other unsecured and unsubordinated debt of the Issuer or (ii) if the



Issuer does so seek and use such endeavours, it is unable to obtain such a rating of at least an investment grade rating by the end of the Change of Control Period;

**Rating Agencies** means Moody's, Fitch, S&P or any other rating agency selected by the Issuer from time to time with the prior written approval of the Trustee to assign a credit rating to the Notes (a **Substitute Rating Agency**) and **Rating Agency** means any one of them;

**Relevant Potential Change of Control Announcement** means any public announcement or statement by or on behalf of the Issuer, relating to any potential Change of Control where within 120 days following the date of such announcement or statement, a Change of Control as described in such public announcement or statement occurs; and

**S&P** means Standard and Poor's Rating Services, a division of McGraw-Hill International (UK) Limited, or its successor.

(f) *Early Redemption Amounts:* For the purpose of paragraphs (b) and (c) above and Condition 10, the Notes will be redeemed at the Early Redemption Amount calculated as follows:

- (i) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof;
- (ii) in the case of Notes (other than Zero Coupon Notes) with a Final Redemption Amount which is or may be less or greater than the Issue Price or which is payable in a Specified Currency other than that in which the Notes are denominated, at the amount specified in the applicable Final Terms or, if no such amount or manner is so specified in the applicable Final Terms, at their nominal amount;
- (iii) in the case of Zero Coupon Notes, at an amount (the **Amortised Face Amount**) calculated in accordance with the following formula:

$$\text{Early Redemption Amount} = \text{RP} \times (1 + \text{AY})^y$$

**RP** means the Reference Price;

**AY** means the Accrual Yield expressed as a decimal; and

$y$  is the Day Count Fraction specified in the applicable Final Terms which will either be (i) 30/360 (in which case) the numerator will be equal to the number of days (calculated on the basis of a 360-day year consisting of 12 months of 30 days each) from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/360 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 360) or (ii) Actual/365 (in which case the numerator will be equal to the actual number of days from (and including) the Issue Date of the first Tranche of the Notes to (but excluding) the date fixed for redemption or (as the case may be) the date upon which such Note becomes due and repayable and the denominator will be 365); or

- (iv) in the case of RPI-Linked Notes, at the outstanding nominal amount thereof, subject to adjustment in accordance with Condition 5(b).
- (g) *Purchases:* The Issuer or any of its Subsidiaries may at any time purchase Notes (provided that, in the case of definitive Notes, all unmatured Coupons and Talons appertaining thereto are purchased therewith) at any price in the open market or otherwise. Such Notes may be held, reissued, resold or, at the option of the Issuer, surrendered to any Paying Agent for cancellation.
- (h) *Cancellation:* All Notes which are redeemed will forthwith be cancelled (together with all unmatured Coupons and Talons attached thereto or surrendered therewith at the time of redemption). All Notes so cancelled and Notes purchased and surrendered for cancellation pursuant to paragraph (f) above (together with all unmatured Coupons and Talons cancelled therewith) shall be forwarded to the Agent and cannot be reissued or resold.
- (i) *Late payment on Zero Coupon Notes:* If the amount payable in respect of any Zero Coupon Note upon redemption of such Zero Coupon Note pursuant to paragraph (a), (b), (c) or (d) above or upon its becoming due and repayable as provided in Condition 10 is improperly withheld or refused, the

amount due and repayable in respect of such Zero Coupon Note shall be the amount calculated as provided in paragraph (e)(iii) above as though the references therein to the date fixed for the redemption or the date upon which such Zero Coupon Note becomes due and repayable were replaced by references to the date which is the earlier of:

- (i) the date on which all amounts due in respect of such Zero Coupon Note have been paid; and
- (ii) five days after the date on which the full amount of the moneys payable has been received by the Agent or the Trustee and notice to that effect has been given to the Noteholders in accordance with Condition 15.

## 8. Taxation

All payments of principal and interest in respect of the Notes and Coupons by or on behalf of the Issuer will be made without withholding or deduction for or on account of any present or future taxes or duties of whatever nature unless such withholding or deduction is required by law. In such event, the Issuer will pay such additional amounts as shall be necessary in order that the net amounts received by the holders of the Notes or Coupons after any withholding or deduction for taxes or duties imposed or levied by or on behalf of the United Kingdom or any political subdivision or any authority thereof or therein having power to tax shall equal the respective amounts of principal and interest which would otherwise have been received in respect of the Notes or Coupons, as the case may be, in the absence of such withholding or deduction; except that no such additional amount shall be payable with respect to any Note or Coupon:

- (a) presented for payment by or on behalf of a Noteholder or Couponholder who is liable for such taxes or duties in respect of such Note or Coupon by reason of his having some connection with the United Kingdom other than the mere holding of such Note or Coupon; or
- (b) presented for payment more than 30 days after the Relevant Date (as defined below) except to the extent that the holder thereof would have been entitled to such additional amount on presenting the same for payment on such thirtieth day assuming that day to have been a Payment Day (as defined in Condition 6—Payments); or
- (c) where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC or any law implementing or complying with, or introduced in order to conform to, such Directive; or
- (d) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note or Coupon to another Paying Agent in a Member State of the European Union; or
- (e) where such withholding or deduction would have been avoided by the Noteholder or Couponholder (or a person on behalf of the Noteholder or Couponholder) complying with any statutory requirement or by making a declaration of non-residence or other similar claim for exemption to any relevant taxing authority of or in the United Kingdom.

All payments will be subject in all cases to any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the Code or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, official interpretations thereof, or any law implementing an intergovernmental approach thereto.

As used herein, the **Relevant Date** means the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Agent or the Trustee on or prior to such due date, it means the date on which, the full amount of such moneys having been so received, notice to that effect is duly given to the Noteholders in accordance with Condition 15.

## 9. Prescription

The Notes and Coupons will become void unless claims in respect of principal and/or interest are made within a period of 10 years (in the case of principal) and five years (in the case of interest) after the Relevant Date (as defined in Condition 8) therefor.

There shall not be included in any Coupon sheet issued on exchange of a Talon any Coupon the claim for payment in respect of which would be void pursuant to this Condition or Condition 6(b) or any Talon which would be void pursuant to Condition 6(b).

## 10. Events of Default

The Trustee at its discretion may, and if so requested in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding or if so directed by an Extraordinary Resolution of the Noteholders, shall (subject in each case to being indemnified and/or secured and/or pre-funded to its satisfaction), (but, in the case of the happening of the events described in sub-paragraphs (b) to (h) below (other than paragraph (f) as it relates to the Issuer), only if the Trustee shall have certified in writing to the Issuer that such event is, in its opinion, materially prejudicial to the interests of the Noteholders) give notice to the Issuer that the Notes are, and they shall accordingly forthwith become, immediately due and repayable at their Early Redemption Amount (as defined in Condition 7(f)), together with accrued interest as provided in the Trust Deed, in any of the following events (**Events of Default**):

- (a) default is made in the payment of (i) any principal due in respect of the Notes or any of them; or (ii) interest due in respect of the Notes or any of them and the default continues for a period of 7 days; or
- (b) the Issuer fails to perform or observe any of its other obligations under these Conditions or the Trust Deed and (except in any case where the Trustee considers the failure to be incapable of remedy, when no continuation as is hereinafter mentioned will be required) the failure continues for a period of 30 days (or such longer period as the Trustee may permit); or
- (c) (i) any Indebtedness for Borrowed Money (as defined below) of the Issuer or any Material Subsidiary is accelerated by reason of an event of default (however described) and such acceleration has not been rescinded or annulled, except where the Issuer is contesting such default in good faith;  
(ii) the Issuer or any Material Subsidiary fails to make any payment in respect of any Indebtedness for Borrowed Money on the due date for payment or within any originally applicable grace period;  
(iii) any security given by the Issuer or any Material Subsidiary for any Indebtedness for Borrowed Money becomes enforceable and the holder thereof shall have appointed a receiver, manager or similar officer to take steps to enforce the same; or  
(iv) default is made by the Issuer or any Material Subsidiary in making any payment due under any guarantee and/or indemnity given by it in relation to any Indebtedness for Borrowed Money of any other person, except where the Issuer is contesting its liability under such guarantee and/or indemnity in good faith;

provided that no Event of Default shall occur pursuant to this subparagraph 10(c) unless the aggregate amount of Indebtedness for Borrowed Money or other relative liability due and unpaid to which any of Sub-paragraphs (i) to (iv) above apply is at least £30,000,000 (or its equivalent in any other currency); or

- (d) any order is made by any competent court or resolution is passed for the winding up or dissolution of the Issuer or any Material Subsidiary, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders or in the case of a Material Subsidiary, a solvent winding up of such Material Subsidiary; or
- (e) the Issuer or any Material Subsidiary stops or threatens to stop payment of, or is unable to, or admits inability to, pay, its debts (or any class of its debts) as they fall due or is deemed unable to pay its debts pursuant to or for the purposes of any applicable law, or is adjudicated or found bankrupt or insolvent, save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (f) (i) proceedings are initiated against the Issuer or any Material Subsidiary under any applicable liquidation, insolvency, composition, reorganisation or other similar laws or an application is made (or documents filed with a court) for the appointment of an administrative or other receiver, manager, administrator or other similar official, or an administrative or other receiver, manager, administrator or other similar official is appointed, in relation to the Issuer or any Material Subsidiary or, as the case may be, in relation to the whole or any substantial part of the undertaking or assets of any of them or an encumbrancer takes possession of the whole or any substantial part of the undertaking or assets of any of them, or a distress, execution, attachment,

sequestration or other process is levied, enforced upon, sued out or put in force against the whole or any substantial part of the undertaking or assets of any of them; and

- (ii) in any such case (other than the appointment of an administrator or an administrative receiver appointed following presentation of a petition for an administration order) unless initiated by the relevant company, is not discharged within 30 days; or
- (g) the Issuer or any Material Subsidiary initiates or consents to judicial proceedings relating to itself under any applicable liquidation, insolvency, composition, reorganisation or other similar laws (including the obtaining of a moratorium) or makes a conveyance or assignment for the benefit of its creditors generally (or any class of its creditors) save for the purposes of reorganisation on terms approved in writing by the Trustee or by an Extraordinary Resolution of the Noteholders; or
- (h) any event occurs which, under the laws of any relevant jurisdiction, has or may have, in the Trustee's opinion, an analogous effect to any of the events referred to in sub-paragraphs (d) to (g) (inclusive) above.

For the purposes of this Condition 10:

**Indebtedness for Borrowed Money** means any indebtedness (whether being principal, premium, interest or other amounts) for or in respect of borrowed money or any liability under or in respect of any acceptance or acceptance credit.

**Material Subsidiary** means any Subsidiary:

- (a) whose profits before interest, taxation and exceptional or extraordinary items (consolidated in the case of a Subsidiary which itself has Subsidiaries) or whose total net assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represent not less than 10 per cent. of the consolidated profits before interest, taxation and exceptional or extraordinary items, or, as the case may be, the consolidated total net assets of the Issuer and its Subsidiaries taken as a whole, all as calculated respectively by reference to the latest accounts (consolidated or, as the case may be, unconsolidated) of the Subsidiary and the then latest audited consolidated accounts of the Issuer and its Subsidiaries; provided that in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated financial statements of the Issuer and its Subsidiaries relate, the reference to the latest audited financial statements for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first mentioned financial statements as if such Subsidiary had been shown in such financial statements by reference to its then latest relevant financial statements, adjusted as deemed appropriate by the auditors of the Issuer after consultation with the Issuer; or
- (b) to which is transferred all or substantially all of the business, undertaking and assets of another Subsidiary which immediately prior to such transfer is a Material Subsidiary, whereupon (a) in the case of a transfer by a Material Subsidiary, the transferor Material Subsidiary shall immediately cease to be a Material Subsidiary and (b) the transferee Subsidiary shall immediately become a Material Subsidiary, provided that on or after the date on which the financial statements for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Material Subsidiary shall be determined pursuant to the provisions of sub-paragraph (a) above.

A report by two of the directors of the Issuer that in their opinion (making such adjustments (if any) as they shall deem appropriate) a Subsidiary is or is not or was or was not at any particular time or during any particular period a Material Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Issuer, the Trustee and the Noteholders.

**Subsidiary** means a subsidiary within the meaning of section 1159 of the Companies Act 2006.

## 11. Enforcement

### Enforcement by the Trustee

The Trustee may at any time, at its discretion and without notice, take such proceedings against the Issuer as it may think fit to enforce the provisions of the Trust Deed, the Notes and the Coupons, but it shall not be bound to take any such proceedings or any other action in relation to the Trust Deed, the Notes or the Coupons unless (a) it has been directed by an Extraordinary Resolution of the Noteholders or so requested

in writing by the holders of at least one-quarter in principal amount of the Notes then outstanding and (b) it has been indemnified and/or secured and/or pre-funded to its satisfaction.

### **Enforcement by the Noteholders**

No Noteholder or Couponholder shall be entitled to proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails so to do within a reasonable period and the failure shall be continuing.

### **12. Replacement of Notes, Coupons and Talons**

Should any Note, Coupon or Talon be lost, stolen, mutilated, defaced or destroyed, it may be replaced at the specified office of the Agent, or any other place approved by the Trustee of which notice shall have been published in accordance with Condition 15, upon payment by the claimant of such costs and expenses as may be incurred in connection therewith and on such terms as to evidence and indemnity as the Issuer may reasonably require. Mutilated or defaced Notes, Coupons or Talons must be surrendered before replacements will be issued.

### **13. Agent and Paying Agents**

The names of the initial Agent in respect of the Notes and the other initial Paying Agents in respect of the Notes and their initial specified offices are set out below. If any additional Paying Agents are appointed in connection with any Series, the names of such Paying Agents will be specified in Part B of the applicable Final Terms.

The Issuer is, with the prior written approval of the Trustee, entitled to vary or terminate the appointment of any Paying Agent and/or appoint additional or other Paying Agents, provided that:

- (i) so long as the Notes are listed on any stock exchange, there will at all times be a Paying Agent (which may be the Agent) with a specified office in such place as may be required by the rules and regulations of the relevant stock exchange or any other relevant authority;
- (ii) the Issuer undertakes that it will ensure that it maintains at all times a Paying Agent in a Member State of the European Union that is not obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC or any law implementing or complying with or introduced in order to confirm to, such Directive;
- (iii) there will at all times be an Agent and, in the case of RPI-Linked Notes, a Calculation Agent; and
- (iv) there will at all times be a Paying Agent in a Member State of the European Union, other than the Member State in which the Issuer is incorporated.

In addition, the Issuer shall forthwith appoint a Paying Agent having a specified office in New York City in the circumstances described in the final paragraph of Condition 6(d). Notice of any variation, termination, appointment or change shall in Paying Agents will be given to the Noteholders promptly by the Issuer in accordance with Condition 15.

### **14. Exchange of Talons**

On and after the Interest Payment Date on which the final Coupon comprised in any Coupon sheet matures, the Talon (if any) forming part of such Coupon sheet may be surrendered at the specified office of the Agent or any other Paying Agent in exchange for a further Coupon sheet including (if such further Coupon sheet does not include Coupons to (and including) the final date for the payment of interest due in respect of the Note to which it appertains) a further Talon, subject to the provisions of Condition 9.

### **15. Notices**

All notices regarding the Notes will be valid if published in a leading English language daily newspaper of general circulation in London. It is expected that such publication will be made in the *Financial Times* or any other daily newspaper in London approved by the Trustee or, if this is not possible, in another English language daily newspaper approved by the Trustee with general circulation in Europe. The Issuer shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any other stock exchange or other relevant authority on which the Notes are for the time being listed or by which they have been admitted to trading. Any such notice will be deemed to have been given on the date

of the first publication or, where required to be published in more than one newspaper, on the first date on which publication has been made in all the required newspapers.

Until such time as any definitive Notes are issued, there may (provided that, in the case of Notes listed on a stock exchange or admitted to trading by any other relevant authority, such stock exchange or other relevant authority permits), so long as the global Note(s) is or are held in its/their entirety on behalf of Clearstream, Luxembourg and Euroclear, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Clearstream, Luxembourg and Euroclear for communication by them to the holders of the Notes. Any such notice shall be deemed to have been given to the holders of the Notes on such day as specified in the applicable Final Terms after the day on which the said notice was given to Clearstream, Luxembourg and Euroclear.

Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Agent. Whilst any of the Notes are represented by a global Note, such notice may be given by any holder of a Note to the Agent via Clearstream, Luxembourg and/or Euroclear, as the case may be, in such manner as the Agent and Clearstream, Luxembourg and/or Euroclear, as the case may be, may approve for this purpose.

## **16. Meetings of Noteholders, Modification and Waiver**

- (a) The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the modification by Extraordinary Resolution of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement. The quorum at any meeting for passing an Extraordinary Resolution will be two or more persons (or one person if all Notes are held by one person) present holding or representing more than 50 per cent. in principal amount of the Notes for the time being outstanding, or at any adjourned such meeting two or more persons (or one person if all the Notes are held by one person) present whatever the principal amount of the Notes held or represented by him or them. An Extraordinary Resolution passed at any meeting of the Noteholders will be binding on all Noteholders, whether or not they are present at the meeting, and on all Couponholders.

All references to “Extraordinary Resolution” also include **Written Resolutions**, being a resolution in writing signed by or on behalf of not less than 75 per cent. of the holders of Notes who, in accordance with the provisions for Meetings of Noteholders, would be entitled to attend and vote at a Meeting of Noteholders, whether contained in one document or several documents in the same form, each signed by or on behalf of one or more of them.

- (b) The Trustee may agree, without the consent of the Noteholders or Couponholders, to any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement, or determine, without any such consent as aforesaid, that any Event of Default or Potential Event of Default (as defined in the Trust Deed) shall not be treated as such (provided that, in any such case, it is not, in the opinion of the Trustee, materially prejudicial to the interests of the Noteholders) or may agree, without any such consent as aforesaid, to any modification which, in its opinion, is of a formal, minor or technical nature or to correct a manifest error.
- (c) In connection with the exercise by it of any of its trusts, powers, authorities and discretions (including, without limitation, any modification, waiver, authorisation, determination or substitution), the Trustee shall have regard to the general interests of the Noteholders as a class but shall not have regard to any interests arising from circumstances particular to individual Noteholders or Couponholders (whatever their number) and, in particular but without limitation, shall not have regard to the consequences of any such exercise for individual Noteholders or Couponholders (whatever their number) resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or Subject to the jurisdiction of, any particular territory or any political sub-division thereof and the Trustee shall not be entitled to require, nor shall any Noteholder or Couponholder be entitled to claim, from the Issuer, the Trustee or any other person any indemnification or payment in respect of any tax consequence of any such exercise upon individual Noteholders or Couponholders except to the extent already provided for in Condition 8 and/or any undertaking given in addition to, or in substitution for, Condition 8 pursuant to the Trust Deed.
- (d) Any modification, waiver, authorisation, determination or substitution in accordance with these Conditions shall be binding on the Noteholders and the Couponholders and, unless the Trustee agrees

otherwise, any modification shall be notified by the Issuer to the Noteholders as soon as practicable thereafter in accordance with Condition 15.

#### **17. Further Issues**

The Issuer shall be at liberty from time to time (but subject always to the terms of the Trust Deed) without the consent of the Noteholders or Couponholders to create and issue further notes either (i) having the same terms and conditions in all respects save for the date from which interest thereon accrues and date and amount of the first payment of interest on such further notes, and so that the same shall be consolidated and form a single Series with the outstanding Notes or (ii) upon such terms as to ranking, interest, conversion, redemption and otherwise as the Issuer may at the time if the issue thereof determine.

#### **18. Substitution**

The Trustee may, without the consent of the Noteholders or Couponholders, agree with the Issuer to the substitution in place of the Issuer (or of any previous substitute under this Condition) as the principal debtor under the Notes, the Coupons and the Trust Deed of any other company being a subsidiary (within the meaning of section 1159 of the Companies Act 2006), holding company or subsidiary of such holding company, of the Issuer, subject to: (a) the Trustee being satisfied that the interests of the Noteholders will not be materially prejudiced by the substitution; and (b) certain other conditions set out in the Trust Deed being complied with.

#### **19. Indemnification**

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

#### **20. Governing Law**

The Trust Deed, the Agency Agreement, the Notes, the Coupons and any non-contractual obligations arising out of or in connection with any of them are governed by, and shall be construed in accordance with, English law.

#### **21. Contracts (Rights of Third Parties) Act 1999**

No rights are conferred on any person under the Contracts (Rights of Third Parties) Act 1999 to enforce any term of this Note, but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## **USE OF PROCEEDS**

The net proceeds from each issue of Notes may be applied by the Issuer for refinancing of indebtedness and for its general corporate purposes or may be applied for particular uses, as determined by the Issuer. If, in respect of an issue, there is a particular identified use of proceeds, this will be stated in the applicable Final Terms.



## SELECTED FINANCIAL INFORMATION

The financial summary set out below has been extracted without material adjustment from the audited consolidated financial statements of the Issuer as at and for the years ended 31 March 2012 and 2011 respectively. The summary financial information should be read together with the audited consolidated financial statements of the Issuer as at and for the years ended 31 March 2012 and 2011 respectively, each of which is incorporated by reference into this document.

### Summary Consolidated Income Statement

Year ended 31 March 2012

<u>Continuing operations</u>	Before acquisition amortisation and non- recurring items	Acquisition amortisation and non- recurring items	Total
	£m	£m	£m
<b>Total Income</b> . . . . .	<b>814.8</b>	—	<b>814.8</b>
Operating expenses . . . . .	(378.8)	(81.0)	(459.8)
Share of profit after tax of joint ventures/associates . . . . .	5.9	(2.4)	3.5
<b>Operating profit/(loss)</b> . . . . .	<b>441.9</b>	<b>(83.4)</b>	<b>358.5</b>
(Loss)/profit on disposal/acquisition of shares in subsidiary and joint venture . . . . .	(0.5)	324.3	323.8
Net finance expense . . . . .	(40.8)	(1.8)	(42.6)
<b>Profit/(loss) before taxation</b> . . . . .	<b>400.6</b>	<b>239.1</b>	<b>639.7</b>
Taxation . . . . .	(116.9)	8.6	(108.3)
<b>Profit/(loss) for the financial year</b> . . . . .	<b>283.7</b>	<b>247.7</b>	<b>531.4</b>
Basic earnings per share . . . . .			193.6p
Diluted earnings per share . . . . .			190.9p
Adjusted basic earnings per share . . . . .			100.6p
Adjusted diluted earnings per share . . . . .			99.2p

### Summary Consolidated Income Statement

Year ended 31 March 2011

<u>Continuing operations</u>	Before acquisition amortisation and non- recurring items	Acquisition amortisation and non- recurring items	Total
	£m	£m	£m
<b>Total Income</b> . . . . .	<b>674.9</b>	—	<b>674.9</b>
Operating expenses . . . . .	(336.9)	(68.1)	(405.0)
Share of profit after tax of joint ventures/associates . . . . .	3.1	10.0	13.1
<b>Operating profit/(loss)</b> . . . . .	<b>341.1</b>	<b>(58.1)</b>	<b>283.0</b>
Net finance expense . . . . .	(44.8)	—	(44.8)
<b>Profit/(loss) before taxation</b> . . . . .	<b>296.3</b>	<b>(58.1)</b>	<b>238.2</b>
Taxation . . . . .	(89.8)	8.1	(81.7)
<b>Profit/(loss) for the financial year</b> . . . . .	<b>206.5</b>	<b>(50.0)</b>	<b>156.5</b>
Basic earnings per share . . . . .			56.4p
Diluted earnings per share . . . . .			55.9p
Adjusted basic earnings per share . . . . .			73.7p
Adjusted diluted earnings per share . . . . .			72.9p

## Summary Consolidated Balance Sheet

31 March

	<u>2012</u>	<u>2011</u>
	£m	£m
Non-current assets . . . . .	2,214.0	1,525.4
Current assets		
CCP clearing business assets . . . . .	99,756.9	116,107.2
Other current assets . . . . .	452.7	425.7
Assets held for sale . . . . .	6.4	36.9
<b>Total assets . . . . .</b>	<b><u>102,430.0</u></b>	<b><u>118,095.2</u></b>
Current liabilities		
CCP clearing business liabilities . . . . .	99,747.2	116,104.5
Other current liabilities . . . . .	319.2	210.5
Non-current liabilities . . . . .	913.9	638.4
Liabilities held for sale . . . . .	—	4.8
<b>Total liabilities . . . . .</b>	<b><u>100,980.3</u></b>	<b><u>116,958.2</u></b>
<b>Net assets . . . . .</b>	<b><u>1,449.7</u></b>	<b><u>1,137.0</u></b>
Total shareholder funds . . . . .	1,376.8	1,036.9
Non-controlling interests . . . . .	72.9	100.1
<b>Total equity . . . . .</b>	<b><u>1,449.7</u></b>	<b><u>1,137.0</u></b>

## Summary Consolidated Cash Flow Statement

Year ended 31 March

	<u>2012</u>	<u>2011</u>
	£m	£m
Net cash inflow/(outflow) from operating activities . . . . .	303.0	264.5
Net cash (outflow)/inflow from investing activities . . . . .	(486.1)	(43.8)
Net cash inflow/(outflow) from financing activities . . . . .	140.2	(174.0)
<b>(Decrease)/increase in cash and cash equivalents . . . . .</b>	<b><u>(42.9)</u></b>	<b><u>46.7</u></b>
Cash and cash equivalents at beginning of year . . . . .	267.0	223.1
Exchange losses on cash and cash equivalents . . . . .	(8.1)	(0.9)
Transfer to assets held for sale . . . . .	—	(1.9)
<b>Cash and cash equivalents at end of year . . . . .</b>	<b><u>216.0</u></b>	<b><u>267.0</u></b>

## DESCRIPTION OF THE ISSUER

### THE ISSUER

The Issuer operates, through members of the Group, a broad range of international equity, bond and derivatives markets, including London Stock Exchange, Borsa Italiana S.p.A. (**Borsa Italiana**), Società per il Mercato dei Titoli di Stato Borsa Obbligazionaria Europea S.p.A. (**MTS**) (facilitating electronic fixed income trading in Europe) and Turquoise Global Holdings Limited (**Turquoise**) (offering pan-European and US “lit” and “dark” equity trading and pan-European derivatives trading). Through its markets, the Group offers domestic and international businesses access to Europe’s capital markets.

Post-trade services are also offered by the Group, including clearing, settlement and custody services for cash equity, derivative and fixed income securities through Cassa di Compensazione e Garanzia S.p.A. (**CC&G**) and Monte Titoli S.p.A. (**Monte Titoli**).

The Group offers its customers around the world an extensive range of real-time and reference data products with FTSE International Limited (**FTSE**) providing benchmark and other indices to active and passive asset managers and other market users on a global basis. The Group also develops high performance trading platforms and capital markets software through Millennium Information Technologies Limited (**MillenniumIT**).

Headquartered in London and with significant operations in Italy and Sri Lanka, the Group employs approximately 1,900 people worldwide.

### Corporate information

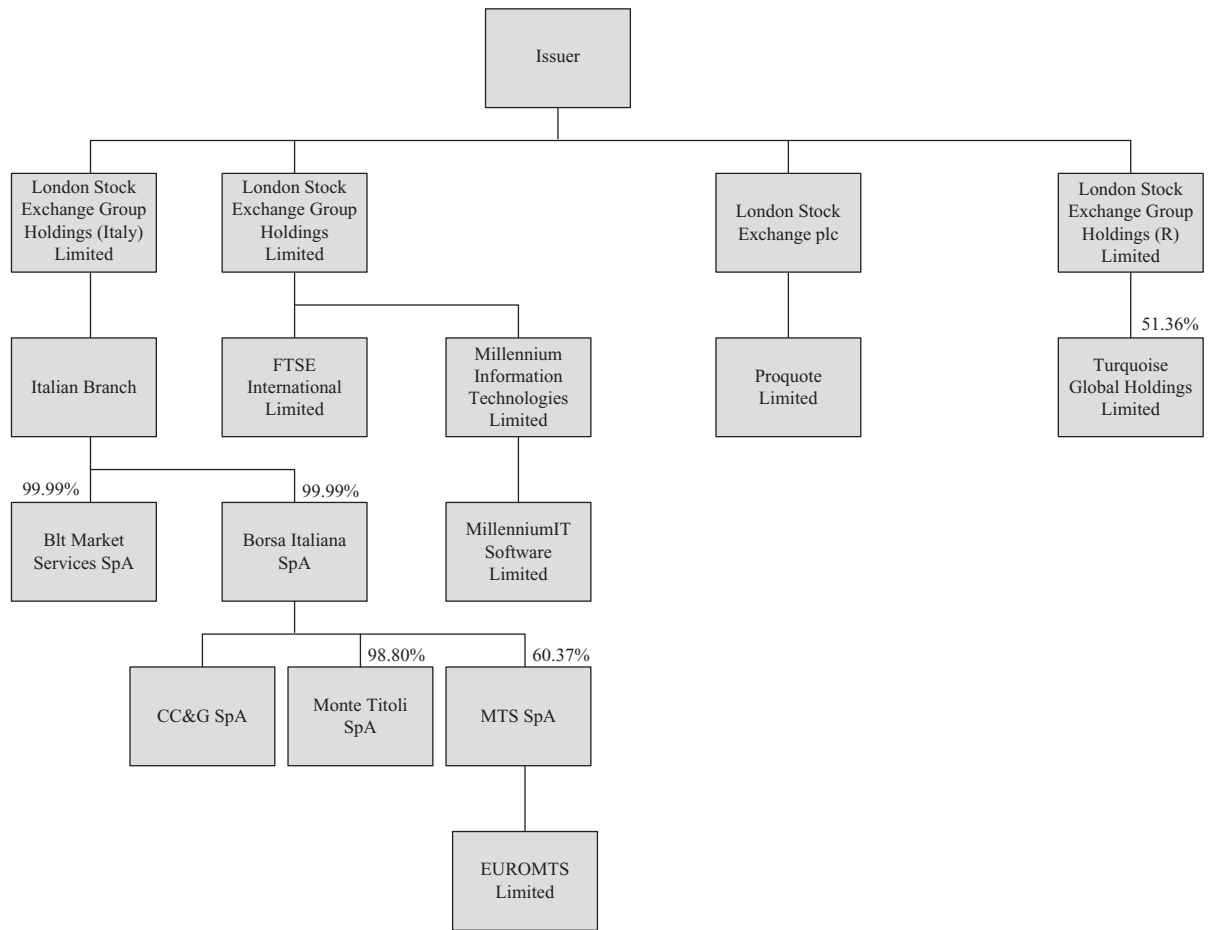
The Issuer was incorporated and registered in England and Wales on 18 February 2005 under the Companies Act 1985 as a private company limited by shares with registered number 5369106 and with the name Milescreen Limited. On 16 November 2005, it changed its name to London Stock Exchange Group Limited. On 7 December 2005, it was re-registered as a public limited company pursuant to section 43 of the Companies Act 1985 and changed its name to London Stock Exchange Group plc. On 15 May 2006, the Issuer became the holding company of London Stock Exchange Limited plc pursuant to a scheme of arrangement made under section 425 of the Companies Act 1985 and replaced London Stock Exchange plc as the listed entity.

On 1 October 2007, the Issuer became the holding company of Borsa Italiana pursuant to the terms of a combination agreement entered into between the Issuer and Borsa Italiana on 23 June 2007. On 16 October 2009, the Issuer acquired MillenniumIT, a Sri Lankan-based technology services company. On 17 February 2010, the Issuer also acquired a majority stake in Turquoise, a Multilateral Trading Facility, which provides a trading service for pan-European and some US cash equities. On 16 December 2011, the Issuer acquired the 50 per cent. of FTSE it did not already own. FTSE is a leading global index business, with a portfolio of over 200,000 indices across 80 countries.

It was announced on 9 March 2012 that the Issuer and LCH.Clearnet Group (**LCH.Clearnet**) had reached agreement on the terms of a recommended cash offer made by London Stock Exchange (C) Limited, a wholly-owned subsidiary of the Issuer, for the issued share capital of LCH.Clearnet (the **LCH Acquisition**). The LCH Acquisition was approved by the shareholders of the Issuer on 3 April 2012 and is intended to be financed from existing cash resources and bank facilities. Assuming completion of the LCH Acquisition, the Group will become the majority owner of LCH.Clearnet, holding up to 60 per cent. of the issued share capital of LCH.Clearnet. The balance of the issued share capital of LCH.Clearnet will be held by existing LCH.Clearnet shareholders (including many major customers of LCH.Clearnet) and any new venue partners agreed by the Issuer (with the approval of LCH.Clearnet) that wish to acquire LCH.Clearnet shares. The governance arrangements relating to the LCH.Clearnet group will reflect its ownership structure and the need for compliance with applicable regulations. Further details in relation to the status of implementation of the LCH Acquisition are set out below.

The registered and head office of the Issuer is 10 Paternoster Square, London, EC4M 7LS. Its telephone number is +44 (0) 20 7797 1000. The principal legislation under which the Issuer operates is the Companies Act 2006. The Issuer has unlimited objects under its Memorandum of Association.

The Issuer is the ultimate holding company of the Group. The following chart shows the Issuer and its current material subsidiaries and joint ventures at the date of this document.



Note: Entities are 100 per cent. held unless otherwise stated.

## Directors

As at 8 October 2012, the Issuer's Directors (in such capacities, each having their business address at 10 Paternoster Square, London, EC4M 7LS), and their principal activities performed outside the Issuer that are significant with respect to the Issuer (other than activities in relation to other members of the Group), are as follows:

<u>Name</u>	<u>Role</u>	<u>Principal activities</u>
Chris Gibson-Smith	Chairman	Chairman of The British Land Company plc
Paolo Scaroni	Non-Executive Deputy Chairman and Senior Independent Director	CEO of eni and a Non-Executive Director of Assicurazioni Generali and Veolia Environnement
Xavier Rolet	Chief Executive Officer	
David Warren	Chief Financial Officer	
Raffaele Jerusalmi	Executive Director	
Baroness (Janet) Cohen	Non-Executive Director	Life Peer and Senior Advisor to BPP Holdings
Sergio Ermotti	Non-Executive Director	Chief Executive Officer of UBS Group
Gay Huey Evans	Non-Executive Director	Non-Executive Director of Aviva plc and The Financial Reporting Council
Paul Heiden	Non-Executive Director	Non-Executive Chairman of Intelligent Energy Limited, Non-Executive Director of United Utilities Group plc and Meggitt plc
Andrea Munari	Non-Executive Director	General Manager of Banca IMI, part of Intesa Sanpaolo Banking Group
Massimo Tononi	Non-Executive Director	Non-Executive Director of Mittel S.p.A., Sorin S.p.A. and Chairman of Prysmian S.p.A.
Robert Webb Q.C.	Non-Executive Director	General Counsel and Head of Risk for Rolls Royce plc and a Non-Executive Director of the Holdingham Group Ltd

Andrea Munari is a Non-Executive Director of the Issuer and a General Manager of Banca IMI, part of Intesa Sanpaolo Banking Group (**Banca IMI**). The Issuer and Banca IMI may have a business relationship in relation to any issuance under the Programme pursuant to which Banca IMI acts as a Dealer and, as a result, by virtue of Andrea Munari's involvement, Banca IMI S.p.A. may have a potential conflict of interest with the Issuer in relation to such business relationship. Other than Andrea Munari in relation to such business relationship, no Director has any potential conflict of interest between his or her duties to the Issuer and any private interests or other duties.

## Corporate governance

The Issuer complies with all provisions of the UK Corporate Governance Code published by the UK Financial Reporting Council.

The Company's audit and risk committee meets at least three times a year at appropriate times in the reporting and audit cycle and otherwise as required. The role of the Issuer's audit and risk committee is to: monitor the integrity of the Issuer's financial statements; keep under review the effectiveness of the Issuer's internal control systems; approve the taking of any actions which fall outside the Group treasury policy; review the Issuer's arrangements for its employees to raise concerns in confidence about possible wrongdoing in financial reporting or other matters and the Issuer's procedures for detecting fraud; monitor and review the effectiveness of the Issuer's internal audit function and consider and make recommendations to the board in relation to the appointment, re-appointment and removal of the Issuer's external auditor, PricewaterhouseCoopers LLP; and review the effectiveness of the audit. It is comprised of independent Non-Executive Directors who currently are: Paul Heiden (Chairman), Baroness Cohen, Gay Huey Evans, Andrea Munari and Massimo Tononi.

## Share capital

As at 8 October 2012, the Company had 271.1 million ordinary shares in issue with a nominal value of 6<sup>7</sup>/<sub>16</sub> pence each, representing 100 per cent. of the total issued share capital.

As at 8 October 2012, the Issuer has been notified of the following interests amounting to more than 3 per cent. in the issued share capital of the Issuer in accordance with sections 791 to 828 of the Companies Act 2006 and the disclosure and transparency rules made by the FSA under Part VI of FSMA (the **Disclosure and Transparency rules**):

<u>Name</u>	<u>% of issued LSEG share capital</u>	<u>Number of LSEG Shares</u>
Borse Dubai Limited . . . . .	20.6	56,966,856
Qatar Investment Authority . . . . .	15.1	41,700,652
FIL Limited . . . . .	5.2	14,181,223

## THE ISSUER'S BUSINESS

### Principal Business

The Group's core business segments are set out below:

- **Capital markets**, which includes:

*primary markets*—which facilitate the raising of capital through the issuing of securities by entities from around the world; and

*secondary markets*—which provide fast and efficient trading for:

- cash equities, via a range of reliable electronic trading systems, in an effective regulatory environment and with a high level of price and trade transparency;
  - derivatives, through the Italian Derivatives Exchange Market (**IDEM**) and Borsa Italiana's derivatives market for power futures (**IDEX**) markets in Italy and Turquoise's pan-European derivatives markets (**Turquoise Derivatives**) based in the UK; and
  - fixed income, through a range of electronic trading venues, including the Issuer's majority owned subsidiary, MTS, the Italian Mercato Obbligazionario Telematico (**MOT**) business and the Order book for Retail Bonds (**ORB**) in the UK.
- **Post-trade services**, which provides clearing, settlement and custody services for cash equity, derivative and fixed income securities through CC&G and Monte Titoli.
  - **Information services**, which distributes high quality, real-time price, news and other information-related products. This business segment also includes FTSE.
  - **Technology services**, which provides technology to a range of customers, both within the financial services sector and, through MillenniumIT, outside of the financial services sector. In addition, the Group also offers server co-location services in its data centres.

### Strategy

The Group's strategy is built around its vision to be one of the world's largest exchange groups.

The existing strategy has two key elements:

- driving efficiency through control of operating costs, with a focus on price and technology competition in the Group's markets and aligning the Group with its customers to provide choice, open access and efficient services; and
- leveraging Group assets and developing opportunities by building scale to drive further efficiency, better serve global customers and position the Group to respond to regulatory change, and by diversifying away from core local markets to provide comprehensive multi-asset class solutions.

## Financial Information

The total income of the Group for the financial years ended 31 March 2012 and 31 March 2011 is as follows:

	2012 audited IFRS	2011 audited IFRS
	£m	£m
Capital Markets . . . . .	301.9	291.5
Post-trade services (including net treasury income through the CCP) . . . . .	228.5	150.6
Information services . . . . .	218.9	171.8
Technology services . . . . .	52.6	48.6
Other . . . . .	12.9	12.4
<b>Total Income . . . . .</b>	<b>814.8</b>	<b>674.9</b>

## Description of the business

### 1 Capital markets

The Group's capital markets business facilitates companies' raising of capital through the issuance of equity and debt and by providing liquid secondary markets for the trading of those and other securities.

The principal areas of the capital markets segment are as follows:

#### 1.1 Primary markets

The Group provides a range of markets for companies issuing debt and equity securities to raise capital by selling those securities to investors.

The Group has a track record of developing and promoting markets and segments to meet the specific needs of issuers and facilitate capital raisings. By providing access to a deep pool of capital and an efficient market, the Group provides liquidity in issuers' securities and greater visibility amongst investors. Admission to trading on the Group's markets enables securities to be freely traded, thereby increasing the pool of investors that can invest in an issuer's securities.

In the UK, London Stock Exchange operates four primary markets:

- Main Market—London Stock Exchange's market for international and domestic businesses looking to access some of the world's deepest and most liquid pools of capital. Main Market companies come from a broad range of sectors and vary widely in size, ranging from fledgling growth companies to some of the world's largest and most well-known companies.
- AIM—a market for smaller, growing companies, launched in 1995. AIM's regulatory structure, tailored to the needs of SMEs, allows companies to quickly and cost-effectively raise capital at admission and through further fundraisings. As well as being geographically diverse and home to companies with operations in over 90 countries, AIM supports the financing needs of companies from approximately 40 different sectors.
- Professional Securities Market—offers issuers the opportunity to list debt securities or depositary receipts restricted to professional investors.
- Specialist Fund Market—for highly specialised investment entities that wish to target institutional, professional and highly knowledgeable investors. The Specialist Fund Market is designed to further enhance London's appeal to specialist investment managers seeking a flexible and adaptable route to permanent capital from a highly sophisticated global investor base.

In addition to the four primary markets described above, London Stock Exchange operates a route to market known as admission to trading only (**ATT Only**), which is selectively promoted to international issuers.

ATT Only securities are admitted to trading on the basis of a listing of those securities on another stock exchange which is a full member of the World Federation of Exchanges. This route is utilised by a company when, for regulatory or commercial reasons, it cannot or does not want to pursue a full listing in London. This product offering has recently been extended to issuers of sponsored, unlisted depositary receipts.

In the UK, London Stock Exchange operates ORB, its electronic bond market for private investors, assisting issuers to raise funding from retail investors.

In Italy, Borsa Italiana operates three primary markets:

- MTA—the Italian market for international and domestic businesses. MTA companies come from a broad range of sectors and vary widely in size, ranging from fledgling growth companies to global multinationals.

MTA also includes the following two segments:

- MTA International—dedicated to the trading of shares of non-Italian issuers already listed in other EU regulated markets; and
  - MTA STAR—dedicated to mid-size companies with a capitalisation of less than €1 billion and which voluntarily agree to comply with strict transparency, liquidity and governance requirements.
- AIM Italia-MAC—a market for smaller, growing companies, launched in March 2012 through the merger of AIM Italia and MAC markets. AIM Italia-MAC is a Multilateral Trading Facility with regulatory structures that are tailored to meet the needs of SMEs and allow companies to quickly and cost-effectively raise capital at admission and through further fundraisings.
  - MIV—the electronic market for investment vehicles for highly specialised investment entities that wish to target retail, institutional, professional and highly knowledgeable investors. MIV is designed to further enhance Borsa Italiana’s appeal to specialist investment managers seeking a flexible and adaptable route to permanent capital from a highly sophisticated global investor base.

In addition, Borsa Italiana also operates:

- ETFplus—for ETFs and exchange-traded commodities (ETCs);
- SeDeX—an electronic securitised derivatives market for covered warrants and certificates; and
- MOT—an electronic market for bonds, government securities, Eurobonds, asset-backed securities (ABSs) and other debt securities.

## **1.2 Secondary markets**

### **1.2.1 Cash equities**

The Group’s cash equities business aims to maximise the liquidity of an individual security and provide members access to fast and efficient trade execution and reporting. The Group’s cash trading services are designed to deliver efficient trading, price formation and execution services through reliable trading systems, effective regulation and a high level of price and trade transparency.

London Stock Exchange offers the following trading services for cash equities:

- SETS—SETS is London Stock Exchange’s electronic order book trading FTSE 100, FTSE 250, FTSE Small Cap Index constituents, ETFs, exchange trading products as well as other liquid AIM, Irish and listed shares, global depositary receipts, debt and securitised derivatives that comply with EU minimum requirements. London Stock Exchange also operates a version of SETS on a modified trading cycle that supports securitised derivatives. Functionally rich with multiple order types and market maker support, SETS is one of the most liquid electronic order books in Europe.
- SETSqx—SETSqx is a trading platform for securities less liquid than those traded on SETS. SETSqx combines a periodic electronic auction book with standalone non-electronic quote driven market making.
- SEAQ—London Stock Exchange’s non-electronically executable quotation service that allows market makers to quote prices in AIM securities not traded on SETS or SETSqx and some fixed income securities.
- IOB—offers access to trading in issuers from fast growing economies, in areas such as Central and Eastern Europe, Asia and the Middle East, via depositary receipts. The service is based on an electronic order book similar to SETS but with the added option for member firms to display their identity pre-trade.



- EQS—enables clients to meet their pre- and post-trade pan-European transparency obligations. EQS is a quote driven market making and trade reporting platform that supports all EU liquid securities, excluding those traded on SETS or SETSqx.
- European Trade Reporting—a pan-European trade reporting service that enables clients to meet their post-trade reporting obligations, whether trading on or off exchange, in non-liquid MiFID securities not reported on another exchange trading service.

Borsa Italiana operates the following trading services for cash equities:

- MTA—Borsa Italiana’s electronic order book trading service for MTA securities with auctions, continuous trading phases and the presence of specialists to support liquidity according to market segments.
- After hours market—an electronic order driven market with only continuous trading and supported by a specialist for blue chip securities of the FTSE MIB (an index calculated by FTSE which measures the performance of 40 Italian equities and seeks to replicate the broad sector weights from the stocks trading on the Borsa Italiana main equity market and which, analysed by size and liquidity, has appropriate sector representation, **FTSE MIB**), companies in the FTSE Italia Mid Cap (an index calculated by FTSE comprising the mid-capitalised companies of the Italian market) indices and MTA STAR.
- AIM Italia-MAC—an electronic, order-driven trading service, with auctions and continuous trading, for AIM Italia-MAC securities.
- MIV—a regulated market dedicated to investment vehicles. The market is divided into four segments to reflect the varying instrument types:
  - closed-end fund segment, where the units of closed-end securities and real estate funds are traded;
  - investment companies segment, where shares of investment companies are traded;
  - real estate investment companies which are property funds that comply with a specific Borsa Italiana listing rules (**REIC**) segment, where REICs are traded; and
  - professional segment, for professional investors only where special investment vehicles are traded.

Turquoise was formed by a consortium of nine investment banks and launched in September 2008 as a Multilateral Trading Facility. Following the Issuer’s acquisition of Turquoise on 17 February 2010, the Issuer holds a 51 per cent. majority stake in Turquoise with the remaining 49 per cent. owned by 12 leading investment banks. Turquoise has a board comprised of London Stock Exchange appointed directors, directors representing the investment banks and non-executive independent directors.

Turquoise operates the following trading services for cash equities:

- Turquoise Equities integrated book—a pan-European and US “lit” secondary market for cash equity trading with full pre- and post-trade transparency; and
- Turquoise Equities mid-point book—a pan-European “dark” secondary market matching at mid-point with immediate post-trade transparency.

### **1.2.2 Derivatives**

#### *Turquoise Derivatives*

Turquoise Derivatives provides trading in pan-European single name and index futures and options, offering a pan-European clearing model to enable risk margin efficiencies.

Turquoise operates two derivatives markets:

- Turquoise Derivatives emerging markets book—an equity derivatives market focussed on emerging markets companies traded on the London Stock Exchange’s IOB; and
- Turquoise Derivatives pan-European book—a new marketplace established in the summer of 2011, using elements of the successful Turquoise Multilateral Trading Facility model for pan-European cash equities and applying it to equity derivatives.

## *IDEM*

IDEM is Borsa Italiana's derivatives market and comprises IDEM-Equity and IDEX.

- IDEM-Equity—offers trading in futures, mini-futures and options on the FTSE MIB index and a futures product based on the FTSE MIB dividend index. In addition, there are approximately 55 futures and 44 options on Italian single stocks and 13 futures on pan-European single stocks.
- IDEX—offers trading in yearly, quarterly and monthly power futures based on the “PUN”, the single national price for the purchase of electricity in Italy.

Borsa Italiana also operates the following markets:

- ETFplus—an electronic continuous trading order-driven market for ETFs and ETCs/exchange-traded notes (ETNs), with specialists to support liquidity; and
- SeDeX—an electronic, order-driven market, with continuous trading for securitised derivatives, covered warrants and certificates, and a specialist to support liquidity.

### *1.2.3 Fixed income*

The Group's fixed income business is undertaken through the following operations:

#### *MTS*

MTS provides regulated electronic trading platforms for intermediaries' secondary trading of European wholesale government bonds and other types of fixed income securities.

MTS is authorised to conduct its activities by Italy's Ministry for the Economy and Finance, and is regulated by the Bank of Italy and Commissione Nazionale per la Società e la Borsa (**CONSOB**). It covers the national debt markets of 12 Eurozone members and government bond markets of other countries. Average daily volume across MTS platforms exceeds €85 billion.

The MTS market model uses a common trading platform for all domestic marketplaces, while corporate governance and market supervision are based on the respective national regulatory regimes.

MTS operates three distinct fixed income markets:

- *MTS Cash*—an electronic market for dealers of fixed income products, with over 100 counterparties trading on the system each day. Market participants benefit from access to a liquid, transparent and efficient European bond marketplace. EuroMTS is a segment of the MTS cash market consisting of the most liquid Euro benchmark products.
- *MTS Repo*—an electronic market for repo agreements and buy/sellbacks through an efficient order-driven marketplace alongside request-for-quote and OTC booking functionalities. The market unites over 150 unique participants across Europe, including international and domestic banks and institutional buy-side clients, to offer significant liquidity across all the Eurozone repo markets.
- *BondVision*—a multidealer-to-client electronic bond trading system that provides over 350 European buy-side clients with direct access to real-time tradeable prices from market makers on over 2,000 fixed income products.

MTS also delivers real-time tradeable prices across the European government, quasi-government and covered bond market and calculates MTS indices.

#### *MOT*

MOT is the fixed income, electronic order driven retail market operated by Borsa Italiana. It has two different segments, defined according to the central securities depository, which is an entity that holds and administrates securities and enables securities transactions to be processed by book entry transfer (**CSD**), in which the fixed income instruments are deposited: DomesticMOT (for bonds deposited in Monte Titoli, the Italian CSD) and EuroMOT (for bonds deposited in a CSD that holds and administrates international securities and enables cross-border transactions to be processed by book entry transfer (**ICSD**)).

In June 2009, Borsa Italiana launched ExtraMOT, a Multilateral Trading Facility regulated by Borsa Italiana, for the trading of corporate Eurobonds.

## *ORB*

ORB was launched on 1 February 2010 and is the London Stock Exchange's electronic order book for bonds aimed at private investors and retail brokers. The ORB offers a range of gilts, corporate and supranational bonds. It operates as an open, electronic order-driven market with dedicated market makers committed to quoting two-way tradeable prices on-screen throughout the trading day. The ORB market offers trading in smaller sizes by value to appeal to retail investors.

In addition, within the markets for conventional debt securities, London Stock Exchange also promotes its offerings in Islamic finance. Islamic bonds intended to comply with Sharia law (**Sukuk Instruments**) can be listed and admitted to either the Main Market or the Professional Securities Market. There are currently over 30 Sukuk Instruments admitted to London Stock Exchange's markets, making it one of the most important international listing venues for Islamic finance. Issuers of these instruments have predominantly been Islamic banks and sovereign issuers based in the area of political and economic union of six gulf states (**Gulf Cooperation Council**).

## **2 Post-trade services**

The Group's post-trade services are primarily operated through CC&G, which provides clearing and CCP services for Italian and EU equities and Italian fixed income, and Monte Titoli, which provides settlement and CSD services for Italian securities.

### *2.1 Cassa di Compensazione e Garanzia S.p.A*

Established in 1992, CC&G manages the Italian CCP guarantee system. The main services offered include granting of anonymity, interposition (trade date novation), netting by novation, position-keeping, risk management, collateral management, reporting, delivery of settlement instructions to the securities settlement system, interoperability between CCPs, fails management and buy-in procedures for Italian and EU equities.

CC&G, by serving as the guarantor of final settlement of contracts and as buyer towards each seller and seller towards each buyer, eliminates counterparty risk. CC&G's activities are performed under the supervision of the Bank of Italy and CONSOB, which approve CC&G's regulations that it puts in place for its members.

In 2009, CC&G was granted the status of an overseas clearing house, which is a recognised clearing house approved by the FSA (**Recognised Overseas Clearing House**) to operate in the UK.

### *Markets guaranteed*

CC&G acts as clearing house and CCP for transactions executed on or through the following Group markets: IDEM, IDEX, MTA, ETFplus, MOT and MTS. CC&G also acts as a clearing house and CCP to the electronic IDB platform owned by ICAP plc (**BrokerTec**) for Italian government bond cash and repo transactions.

CC&G also provides a guarantee service for the New MIC, the interbank collateralised deposit market in Italy. The New MIC was launched in October 2010 as a successor to the original interbank collateralised deposit market in Italy operated by Bank of Italy prior to the introduction of the New MIC in October 2010 project, which was created to stimulate the Italian market after the financial crisis in 2008 and operated with the Bank of Italy as its guarantor.

The bond and repo markets are guaranteed within the interoperability agreement framework between CC&G and LCH.Clearnet SA.

### *Risk management*

CC&G has a tiered membership structure based on three participation-based categories. Margin requirements are applied for each type of financial instrument guaranteed by CC&G. These requirements are aimed at covering, in all but extreme market conditions, the potential losses that would result from the closure of an insolvent member's open positions. Different levels of margin requirements are used, depending on the nature and level of liquidity of the product. CC&G's risk committee autonomously sets the liquidity parameters, using analysis conducted by CC&G's risk management department.

## 2.2 Monte Titoli S.p.A.

Monte Titoli is the Italian CSD and settlement company. It is authorised to perform these activities by the Bank of Italy and CONSOB, the Italian authorities with regulatory and supervisory powers over the Italian financial system.

### *Legal framework and supervision*

A specific legal and regulatory framework in Italy is in place to cover the provision of both the CSD and settlement system. The main regulatory and supervisory authorities are the Bank of Italy (for stability and systemic risk containment) and CONSOB (for investor protection). The operation of the clearing and settlement service is the primary responsibility of the Bank of Italy, in agreement with CONSOB. CONSOB has primary responsibility over the CSD system.

### *Custody services*

Monte Titoli performs custody services for a wide range of financial instruments encompassing government securities, corporate bonds (including ABSs), shares/covered warrants and mutual investment funds (closed-end funds, property funds and ETFs). Approximately 98.9 per cent. of securities held in Monte Titoli are in dematerialised (i.e. electronic) form. The remaining percentage of securities are held as global or jumbo certificates, but managed in book entry form.

### *Pre-settlement and settlement*

Monte Titoli manages X-TRM, the daily matching and routing system that carries out acquisition, matching and routing of transactions to the net settlement service provided by Monte Titoli (**EXPRESS II**) or to foreign settlement systems. X-TRM is a multi-purpose post-trade, pre-settlement engine, which undertakes post-trade activities such as transaction management (including matching of OTC transactions and data enrichment), settlement instruction routing, claim and compensation management and operational reporting. It also interacts with CCPs, offering specific functionalities designed to support their activities (such as the novation of guaranteed transactions and the creation of bilateral balances).

EXPRESS II is Monte Titoli's settlement platform for the performance of settlement in non-derivative financial instruments, integrating net with gross settlement functionalities and offering optimisation mechanisms for effective management of securities portfolios. EXPRESS II has been used as the benchmark by the Eurosystem for the development of Target2 Securities (the European Central Bank's project to deliver a single central settlement process for securities within the Eurozone and other participating countries).

## 3 Information services

The information services business delivers real-time and historical market data, along with other securities information, ensuring efficient price discovery and comprehensive market intelligence for investors. It also includes FTSE, a provider of investment decision support tools including benchmarking and index licensing products and related analytical tools.

Principal sources of revenue for this segment include:

### 3.1 FTSE

FTSE creates and manages over 200,000 equity, bond and alternative asset class indices.

FTSE indices are used by a range of investors, including consultants, asset owners, fund managers, investment banks, stock exchanges and brokers. They are typically used for the purposes of:

- performance measurement;
- investment analysis, asset allocation and portfolio hedging;
- creation of index tracking funds and ETFs; and
- creation of derivatives and structured products.

FTSE's revenues originate from two main sources: (i) sale of real-time and end-of-day data and performance benchmarks services; and (ii) licensing of the FTSE trademark for use in financial products, including index funds, ETFs, derivatives and structured products. There has been a particular focus on

growing FTSE's share of global ETF assets under management. There are over 170 ETFs linked to FTSE indices, representing approximately US\$55 billion assets under management (as at the end of December 2011). ETFs based upon the FTSE 100 and the index calculated by FTSE which represents approximately 80 of the largest and most liquid Chinese stocks (**FTSE China**) are among Europe's and the world's top 20 ETFs respectively, as measured by average daily number of shares traded.

### 3.2 *Real-time data*

The Group's real-time data business manages dissemination of data from the UK's Millennium Exchange and Italy's Diffusione Dati di Mercato, the data dissemination platform for Italian markets (**DDMplus**). These systems are key reference points for the UK and Italian cash markets for trading participants and investors. The Group provides real-time data on a range of tradeable instruments, across cash equities, covered warrants, ETFs, derivatives, fixed income and indices. Real-time data is distributed through direct network coverage to 130 institutions and also through a further network across 370 licensed redistributors to reach a diverse audience of millions globally.

The London Stock Exchange's and Borsa Italiana's market data comprises several levels of data, including trade prices, volumes and a fully visible tick-by-tick order book. Each level of data is designed to suit the needs of different users, whether actively trading on the markets or using the service to inform trading, investment or other business decisions:

- level 1 data offers real-time best prices, volumes, trade reports and a range of key added value information allowing users to gauge the underlying market depth and liquidity of securities;
- level 2 data is the most comprehensive service providing full-depth of the market, tick-by-tick; and
- post-trade data offers on and off book trade reports to aid activities, including transaction cost analysis, and to enhance consolidated views of the trading landscape.

Recent commercial and technical developments include:

- introduction of the post-trade data service—increasing the availability of high quality, post-trade content in a multi-venue MiFID environment;
- new service tiers for UK private investors; and
- introduction of ITCH protocol, a low-latency and low-bandwidth direct delivery protocol.

### 3.3 *UnaVista*

UnaVista is a secure, hosted platform for providing matching, validation and reconciliation services. UnaVista offers a range of business solutions within three areas: post-trade services, data solutions and reconciliations.

UnaVista post-trade services include three main products:

- Transaction reporting—UnaVista transaction reporting combines validation with intuitive and practical functionality. It provides additional validation above and beyond what is mandated by financial regulators providing confidence from compliance to operations and ensuring MiFID transaction reporting obligations are met;
- Confirmations portal—the UnaVista confirmations portal helps brokers, investment managers, prime brokers and others communicate and match post-trade data reliably and simply. UnaVista provides a global, fully audited service through which both large and small firms can exchange information. UnaVista works across asset classes and can be used to communicate and match any data, including confirmations, allocations, give-ups and settlement instructions; and
- Swaps portal—the UnaVista swaps portal provides a fully audited communication channel for all parties involved in the contract for difference (**CFD**) process. Prime brokers, hedge funds and executing brokers can track their trades electronically, improving efficiency and reducing risk, whilst ensuring they meet compliance requirements.

UnaVista Data Solutions is a suite of reference and historical data products designed to help firms create a master copy of data that is validated and verified from a number of independent sources (**Golden Copy**) of data. Products include the Daily Official List produced by London Stock Exchange (**DOL**) and high quality corporate actions data.

UnaVista Reconciliations offers a flexible approach to matching requirements. Combining a hosted approach with fast implementation time, UnaVista unites a range of functionality, including intuitive matching and workflow capabilities. UnaVista performs a range of reconciliations from straightforward cash and stock position reconciliation to more complex inter-system, inter-company and data validation processing.

### 3.4 *SEDOL*

SEDOL is the London Stock Exchange's global, multi-asset class reference data service, providing unique identification codes for global securities covering both listed and unlisted instruments and all asset classes.

SEDOL is hosted on a web browser that operates for 24 hours a day, seven days per week, allowing real-time creation and functionality. SEDOL codes are also available via a customised pre-allocation service so that issuers can improve new issuance processing time frames. The London Stock Exchange's expanding securities identification service (**SEDOL Masterfile**) is a database of over 20 million unique identification numbers (SEDOL codes) for securities, sourced from over 80 countries worldwide.

The London Stock Exchange is the UK representative of the Association of National Numbering Agencies. As such, it allocates UK ISINs.

### 3.5 *RNS*

RNS is an information dissemination provider approved by the FSA and whose name is set out in the list maintained by the FSA (**Regulatory Information Service**) for regulatory news and non-regulatory news disclosure and helps companies and their intermediaries fulfil their UK and other global regulatory disclosure obligations.

Over 200,000 announcements are processed by RNS each year, covering the majority of all price-sensitive UK company announcements. Releasing announcements through RNS ensures company information is distributed immediately and accurately in full text and in a variety of formats. Announcements are visible to the investment community via a vast array of terminals, databases and financial websites worldwide, including Thomson Reuters, Bloomberg, Dow Jones and London Stock Exchange's own corporate website.

### 3.6 *Proquote*

Proquote provides the following reference data services, desktop market data solutions and order and execution management systems to UK and Italian customers:

- Proquote Feed—an easily managed and low latency multiple exchange real-time data feed;
- Proquote Web—which allows easy and intuitive access to market quotes and financial content, through a web browser targeting bank branches and basic online traders;
- Proquote Client—a professional trading screen, which includes MiFID pre-trade, post-trade and best execution services, enabling customers to verify the quality of execution, and other order-routing facilities; and
- Proquote IR Solution—a wide range of services for institutional corporate websites and online investor relations, including corporate website and investor relations sections design, development and advisory services.

## 4 **Technology services**

Technology services encompass two principal streams:

### 4.1 *MillenniumIT*

On 16 October 2009, the Issuer acquired MillenniumIT, a Sri Lankan-based technology services company. MillenniumIT's corporate headquarters and software development operations are located in Colombo, Sri Lanka.

MillenniumIT has two divisions:

- *MillenniumIT Software*, which supplies, implements and supports a suite of capital markets products that include trading platforms, smart order routers, surveillance, clearing and CSD products. These

products cater to trading multiple asset classes, including cash equities, derivatives, debt, commodities, foreign exchange, structured products and ETFs.

- *MillenniumESP*, which provides enterprise and telecom solutions. In the telecom sector, MillenniumESP's focus on next generation networks has come about through a close partnership with Cisco Systems. In partnership with Sun Microsystems, Oracle and other large IT suppliers, MillenniumESP designs and builds open, standards-based IT infrastructure for large- and medium-sized enterprises.

#### **4.2 Other technology services**

The Group also offers a suite of technology services for client access and connectivity to a variety of trading and real-time market data services. London Stock Exchange provides a co-location service called "Exchange Hosting", which allows ultra-low latency sensitive trading clients to place servers running their trading operations in London Stock Exchange's data centre, thereby significantly reducing network latency and providing high performance trading access.

### **5 Recent Developments**

#### **5.1 LCH Acquisition**

##### *Transaction terms and implementation*

Assuming completion of the LCH Acquisition, the Group will become the majority owner of LCH.Clearnet, holding up to 60 per cent. of the issued share capital of LCH.Clearnet. The balance of the issued share capital of LCH.Clearnet will be held by existing LCH.Clearnet shareholders (including many major customers of LCH.Clearnet) and any new venue partners agreed by the Issuer (with the approval of LCH.Clearnet) that wish to acquire LCH.Clearnet shares. The governance arrangements relating to the LCH.Clearnet group will reflect its ownership structure and the need for compliance with applicable regulations. Filings have been made with all relevant competition and other regulatory authorities. In relation to competition clearances, approval has already been obtained from the Spanish competition authority. The reviews of the competition authority in Portugal and of the Office of Fair Trading in the UK are ongoing. The reviews of other regulatory authorities are also ongoing. It is targeted that all necessary outstanding clearances and approvals will be received during Q4 2012. It is possible that the Issuer and LCH.Clearnet will need to extend the transaction timetable into 2013 if the Office of Fair Trading refers the transaction for review by the Competition Commission or if other approvals are not received by the end of Q4 2012. The extension of the transaction timetable, recent regulatory developments (set out in paragraph 5.2 below) and any consequent or other amendments to the Implementation Agreement may require the Issuer to hold a further shareholder meeting. The recent regulatory developments impacting CCPs, and the Issuer's discussions with LCH.Clearnet in relation to these, are described below.

##### *LCH.Clearnet Group*

The LCH.Clearnet Group is a leading user-owned and user-governed CCP group, serving major international trading venues and customers, as well as a range of OTC markets.

For the year to 31 December 2011 the LCH.Clearnet Group recorded a total income of €391.5 million (2010: €355.6 million).

LCH.Clearnet is a private limited company, registered in the UK. It is a holding company created as part of the merger of London Clearing House and Clearnet S.A. in 2003 and oversees its two wholly owned operating subsidiaries, LCH.Clearnet Limited (incorporated in the UK) and LCH.Clearnet S.A. (incorporated in France). LCH.Clearnet Limited is a Recognised Clearing House regulated by the FSA. LCH.Clearnet S.A. is a credit institution and clearing house regulated by a regulatory college of central banks and market regulators from France, Netherlands, Belgium and Portugal. LCH.Clearnet Limited and LCH.Clearnet S.A. are subject to regulation by a number of other regulators and/or central banks in many of the jurisdictions in which they operate. In other jurisdictions, LCH.Clearnet Limited and/or LCH.Clearnet S.A. have been granted exemptions from local licensing requirements, notably in Germany and Ontario, Canada. Another subsidiary of LCH.Clearnet, LCH.Clearnet (Luxembourg) S.à.r.l., serves as a holding company for the LCH.Clearnet Group's intellectual property.

## CCP

As a CCP, the relevant LCH.Clearnet Group company registers and processes trades and assumes the counterparty risk involved when two parties (or members) trade and clear the trade through the relevant LCH.Clearnet Group company.

By assuming the counterparty risk, the LCH.Clearnet Group underpins many important financial markets, facilitating trading and increasing confidence within the market.

### *Asset classes*

The LCH.Clearnet Group performs clearing and risk management services for a broad range of asset classes (including: equity securities; commodities; fixed income products, such as euro and sterling denominated bonds and repos; energy, freight, metals contracts and exchange traded derivatives; and OTC derivatives, including interest rate swaps and CDSs) and works closely with market participants and trading venues to identify and develop clearing and risk management services for new asset classes. In particular, the LCH.Clearnet Group has strong CCP offerings in:

- cash equities (16 per cent. of 2011 total revenues): the LCH.Clearnet Group is a European equity CCP, providing clearing and risk management services to clients for equities and equity equivalents, including ETFs and REITs;
- fixed income (29 per cent. of 2011 total revenues): the LCH.Clearnet Group is a clearer of fixed income and repo products, offering a broad set of services, including classic repos, buy-sell back repos and cash bonds;
- commodities, comprising metals (7 per cent. of 2011 total revenues) and freight and energy (3 per cent. of 2011 total revenues): the LCH.Clearnet Group provides clearing and settlement services for both the exchange traded and OTC commodity markets;
- listed derivatives (24 per cent. of 2011 total revenues): the LCH.Clearnet Group provides clearing, risk management and support services for listed derivatives (NYSE Liffe and NYSE Euronext); and
- OTC derivatives (22 per cent. of 2011 total revenues): SwapClear is a global service which provides clearing services to the current relevant OTC interest rate swaps market. The LCH.Clearnet Group also provides a clearing and risk management service relating to European CDS contracts.

The LCH.Clearnet Group has developing operations in the following growth areas: contracts for difference, energy, precious metals, iron ore, steel, agricultural commodities and emissions and environmental risk management products. LCH.Clearnet also announced earlier this year that it has launched CDS and FX derivatives clearing and risk management services.

On 14 March 2012, LCH.Clearnet, New York Portfolio Clearing LLC, The Depository Trust & Clearing Corporation and NYSE Euronext jointly announced that they had agreed to explore expanding the existing combined “one-pot” cross-margining arrangement to include interest rate swaps cleared by LCH.Clearnet.

On 28 March 2012, LCH.Clearnet and NYSE Euronext released announcements regarding NYSE Euronext’s European clearing strategy, including the proposed termination of certain of the companies’ business relationships and their intention to agree a long term clearing arrangement with respect to NYSE Euronext’s continental regulated cash equities markets. On 29 June 2012, NYSE Euronext confirmed that its London derivatives market, LIFFE Administration and Management, had given formal notice of termination with respect to the services provided to it by LCH.Clearnet to support NYSE Liffe Clearing.

On 15 August 2012 LCH.Clearnet announced its acquisition of International Derivatives Clearing Group, LLC from The NASDAQ OMX Group, Inc. and certain other investors, which (subject to regulatory approval) will enable LCH.Clearnet to operate a U.S. domiciled CCP.

### *Implementation Agreement*

On 9 March 2012 the Issuer entered into an implementation agreement with LCH.Clearnet in relation to the LCH Acquisition (the **Implementation Agreement**), as further described on pages 127–131 of the “Recommended cash offer by London Stock Exchange (C) Limited for LCH.Clearnet Group Limited” Circular to London Stock Exchange Group Shareholders dated 16 March 2012 which are incorporated by reference into this Prospectus.



The principal matters covered by the Implementation Agreement are implementation of the LCH Acquisition, conduct of the business of LCH Clearnet between announcement of the LCH Acquisition and Completion, restrictions on the solicitation of offers for 30 per cent. or more of the voting rights of the shares of either party and on offers for certain significant acquisitions and disposals, the circumstances in which the Implementation Agreement may be terminated by the parties (including in relation to acceptances, withdrawal of recommendation, regulatory and merger control approvals, withdrawal or changes to relevant regulatory licences, material adverse regulatory developments, material breach of certain pre-completion obligations, confirmation that the Issuer will not become a Financial Holding Company following completion of the LCH Acquisition, the announcement of a relevant takeover offer for the Issuer and the failure of completion of the LCH Acquisition to occur prior to 31 December 2012 or such later longstop date as may be agreed between the parties), the payment of a break fee of €7 million by either party in certain circumstances (including withdrawal of recommendation that results in termination of the Implementation Agreement), the payment of a special dividend to LCH Clearnet shareholders and the right and obligation of the Issuer to subscribe for at least 50 per cent. of LCH.Clearnet plus one share.

## **5.2 Regulatory Developments impacting CCPs**

On 28 September 2012, the Issuer announced that the ESMA and the EBA had both published the advice that they have provided to the European Commission in connection with new technical standards for the regulatory requirements for European central counterparties (“CCPs”) under EMIR.

These proposed regulatory changes come at a time of rapid development within the financial services industry and, in particular, the capital markets infrastructure sector. On-going regulatory developments and an industry increasingly focused on transparency and risk management are driving new regulatory requirements for central clearing, including in OTC derivatives, alongside heightened customer demand for post-trade services. The Issuer regards the introduction of measures designed to broaden the role of CCPs as a positive development and the ESMA/EBA proposals to strengthen them should be viewed in this context. The changes are summarised in the risk factors on pages 29-34.

Initial guidance in relation to the implications of the advice for CC&G and LCH.Clearnet is as follows. As the advice is subject to European Commission review, the position may be subject to change.

### **CC&G**

CC&G holds approximately €100 million of capital available for regulatory requirements. Assuming the European Commission endorses the regulatory technical standards in the form of the advice published the Issuer’s current expectation is that, although the new regulatory framework is likely to provide more stringent rules on regulatory capital, the requirements would be met from CC&G’s existing capital resources and current year profit generation.

As previously indicated, the Issuer expects that as market conditions improve and increasing stability returns to the inter-bank market this will result in a more normalised return, compared to recent elevated levels, from its treasury management activities. The recommendations as published by ESMA, if adopted in their current form, would further reduce net treasury income in the group’s financial year ended 31 March 2014 as a consequence of the proposed requirements in relation to deposits of collateral<sup>(2)</sup>. However, although CC&G will gradually adapt its investment policy in advance of the mandatory enforcement, according to the Issuer’s initial estimates this potential decrease is not expected to have a material impact on current FY 2013 market estimates for net treasury income.

### **LCH.Clearnet**

In response to the published advice, LCH.Clearnet announced on 28 September 2012:

- (i) that if the new recommendations are adopted in the form set out by ESMA/EBA, LCH.Clearnet Group estimated that it would increase its regulatory capital by approximately €300 million to €375 million which it intended to have in place during the first half of 2013 in order to comply with the new regulations in advance of applicable regulatory deadlines;
- (ii) in relation to the EMIR provision that a CCP’s cash deposits placed with financial institutions shall be subject to collateralised arrangements, that LCH.Clearnet is already in compliance with ESMA’s

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(2) This reflects the recently occurring large difference existing in the Italian money market between the interest rate paid on cash deposits and that available in the repo market (or other “secured” investments).

recommendation that 95 per cent. of such cash deposits must be collateralised with debt instruments meeting certain conditions regarding, amongst other things, liquidity and credit and market risk;

- (iii) that LCH.Clearnet will consult with its core shareholders regarding the capital requirements and is confident that it will comply with the new regulations. LCH.Clearnet will work in close cooperation with its board and members to assess the impact of the recommendations with a view to ensuring that it can continue to deliver an acceptable return on its capital employed for the benefit of its current and future shareholders;
- (iv) LCH.Clearnet, in accordance with its ongoing business strategy, continues to implement further product growth and geographic expansion, develop new trading venue relationships, and expand its client clearing and risk management services, while continually reviewing its pricing and expense base. Any future business plans and financial projections will take into consideration the finalised implications of the capital requirements referred to above. In addition, LCH.Clearnet expects to further strengthen the growth of its leading clearing businesses, following significant regulatory changes requiring additional OTC instruments to be cleared through a CCP.

The Issuer continues to seek opportunities to accelerate its diversification and growth, particularly in the post-trade sector, as well as develop deeper relationships with customers and other trading venues. The Issuer believes that the combination with LCH.Clearnet continues to meet those strategic objectives whilst maintaining a user-governed, open access and non-discriminatory service provider model. Whilst the Issuer is confident in its ability to make a capital contribution, the Issuer is in discussions with LCH.Clearnet regarding the potential financial implications of both the ESMA's and the EBA's recommendations and the measures LCH.Clearnet is exploring to ensure it can continue to deliver an acceptable return on its capital employed.

## REGULATION OF THE GROUP

*This section describes the regulatory regime in each of the core jurisdictions in which the Group operates.*

### **1. UK, Italian and European regulatory matters**

The LSEG Group currently comprises a number of regulated companies in various European countries. The principal regulated entity in the UK is the London Stock Exchange, which is a UK RIE regulated by the FSA. The London Stock Exchange operates a number of different markets under its RIE status, including the Main Market and AIM, its growth market. The Main Market is a regulated market for the purposes of MiFID, while AIM is a Multilateral Trading Facility for the purposes of MiFID. As well as its RIE, the group also contains two UK firms, Turquoise Global Holdings Limited and EuroMTS Limited, which are not RIEs but are authorised by the FSA to undertake a variety of regulated activities including operating Multilateral Trading Facilities and arranging deals in investments. The UK regime for RIEs and authorised firms is described in the UK Regulatory Matters section below.

In Italy, the LSEG Group's operations include Borsa Italiana, which is regulated by CONSOB in Italy. Like the London Stock Exchange, Borsa Italiana operates a number of different markets, including the Borsa Italiana MTA market, which is a regulated market for the purposes of MiFID, and Borsa Italiana AIM Italia-MAC market, which is a Multilateral Trading Facility for the purposes of MiFID. In addition, MTS is the parent company of the operator of the Italian wholesale regulated market for Italian government bonds and other fixed income securities, which is regulated and supervised by the Bank of Italy. The LSEG Group's Italian operations also include Monte Titoli which is the settlement system and central securities depository in Italy and CC&G, which acts as the CCP for Borsa Italiana. Monte Titoli and CC&G are authorised and supervised by both the Bank of Italy and CONSOB. The Italian regulatory regime is described in the Italian Regulatory Matters section below.

The LSEG Group also has a regulated Subsidiary in France, MTS France, which is authorised as an investment firm operating a Multilateral Trading Facility. MTS France is regulated in France by both the *Autorité de contrôle prudentiel (ACP)* and the *Autorité des marchés financiers (AMF)*.

#### **UK regulatory matters**

##### *Overview of UK regulatory regime*

The primary statute covering financial services in the UK is FSMA, which sets out the framework for the regulatory system and provides the FSA with statutory objectives and powers as the single statutory financial services regulator in the UK.

Section 19 of FSMA prohibits any person from carrying on a regulated activity in the UK unless that person is authorised by the FSA or exempt (the **general prohibition**). Regulated activities include dealing in investments, arranging deals in investments and operating a Multilateral Trading Facility. A person operating an exchange or similar execution venue which brings together buyers and sellers of investments and through which contracts in those investments are concluded is likely to be carrying on certain regulated activities (including arranging deals in investments) and would therefore either need to be authorised by the FSA or exempt.

##### *RIE regime*

Section 285 of FSMA provides that an RIE is an exempt person in respect of any regulated activity which is carried on as part of its business as an investment exchange. Consequently, a person operating an exchange in the UK could seek exemption from the general prohibition by obtaining RIE status. In order to become, and remain, recognised as an RIE an investment exchange must satisfy the FSA that it meets the Recognition Requirements at all times.

The Recognition Requirements in respect of an investment exchange relate to, among other things, its financial resources, its fitness and propriety, its systems and controls, its oversight of how business is conducted using its facilities, the prevention of financial crime and market abuse, access to its facilities, the availability of pre- and post-trade information, clearing and settlement, its rules on admission of financial instruments to trading and its default rules (which enable action to be taken in respect of unsettled market contracts in the event of a member default).

### *Supervision of RIEs by the FSA*

The FSA expects to have an open, co-operative and constructive relationship with an RIE. Accordingly, the FSA holds regular meetings with senior management in the LSEG Group as part of its supervision of the London Stock Exchange. The FSA applies ARROW to the London Stock Exchange. A RMP is produced annually for the London Stock Exchange.

An RIE is subject to a number of formal notification requirements which oblige it to notify the FSA if certain events occur, for example, changes to key individuals at the RIE, disciplinary action taken by the RIE against a member and the default of a member. RIEs must also provide regular information to the FSA, including annual reports and accounts.

### *Members of the London Stock Exchange*

In order to satisfy the Recognition Requirements relating to access to its facilities, the rules of the London Stock Exchange provide that its members must be authorised under relevant UK or appropriate overseas legislation (or be otherwise appropriate to be a member). Members must have adequate trade execution, recording, reporting and settlement procedures and systems and, if relevant, order and quote management procedures and systems, adequate internal procedures and controls and sufficient staff (including compliance officers) with adequate knowledge, experience and competence.

### *Authorised firm regime*

As an alternative to seeking exemption as an RIE, a person wishing to operate an exchange or similar trading venue may apply to the FSA for a permission under Part IV of FSMA to carry on the relevant regulated activities as an authorised person.

In order to obtain and retain authorisation, an applicant must satisfy the FSA that it meets the threshold conditions set out in FSMA at all times. These include conditions which relate to, among other things, the adequacy of the applicant's resources, the effect which an applicant's close links with another person could have on the FSA's supervision of the applicant and the fitness and propriety of the applicant.

If the applicant is seeking permission to operate a Multilateral Trading Facility it must also satisfy the specific requirements set out in Chapter 5 of the Market Conduct Sourcebook of the FSA Handbook, which apply on an ongoing basis. The requirements relate to, among other things, safeguards for investors (for example, transparent and non-discretionary rules and procedures for fair and orderly trading), the availability of information, rules for the admission of financial instruments to trading, access to facilities, settlement and clearing, oversight of how business is conducted using the Multilateral Trading Facility's facilities and the prevention of financial crime and market abuse.

A number of other regulatory requirements are imposed on authorised firms, including those operating Multilateral Trading Facilities, in the FSA Handbook. These include requirements which relate to, among other things, the adequacy of an authorised firm's financial resources (including capital and liquidity resources), systems and controls, outsourcing and conduct of business (for example, requirements to act honestly, fairly and professionally in accordance with the best interests of clients and to provide certain information to clients).

An authorised firm must take reasonable care to ensure that no person performs a "controlled function" for the firm (for example, the director function or the compliance function) unless the FSA has approved that person to perform the relevant controlled function. The FSA may grant its approval only if the candidate is a fit and proper person and it may withdraw its approval if it considers that the person is not fit and proper to perform the controlled function. Approved persons must comply with the Statements of Principle and a Code of Practice set out in the FSA Handbook.

### *FSA supervision of authorised firms*

The authorised firms in the LSEG Group, Turquoise Global Holdings Limited and EuroMTS, are supervised by the same team within the FSA that supervises the London Stock Exchange. Issues relating to the authorised firms are also addressed in regular meetings that take place between the firms and the FSA. The authorised firms are also subject to the FSA's ARROW process and annual RMP.

In addition, as for RIEs, authorised firms are subject to a number of formal notification requirements, which oblige firms to inform the FSA upon the occurrence of certain events. Authorised firms are required to disclose to the FSA under Principle 11 of the FSA's Principles for Businesses "anything relating to the

firm of which the FSA would reasonably expect notice". Authorised firms which have permission to operate a Multilateral Trading Facility are also specifically required to inform the FSA of: (i) significant breaches in the firm's rules; (ii) disorderly trading conditions; and (iii) conduct that may involve market abuse.

#### *FSA enforcement powers in respect of RIEs and authorised persons*

Under FSMA, the FSA has certain, specific powers in relation to RIEs. The FSA may give directions to an RIE who has failed, or is likely to fail, to satisfy the Recognition Requirements or has failed to comply with any other obligation imposed on it by or under FSMA. The FSA may direct the RIE to take specified steps to secure compliance, which may include the suspension of the carrying on of regulated activities by the RIE.

The FSA also has a wide range of powers in relation to authorised firms, including significant information gathering and investigation powers. Disciplinary sanctions include private warnings, public censure and financial penalties. The FSA may, on its own initiative, vary or cancel an authorised firm's Part IV FSMA permission in certain circumstances, including where it appears to the FSA that the firm is failing, or is likely to fail, to satisfy the threshold conditions or where it is desirable to exercise the power in order to meet any of the FSA's regulatory objectives.

#### *Proposed resolution regime for non-banks*

In August 2012, the UK government issued a consultation paper on proposals for a UK resolution regime for non-banks, including investment firms, RIEs, CCPs and parent undertakings of deposit-taking institutions and investment firms. The government is proposing to extend the resolution powers under the Banking Act 2009 to cover investment firms and their parent undertakings, including powers for the Bank of England to transfer some or all of the securities or business of an investment firm or its parent undertaking to a commercial purchaser or bridge firm, and a power for HM Treasury to transfer securities of an investment firm into temporary public ownership. For non-CCP financial market infrastructures, including RIEs, the government is considering whether to strengthen the existing insolvency arrangements or, additionally, to develop a new, comprehensive resolution framework, which could include giving the authorities powers to, for example, transfer some or all of the RIE's operations to a third party provider or to a bridge firm controlled by the UK resolution authority and loss allocation or cash-call powers under which the RIE's owners or members/users could be required to bear losses and/or provide additional funding in order to allow for continuity of service to be preserved (potentially subject to some kind of capped arrangement).

#### *Proposed changes to the UK regulatory structure*

In the UK, the regulatory structure is in the process of being recast. The financial services bill currently making its way through Parliament will amend FSMA by replacing the FSA with two new regulators: the PRA (broadly responsible for micro-prudential regulation) and the FCA (broadly responsible for conduct, markets and consumer protection).

The FCA will be solely responsible for the conduct and prudential regulation of RIEs, such as the London Stock Exchange. Authorised firms that operate Multilateral Trading Facilities, such as Turquoise Global Holdings Limited and EuroMTS, will also be regulated by the FCA as to both conduct and prudential matters. Recognised Clearing Houses (**RCHs**) will be regulated by the Bank of England.

The FSA has estimated that, subject to the parliamentary timetable, the new regulatory structure will come into effect in April 2013.

#### *Italian regulatory matters*

##### *Overview of Italian regulatory regime*

The primary piece of legislation governing financial services in Italy is the TUF.

The TUF sets out, *inter alia*, the minimum standards for organisation and management of financial markets, centralised management of financial instruments, corporate governance of listed companies and allocates responsibilities among the Ministry for Economy, CONSOB and the Bank of Italy with regard to the supervision of the regulated markets.

Article 61 of the TUF provides that the management of regulated markets is a regulated activity, subject to administrative authorisation and public oversight.

In order to become and remain authorised to manage regulated markets, a company must satisfy the requirements set out under the TUF and under implementing regulations issued by CONSOB, Italy's Ministry for Economy and by the Bank of Italy (as the case may be, depending on the type of financial instruments traded in the relevant market), which include the following:

- the company must have an exclusive corporate purpose, restricted to the organisation and management of regulated markets and to activities ancillary or instrumental thereto;
- the exchange must have financial resources sufficient for the proper performance of its functions;
- persons performing management and oversight functions at the company must comply with specific experience, integrity and independence requirements; and
- shareholders holding a participation higher than 5 per cent. of the corporate capital with voting rights must comply with specific integrity requirements.

In addition, the regulated markets, as such, must become authorised by CONSOB in agreement with the Bank of Italy, if the market relates to private and public debt securities other than government securities (*Titoli di Stato*), as well as markets of money market instruments and financial derivatives based on public securities, interest rates and currencies. As to the market of governmental bonds (*Titoli di Stato*), Italy's Ministry for Economy may derogate from these provisions, having heard CONSOB and the Bank of Italy. In order to become and remain so authorised, they must fulfil particular requirements, which include the following:

- the management company must fulfil the requirements set out above; and
- the market rules must be compliant with community law and must be suitable to ensure market transparency, orderly trading and investors' protection.

CONSOB is the body responsible for authorising stock markets and (upon consultation with the Bank of Italy) wholesale corporate bond markets and (upon consultation with the authority for energy and gas) derivative markets on energy and gas. The Ministry for Economy and the Bank of Italy are the bodies responsible for authorising wholesale government bond markets.

#### *Regulation of Borsa Italiana*

Borsa Italiana is the group parent of the Borsa Italiana group and is responsible for the organisation and management of the Italian stock exchange. The group includes three Subsidiaries that perform regulated business: MTS Group, Monte Titoli and CC&G.

Borsa Italiana is regulated and supervised by CONSOB. Any amendments to its by-laws or to the market rules must be approved by CONSOB. CONSOB is entitled to request that the market rules be changed and other decisions be taken by Borsa Italiana in accordance with CONSOB's requirements. In urgent cases, CONSOB is entitled to step in and directly take any necessary measures. In case of serious irregularities, CONSOB is entitled to withdraw any authorisations granted to Borsa Italiana.

MTS is the parent company of the operator of the Italian wholesale regulated markets for Italian government bonds and other fixed income securities. In operating such a market, it is regulated and supervised by the Bank of Italy, which can exercise substantially the same powers of CONSOB. MTS is also authorised to operate the wholesale market for corporate bonds. In operating such markets, it is regulated and supervised by CONSOB.

In their capacity as operators of regulated markets, Borsa Italiana and MTS are subject to a number of regulatory requirements. In particular, they must:

- adopt appropriate measures to identify and manage conflicts of interests between the regulated markets and their owners or managers;
- adopt appropriate measures to identify, mitigate and manage any risks to which they are exposed;
- ensure the sound management of technical operations relating to the trading systems, including effective arrangements for business continuity in case of system failures; and

- implement effective mechanisms to facilitate the efficient and timely conclusions of transactions executed on the markets.

To this end, they must inform the competent regulators on matters such as projects for the acquisition of participations in other companies which exclusively or substantially carry on selected activities only.

Moreover, all business plans submitted to the board of directors shall be sent to CONSOB, together with information on timing and manner of implementation. Agreements submitted to the board of directors regarding alliances or co-operation agreements that might have an impact on the organisation and functioning of the markets shall also be transmitted to CONSOB.

Furthermore, they shall file with CONSOB their financial statements, the minutes of shareholders and board meetings and an annual report on the organisational and IT structure and on the procedures adopted for the management of risks. The board of auditors shall provide CONSOB with a copy of any internal investigations and any other significant information.

Monte Titoli acts as the Italian Settlement Company and Central Securities Depository. It is authorised by the Bank of Italy in agreement with CONSOB with regard to settlement services. It is also authorised by CONSOB to provide central depositories services. It is supervised by CONSOB and the Bank of Italy. When serious irregularities are found, the Ministry for Economy, acting on the proposal of either the Bank of Italy or CONSOB, may order the dissolution of its management bodies.

CC&G operates the CCP system for the stock market and is authorised and supervised by the Bank of Italy and CONSOB. When serious irregularities are found, the Ministry for Economy, acting on the proposal of either the Bank of Italy or CONSOB, may order the dissolution of its management bodies.

Monte Titoli and CC&G must comply with the regulatory requirements set out under the Joint Regulations of 22 February 2008 (as subsequently amended) issued by CONSOB and the Bank of Italy concerning their organisation (e.g. corporate governance rules, conflicts of interests, risk management, accounting standards and practices, internal controls etc.). To this end, they provide the Bank of Italy and CONSOB with all necessary information on an on-going basis. In particular, they file an annual report on the organisational and IT structure and on the procedures adopted for the management of risks.

Additionally, they must provide information to CONSOB and the Bank of Italy on any business plans, financial statements, shareholders' meetings, amendments to the companies' by-laws, strategic agreements relating to the services provided, changes in the ownership structure and managing bodies of the companies and any material information relating, inter alia, to the services provided and the facilities employed.

### *European and other regulatory developments*

Following the financial crisis and the high-profile failures of several major financial institutions in 2008 and 2009, a range of regulatory measures have either been implemented or are under discussion in Europe.

In the EU, one such key regulatory measure is the MiFID Review. The European Commission published legislative proposals in October 2011, which would replace MiFID with a new directive and also introduce MiFIR. The proposals relate to market structures and practices, SME Growth Markets (i.e. markets for small and medium sized enterprises), automated trading, pre- and post-trade transparency, data consolidation and on-venue trading of standardised OTC derivatives, among other things.

In addition, in July 2012 the EU adopted EMIR to address issues relating to clearing of OTC derivatives, standards for CCPs and trade repositories. The advice provided to the European Commission by ESMA and EBA referred to in section 5.2 ("Regulatory Developments impacting CCPs") was required by EMIR. The EU has also adopted a Short Selling Regulation, which will involve greater transparency, clear powers for regulators and a co-ordinated European framework on short selling and tackling specific risks of naked short selling; this comes into force on 1 November 2012.

In January 2011, the EU created three new European supervisory authorities, including the European Securities and Markets Authority, which replaces the Committee of European Securities Regulators. Considerable powers are being passed to these new supervisory authorities, including the ability to make binding technical standards and, in certain limited circumstances, to address decisions directly to regulated firms in Member States.

In June 2012, the European Commission published a legislative proposal for a directive on the recovery and resolution of credit institutions and investment firms. Among other things, the proposal would require

credit institutions and investment firms to prepare recovery plans and authorities to prepare resolution plans. The proposals would provide the authorities with a number of powers, including the power to direct recovery actions, bail-in and powers to transfer assets and liabilities to third parties or bridge institutions.

In July 2012, the Committee on Payment and Settlement Systems and the Board of the International Organization of Securities Commissions issued a consultative report on the recovery and resolution of financial market infrastructures (including CCPs) (**FMI**). The report outlines the views of CPSS-IOSCO on the features of effective recovery and resolution regimes for financial market infrastructures. The outcome of the report is likely to inform European and national legislative proposals to implement such regimes.

In October 2012, the European Commission issued a working consultation document on a possible recovery and resolution framework for CCPs and other FMI.

## **2. Regulation of LCH.Clearnet group**

The following will be relevant should the LCH Acquisition proceed.

LCH.Clearnet is a CCP group which serves major international trading venues and customers, as well as a range of OTC markets. LCH.Clearnet Group Limited is a private limited company, registered in the UK and regulated as a *compagnie financière* (financial holding company) by the *Autorité de Contrôle Prudentiel*. LCH.Clearnet Limited (a wholly owned operating subsidiary of LCH.Clearnet which is incorporated in the UK) is a Recognised Clearing House regulated by the FSA. LCH.Clearnet S.A. (a wholly owned operating subsidiary of LCH.Clearnet which is incorporated in France) is a credit institution and clearing house regulated by a regulatory college of central banks and market regulators from France, Netherlands, Belgium and Portugal. LCH.Clearnet Limited and LCH.Clearnet S.A. are subject to regulation by a number of other regulators and/or central banks in many of the jurisdictions in which they operate. In the US, LCH.Clearnet Limited is regulated as a Derivatives Clearing Organization (**DCO**) by the Commodity and Futures Trading Commission (**CFTC**). In other jurisdictions, LCH.Clearnet Limited and/or LCH.Clearnet S.A. have been granted exemptions from local licensing requirements, notably in Germany and Ontario, Canada.

On 15 August 2012, LCH.Clearnet announced that it had acquired sole ownership of International Derivatives Clearing Group, LLC (**IDCG**) from The NASDAQ OMX Group, Inc. (**NASDAQ OMX**) and certain other investors. The acquisition will enable LCH.Clearnet to operate a U.S. domiciled CCP regulated as a DCO by the CFTC, subject to regulatory approval. The planned U.S. domiciled operating entity will be named LCH.Clearnet LLC and is expected to launch in the fourth quarter 2012 subject to regulatory approvals.



## CLEARING AND SETTLEMENT

### Notes

The Issuer may make applications to Clearstream, Luxembourg and/or Euroclear for acceptance in their respective book-entry systems in respect of any Series of Notes. A temporary global Note and/or a permanent global Note without coupons may be deposited with a common depository or common safekeeper, as the case may be, for Clearstream, Luxembourg and/or Euroclear or an alternative clearing system as agreed between the Issuer and Dealer. Transfers of interests in such temporary global Notes or permanent global Notes will be made in accordance with the normal Euromarket debt securities operating procedures of Clearstream, Luxembourg and Euroclear or, if appropriate, the alternative clearing system. Each global Note deposited with a common depository or common safekeeper, as the case may be, on behalf of Euroclear and Clearstream, Luxembourg will have an ISIN and a Common Code.

### CREST Depository Interests

If so specified in the applicable Final Terms, following the delivery of an issue of Notes into Euroclear and/or Clearstream, Luxembourg (the **Relevant Clearing Systems** and each a **Relevant Clearing System**), investors may also hold interests in the Notes through (formerly known as CREST Co Limited) (CREST) through the issuance of CREST Depository Interests or CDIs issued, held, settled and transferred through CREST, representing interests in the Underlying Notes. CREST Depository Interests are independent securities distinct from the Notes, constituted under, and governed by, English law and transferred through CREST and will be issued by CREST Depository pursuant to the CREST Deed Poll.

The CDIs will represent indirect interests in the interest of CREST International Nominees Limited (the **CREST Nominee**) in the Underlying Notes. Pursuant to the CREST Manual (as defined below), Notes held in global form by the common depository or common safekeeper may be settled through CREST, and the CREST Depository will issue CDIs. The CDIs will be independent securities distinct from the Notes, constituted under English law, and may be held and transferred through CREST.

Interests in the Underlying Notes will be credited to the CREST Nominee's account with a Relevant Clearing System and the CREST Nominee will hold such interests as nominee for the CREST Depository which will issue CDIs to the relevant CREST participants.

Each CDI will be treated by the CREST Depository as if it were one Underlying Note, for the purposes of determining all rights and obligations and all amounts payable in respect thereof. The CREST Depository will pass on to holders of CDIs (**CDI Holders**) any interest or other amounts received by it as holder of the Underlying Notes on trust for such CDI Holders. CDI Holders will also be able to receive from the CREST Depository notices of meetings of holders of Underlying Notes and other relevant notices issued by the relevant Issuer.

Transfers of interests in Underlying Notes by a CREST participant to a participant of a Relevant Clearing System will be effected by cancellation of the corresponding CDIs and transfer of an interest in such Underlying Notes to the account of the relevant participant with a Relevant Clearing System.

The CDIs will have the same ISIN as the ISIN of the Underlying Notes and will not require a separate listing on the Official List.

Prospective subscribers for Notes represented by CDIs are referred to Section 3 (Crest International Manual) of the CREST Manual issued by Euroclear UK & Ireland (including the CREST International Manual dated 14 April 2008) as amended, modified, varied or supplemented from time to time (the **CREST Manual**) which contains the form of the CREST Deed Poll to be entered into by the CREST Depository. The rights of the CDI Holders will be governed by the arrangements between CREST, the Relevant Clearing Systems and the relevant Issuer including the CREST Deed Poll (in the form contained in Section 3 of the CREST Manual) executed by the CREST Depository. These rights may be different from those of holders of Notes which are not represented by CDIs.

If issued, CDIs will be delivered, held and settled in CREST, by means of the CREST International Settlement Links Service (the **CREST International Settlement Links Service**). The settlement of the

CDIs by means of the CREST International Settlement Links Service has the following consequences for CDI Holders:

- (a) CDI Holders will not be the legal owners of the Underlying Notes. The CDIs are separate legal instruments from the Underlying Notes to which they relate and represent an indirect interest in such Underlying Notes.
- (b) The Underlying Notes themselves (as distinct from the CDIs representing indirect interests in such Underlying Notes) will be held in an account with a custodian. The custodian will hold the Underlying Notes through a Relevant Clearing System. Rights in the Underlying Notes will be held through custodial and depositary links through the appropriate Relevant Clearing Systems. The legal title to the Underlying Notes or to interests in the Underlying Notes will depend on the rules of the Relevant Clearing System in or through which the Underlying Notes are held.
- (c) Rights under the Underlying Notes cannot be enforced by CDI Holders except indirectly through the intermediary depositaries and custodians described above. The enforcement of rights under the Underlying Notes will therefore be subject to the local law of the relevant intermediary. The rights of CDI Holders to the Underlying Notes are represented by the entitlements against the CREST Depository which (through the CREST Nominee) holds interests in the Underlying Notes. This could result in an elimination or reduction in the payments that otherwise would have been made in respect of the Underlying Notes in the event of any insolvency or liquidation of the relevant intermediary, in particular where the Underlying Notes held in Relevant Clearing Systems are not held in special purpose accounts and are fungible with other securities held in the same accounts on behalf of other customers of the relevant intermediaries.
- (d) The CDIs issued to CDI Holders will be constituted and issued pursuant to the CREST Deed Poll. CDI Holders will be bound by all provisions of the CREST Deed Poll and by all provisions of or prescribed pursuant to the CREST Manual and the CREST Rules (the **CREST Rules**) (contained in the CREST Manual) applicable to the CREST International Settlement Links Service and CDI Holders must comply in full with all obligations imposed on them by such provisions.
- (e) Potential investors should note that the provisions of the CREST Deed Poll, the CREST Manual and the CREST Rules contain indemnities, warranties, representations and undertakings to be given by CDI Holders and limitations on the liability of the issuer of the CDIs, the CREST Depository.
- (f) CDI Holders may incur liabilities resulting from a breach of any such indemnities, warranties, representations and undertakings in excess of the money invested by them. The attention of potential investors is drawn to the terms of the CREST Deed Poll, the CREST Manual and the CREST Rules, copies of which are available from the CREST website (at 11 October 2012, being at [www.euroclear.com/site/public/EUI](http://www.euroclear.com/site/public/EUI)).
- (g) Potential investors should note that CDI Holders may be required to pay fees, charges, costs and expenses to the CREST Depository in connection with the use of the CREST International Settlement Links Service. These will include the fees and expenses charged by the CREST Depository in respect of the provision of services by it under the CREST Deed Poll and any taxes, duties, charges, costs or expenses which may be or become payable in connection with the holding of the Notes through the CREST International Settlement Links Service.
- (h) Potential investors should note that none of the Obligors, the relevant Dealer, the Trustee and the Paying Agents will have any responsibility for the performance by any intermediaries or their respective direct or indirect participants or accountholders of their respective obligations under the rules and procedures governing their operations.
- (i) Potential investors should note that Notes represented upon issue by a temporary global Note exchangeable for a permanent global Note will not be immediately eligible for CREST settlement as CDIs. In such case, investors investing in the Underlying Notes through CDIs will only receive the CDIs after such temporary global Note is exchanged for a permanent global Note, which could take up to 40 days after the issue of the Notes. It is anticipated that Notes eligible for CREST settlement as CDIs will be issued initially in the form of a permanent global Note.

## TAXATION

### United Kingdom Taxation

**The following applies only to persons who are the beneficial owners of Notes and is a summary of the Issuer's understanding of current law and HM Revenue & Customs (HMRC) published practice in the United Kingdom relating only to United Kingdom withholding tax treatment of payments of interest in respect of Notes. It is general in nature and does not deal with any other United Kingdom taxation implications of acquiring, holding or disposing of Notes. Some aspects may not apply to certain classes of person (such as persons connected with the Issuer) to whom special rules may apply. The United Kingdom tax treatment of prospective Noteholders depends on their individual circumstances and may be subject to change in the future. Prospective Noteholders who are unsure as to their tax position should seek their own professional advice.**

### Payment of Interest on the Notes

Payments of interest on the Notes may be made without deduction or withholding for or on account of United Kingdom income tax provided that the Notes are and continue to be "quoted Eurobonds" within the meaning of section 987 of the Income Tax Act 2007. For this to be the case, the Notes must be, and continue to be, listed on a "recognised stock exchange", as defined in section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange. Securities will be treated as listed on the London Stock Exchange if they are included in the Official List within the meaning of and in accordance with the provisions of Part 6 of the Financial Services and Markets Act 2000 and admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are and remain so listed, interest on the Notes will be payable without withholding or deduction on account of United Kingdom income tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom income tax where interest on the Notes is paid by a company and, at the time the payment is made, that company reasonably believes (and any person by or through whom interest on the Notes is paid reasonably believes) that the beneficial owner is within the charge to United Kingdom corporation tax as regards the payment of interest or falls within various categories enjoying a special tax status (including specified pension funds) or are partnerships consisting of such persons, provided that HMRC has not given a direction (in circumstances where it has reasonable grounds to believe that the above exemption is not available in respect of such payment of interest at the time the payment is made) that the interest should be paid under deduction of tax.

Interest on the Notes may also be paid without withholding or deduction on account of United Kingdom income tax where the interest is not "yearly interest" within the meaning of section 874 of the Income Tax Act 2007. Generally interest is not "yearly interest" where the maturity of the Notes is less than 365 days after issue and those Notes do not form part of a scheme or arrangement of borrowing intended to be capable of remaining outstanding for more than 364 days.

In other cases, an amount must generally be withheld from payments of interest on the Notes on account of United Kingdom income tax at the basic rate (currently 20 per cent.). However, where an applicable double tax treaty provides for a lower rate of withholding tax (or for no tax to be withheld) in relation to a Noteholder, HMRC can issue a notice to the Issuer to pay interest to the Noteholder without deduction of tax (or for interest to be paid with tax deducted at the rate provided for in the relevant double tax treaty).

Noteholders may wish to note that, in certain circumstances, HMRC has power to obtain information (including the name and address of the beneficial owner of the interest) from any person in the United Kingdom who either pays or credits interest to or receives interest for the benefit of a Noteholder. HMRC also has power, in certain circumstances, to obtain information from any person in the United Kingdom who pays amounts payable on the redemption of Notes which are deeply discounted securities for the purposes of the Income Tax (Trading and Other Income) Act 2005 to or receives such amounts for the benefit of another person, although HMRC published practice indicates that HMRC will not exercise the power referred to above to require this information in respect of amounts payable on the redemption of deeply discounted securities where such amounts are paid on or before 5th April 2013. Such information may include the name and address of the beneficial owner of the amount payable on redemption. Any information obtained may, in certain circumstances, be exchanged by HMRC with the tax authorities of the jurisdiction in which the Noteholder is resident for tax purposes.

Interest on the Notes constitutes United Kingdom source income for tax purposes and, as such, may be subject to income tax by direct assessment where paid without withholding. However, interest with a United Kingdom source received without deduction or withholding on account of United Kingdom tax will not be chargeable to United Kingdom tax in the hands of a Noteholder who is not resident for tax purposes in the United Kingdom unless that Noteholder (i) carries on a trade, profession or vocation in the United Kingdom through a United Kingdom branch or agency or, for Noteholders who are companies, through a United Kingdom permanent establishment in connection with which the interest is received or to which the Notes are attributable or (ii) is a trustee of a certain kind of trust with a UK beneficiary. There are exemptions for interest received by certain categories of agent (such as some brokers and investment managers). The provisions relating to additional payments referred to in Condition 8 of the Notes would not apply if HMRC sought to assess the person entitled to the relevant interest or (where applicable) profit on any Note directly to United Kingdom income tax. However, exemption from or reduction of such United Kingdom tax liability might be available under an applicable double taxation treaty.

#### **EU Directive on the Taxation of Savings Income**

Under EC Council Directive 2003/48/EC on the taxation of savings income, each Member State of the European Union (each a **Member State**) is required to provide to the tax authorities of any other Member State details of payments of interest (or similar income), which for this purpose may include payments on redemption of the Notes representing any discount on issue or premium payable on redemption, paid by a person within its jurisdiction to or for the benefit of, or collected by such person for, an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (subject to a procedure whereby, on meeting certain conditions, the beneficial owner of the interest or other income may request that no tax be withheld) (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland).

The European Commission has proposed certain amendments to the Directive, which may, if implemented, amend or broaden the scope of the requirements described above.

## SUBSCRIPTION AND SALE

The Dealers have, in a dealer agreement dated 11 October 2012 (as modified and/or supplemented and/or restated from time to time, the **Dealer Agreement**) agreed with the Issuer a basis upon which they or any of them may from time to time agree to purchase Notes. Any such agreement will extend to those matters stated under “Form of the Notes” and “Terms and Conditions of the Notes” above. In the Dealer Agreement, the Issuer has agreed to reimburse the Dealers for certain of their expenses in connection with the establishment and any future update of the Programme and the issue of Notes under the Programme.

### United States

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold within the United States or to, or for the account or benefit of, US persons except in certain transactions exempt from the registration requirements of the Securities Act.

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that, except as permitted by the Dealer Agreement, it will not offer, sell or deliver Notes (i) as part of their distribution at any time and (ii) otherwise until 40 days after the completion of the distribution, as determined and certified by the relevant Dealer or, in the case of an issue of Notes on a syndicated basis, the relevant lead manager, of all Notes of the Tranche of which such Notes are a part within the United States or to, or for the account or benefit of, US persons. Each Dealer has further agreed, and each further Dealer appointed under the Programme will be required to agree, that it will send to each dealer to which it sells Notes during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Notes within the United States or to, or for the account or benefit of, US persons. Terms used in the preceding paragraph and in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the completion of the distribution of all Notes of the Tranche of which such Notes are a part, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

The Notes, which are in bearer form, are subject to US tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by US Treasury regulations. Terms used in this paragraph have the meanings given to them by the US Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder. The applicable Final Terms will identify whether the TEFRA C rules or TEFRA D rules apply or whether TEFRA is not applicable.

Each issue of RPI-Linked Notes shall be subject to such additional US selling restrictions as the Issuer and the relevant Dealer shall agree as a term of the issuance and purchase of such Notes, which additional selling restrictions shall be set out in the applicable Final Terms. Each relevant Dealer has agreed and each further Dealer appointed under the Programme will be required to agree that it will offer, sell or deliver such Notes only in compliance with such additional US selling restrictions.

### Public Offer Selling Restriction under the Prospectus Directive

In relation to a Relevant Member State, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the **Relevant Implementation Date**) it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the final terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

- (a) if the final terms in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a **Public Offer**), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the final terms contemplating such Public Offer, in accordance with the Prospectus Directive in the period beginning and ending on

the dates specified in such prospectus or final terms, as applicable, and the Issuer has consented in writing to its use for the purpose of that Public Offer;

- (b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;
- (c) at any time to fewer than 100 or, if the relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision:

- (i) the expression an **offer of Notes to the public** in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State;
- (ii) the expression **Prospectus Directive** means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in the Relevant Member State; and
- (iii) the expression **2010 PD Amending Directive** means Directive 2010/73/EU.

#### **United Kingdom**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) in relation to any Notes having a maturity of less than one year from the date of their issue, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or as agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue or sale of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;
- (ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSA does not, apply to the Issuer; and
- (iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

#### **Japan**

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the **FIEA**) and each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it will not offer or sell any Notes, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (as defined under Item 5, Paragraph 1, Article 6 of the Foreign Exchange and Foreign Trade Act (Act No. 228 of 1949, as amended)), or to others for re-offering or resale, directly or indirectly, in Japan or to, or for the benefit of, a resident of Japan pursuant to an exemption from the registration requirements of and otherwise in compliance with, the FIEA and any other applicable laws, regulations and ministerial guidelines of Japan.

## France

Each of the Dealers and the Issuer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that:

- (i) *Offer to the public in France*: it has only made and will only make an offer of Notes to the public in France in the period beginning (i) when a prospectus in relation to those Notes has been approved by the *Autorité des Marchés financiers (AMF)*, on the date of such publication or, (ii) when a prospectus has been approved by the competent authority of another Member State of the European Economic Area which has implemented the EU Prospectus Directive No. 2003/71/EC, on the date of notification of such approval to the AMF, and ending at the latest on the date which is 12 months after the date of approval of the Offering Circular, all in accordance with Articles L.412-1 and L.621-8 of the French *Code monétaire et financier* and the *Règlement général* of the AMF; or
- (ii) *Private placement in France*: it has not offered or sold and will not offer or sell, directly or indirectly, Notes to the public in France, and has not distributed or caused to be distributed and will not distribute or cause to be distributed to the public in France, this Offering Circular the applicable final terms or any other offering material relating to the Notes, and that such offers, sales and distributions have been and will be made in France only to (a) providers of investment services relating to portfolio management for the account of third parties, and/or (b) qualified investors (*investisseurs qualifiés*) other than individuals all as defined in, and in accordance with, Articles L.411-1, L.411-2 and D.411-1 to D.411-3 and D.411-4 of the French *Code monétaire et financier*.

## Italy

No application has been or will be made by any person to obtain an authorisation from *Commissione Nazionale per le Società e la Borsa (CONSOB)* for the public offering (*offerta al pubblico*) of the Notes in the Republic of Italy. Accordingly, the Notes subscriber represents and agrees that it has not offered, sold or delivered, and will not offer, sell or deliver, has not distributed and will not distribute and has not made and will not make available in the Republic of Italy any of the Notes nor any copy of the Offering Circular or any other offering material relating to the Notes other than:

- (a) to qualified investors (*investitori qualificati*), as defined by CONSOB Regulation no. 11971 of 14 May 1999, as amended and supplemented, on the basis of the relevant criteria set out by the Prospectus Directive 2003/71/EC of the European Parliament and of the Council of 4 November 2003 as modified by Directive 2010/73/EU of the European Parliament and of the Council of 24 November 2010, pursuant to art. 100, paragraph 1, lett. a) of Italian Legislative Decree no. 58 of 24 February 1998, as amended and supplemented (the **Consolidated Financial Act**); or
- (b) in any other circumstances where an express exemption from compliance with the rules relating to public offers of financial products provided for by the Consolidated Financial Act and the relevant implementing regulations (including CONSOB Regulation no. 11971 of 14 May 1999, as amended and supplemented) applies.

Any offer, sale or delivery of the Notes or any offering material relating to the Notes in the circumstances described in the preceding paragraphs (a) and (b) shall be made:

- (i) only by banks, investment firms (*imprese di investimento*) or financial intermediaries, to the extent duly authorised to engage in the placement and/or underwriting (*sottoscrizione e/o collocamento*) of financial instruments (*strumenti finanziari*) in Italy in accordance with the Italian Legislative Decree no. 385 of 1 September 1993, as amended and supplemented (the **Consolidated Banking Act**), the Consolidated Financial Act and the relevant implementing regulations; and
- (ii) in accordance with all applicable Italian laws and regulations, including all relevant Italian securities and tax laws and regulations and any limitations as may be imposed from time to time by CONSOB or other regulators.

## Jersey

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree that there shall be no circulation in Jersey of any offer for subscription, sale or exchange of any Notes unless such offer is circulated in Jersey by a person or persons authorised to conduct investment business under the Financial Services (Jersey) Law 1998, as amended and (a) such offer does not for the purposes of Article 8 of the Control of Borrowing (Jersey) Order 1958, as amended,

constitute an offer to the public; or (b) an identical offer is for the time being circulated in the United Kingdom without contravening the FSMA and is, *mutatis mutandis*, circulated in Jersey only to persons similar to those to whom, and in a manner similar to that in which, it is for the time being circulated in the United Kingdom.

### **Isle of Man**

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that any offer for subscription, sale or exchange of the Notes within the Isle of Man shall be made by (i) an Isle of Man financial services licenceholder licensed under section 7 of the Financial Services Act 2008 to do so or (ii) in accordance with any relevant exclusion contained within the Regulated Activities Order 2011 or exemption contained in the Financial Services (Exemptions) Regulations 2011.

### **General**

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Notes or possesses or distributes this Offering Circular and will obtain any consent, approval or permission required by it for the purchase, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee and any Dealer shall have any responsibility therefor.

None of the Issuer, the Trustee and any of the Dealers represents that Notes may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating such sale.



## GENERAL INFORMATION

### Authorisation

The establishment of the Programme has been duly authorised by a resolution of a committee of the Board of the Issuer passed on 9 October 2012 and duly authorised by a resolution of the Board of the Issuer passed on 9 October 2012.

### Listing of Notes on the Official List

The admission of Notes to the Official List will be expressed as a percentage of their nominal amount (excluding accrued interest). It is expected that each Tranche of Notes which is to be admitted to the Official List and to trading on the London Stock Exchange's regulated market will be admitted separately as and when issued, subject only to the issue of a temporary global Note initially representing the Notes of such Tranche. Application has been made to the UK Listing Authority for Notes issued under the Programme during the period of 12 months from the date of this Offering Circular to be admitted to the Official List and to the London Stock Exchange for such Notes to be admitted to trading on the London Stock Exchange's regulated market. Such application is expected to be granted on or around 12 October 2012.

### Clearing Systems

The Notes have been accepted for clearance through Clearstream, Luxembourg and Euroclear (which are the entities in charge of keeping the records). The appropriate Common Code and ISIN for each Tranche of Notes allocated by Clearstream, Luxembourg and Euroclear will be specified in the applicable Final Terms. If the Notes are to be cleared through an additional or alternative clearing system the appropriate information will be specified in the applicable Final Terms.

The address of Euroclear is Euroclear Bank SA/NV, 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, L-1855 Luxembourg.

If so specified in the applicable Final Terms, interests in the Notes may also be held through CREST through the issuance of CDIs representing Underlying Notes. The address of CREST is Euroclear UK & Ireland, 33 Cannon Street, London EC4M 5SB.

### Conditions for Determining Price

The price and amount of Notes to be issued under the Programme will be determined by the Issuer and each relevant Dealer at the time of issue in accordance with prevailing market conditions.

### Yield

The yield for any particular Tranche of Notes will be specified in the applicable Final Terms and will be calculated on the basis of the compound annual rate of return if the relevant Notes were to be purchased at the Issue Price on the Issue Date and held to maturity. Set out below is an example formula for the purposes of calculating the yield of Fixed Rate Notes or Zero Coupon Notes. The applicable Final Terms in respect of any Floating Rate Notes will not include any indication of yield.

$$\text{Issue Price} = \text{Rate of Interest} * \frac{1 - \left( \frac{1}{(1 + \text{Yield})^n} \right)}{\text{Yield}} + \left[ \text{Final Redemption Amount} * \frac{1}{(1 + \text{Yield})^n} \right]$$

Where:

**Rate of Interest** means the Rate of Interest expressed as a percentage as specified in the applicable Final Terms and adjusted according to the frequency (and in the case of Zero Coupon Notes, means "0") i.e. for a semi-annual paying Note, the rate of interest is half the stated annualised rate of interest in the applicable Final Terms;

**Yield** means the yield to maturity calculated on a frequency commensurate with the frequency of interest payments as specified in the applicable Final Terms (and in the case of Zero Coupon Notes, means the Accrual Yield as specified in the applicable Final Terms); and

n means the number of interest payments to maturity.

Set out below is a worked example illustrating how the yield in respect of any Tranche of Fixed Rate Notes could be calculated on the basis of the above formula. It is provided for purposes of illustration only and should not be taken as an indication or prediction of the yield in respect of any Tranche of Notes; it is intended merely to illustrate the way which the above formula could be applied.

Where:

n = 6

Rate of Interest = 3.875%

Issue Price = 99.392

Final Redemption Amount = 100

$$99.392 = 3.875 * \frac{1 - \left( \frac{1}{(1 + \text{Yield})^6} \right)}{\text{Yield}} + \left[ 100 * \frac{1}{(1 + \text{Yield})^6} \right]$$

Yield = 3.99% (calculated by iteration)

The yield specified in the applicable Final Terms in respect of a Tranche of Notes will not be an indication of future yield.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of the Issuer or the Group since 31 March 2012 and there has been no material adverse change in the financial position or prospects of the Issuer or the Group since 31 March 2012.

### **Governmental, Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings, (including any such proceedings which are pending or threatened, of which the Issuer is aware), which may have, or have had during the 12 months prior to 31 March 2012, a significant effect on the financial position or profitability of the Issuer and the Group.

### **Auditors**

The financial statements of the Issuer have been audited without qualification for the financial years ended 31 March 2012 and 31 March 2011 by PricewaterhouseCoopers LLP, chartered accountants and registered auditors (a member of the Institute of Chartered Accountants in England and Wales), of 7 More London Riverside, London SE1 2RT. PricewaterhouseCoopers LLP have no material interest in the Issuer.

### **Trust Deed**

The Trust Deed provides that the Trustee may rely on certificates or reports from the Auditors (as defined in the Trust Deed) and/or any other expert in accordance with the provisions of the Trust Deed whether or not any such certificate or report or any engagement letter or other document entered into by the Trustee and the Auditors or such other expert in connection therewith contains any limit on the liability (monetary or otherwise) of the Auditors or such other expert.

### **Documents Available**

For the period of 12 months starting on the date on which this Offering Circular is made available to the public as required by the prospectus rules of the FSA, copies of the following documents may be inspected free of charge at the offices of the Agent during normal business hours on any weekday (Saturdays, Sundays and public holidays excepted):

- (i) the Memorandum and Articles of Association of the Issuer;
- (ii) the annual report of the Issuer for the financial year ended 31 March 2012;
- (iii) the annual report of the Issuer for the financial year ended 31 March 2011;

- (iv) the Trust Deed and the Schedule of Forms (containing the forms of the Temporary Global Notes, the Permanent Global Notes, the Definitive Notes, the Coupons and the Talons);
- (v) this Offering Circular;
- (vi) any future offering circulars, prospectuses or information memoranda in respect of the Notes and any supplements thereto including any Final Terms (save that Final Terms relating to a Note which is neither admitted to trading on a regulated market in an EEA State nor offered to the public in an EEA State in circumstances where a prospectus is required to be published under the Prospectus Directive will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Paying Agent as to its holding and identity) and any other documents incorporated herein or therein by reference; and
- (vii) in the case of each issue of listed Notes subscribed pursuant to a subscription agreement, the subscription agreement (or equivalent document).

In addition, this Offering Circular and the documents incorporated by reference herein are available, and each Final Terms relating to Notes which are admitted to trading on the London Stock Exchange's regulated market and/or offered in the United Kingdom in circumstances where a prospectus is required to be published under the Prospectus Directive will be available, on the website of the Regulatory News Service operated by the London Stock Exchange.

### **Post-issuance Information**

Unless otherwise specified in the applicable Final Terms, the Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

### **Dealers Transacting with the Issuer**

Certain of the Dealers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform other services for, the Issuer and its affiliates in the ordinary course of business.

### **RPI-Linked Notes**

#### *General*

RPI is one of the most familiar general purpose domestic measures of inflation in the UK. RPI has been used as a measure of inflation since 1947 and measures the average change from month to month in the prices of goods and services purchased by most households in the UK. The spending pattern on which the RPI is based is revised each year, mainly using information from official expenditure and food surveys.

RPI is compiled by the UK Office of National Statistics (**ONS**) using a large and representative selection of separate goods and services for which price movements are regularly measured in various areas throughout the UK. If prices rise compared to the previous month, the RPI goes up and if prices fall compared to the previous month, the RPI goes down. It takes two or three weeks for the ONS to compile the index, so each month's RPI figure is published during the following month, (e.g. the figure relating to July will be published in August). The RPI figures used in the calculation of interest payments on the RPI-Linked Interest Notes and the redemption amount of the RPI-Linked Redemption Notes are numerical representations of where prices on a list of items bought by an average family stand at a point in time, in relation to their past values.

More information on RPI, including past and current levels, can be found at the following website: [www.statistics.gov.uk](http://www.statistics.gov.uk).

Payments of principal on RPI-Linked Redemption Notes and interest on RPI-Linked Interest Notes will be adjusted to take into account changes in RPI from the Base Index Figure specified in the applicable Final Terms.

In respect of each Tranche of RPI-Linked Interest Notes, the real rate of interest will be specified in the applicable Final Terms. The interest amount due on each Interest Payment Date (such dates to be specified in the applicable Final Terms) will be multiplied by the ratio which reflects the change in RPI between the Base Index Figure and the RPI figure relating to a particular month or date (as specified in the applicable Final Terms) prior to the relevant Interest Payment Date.

Subject to any early redemption, RPI-Linked Redemption Notes will be redeemed on their specified Maturity Date at a Final Redemption Amount specified in the applicable Final Terms, provided that:

- (i) if the RPI figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is higher than the Base Index Figure, an additional amount reflecting such increase in RPI will also be paid (subject to any maximum redemption amount specified in the applicable Final Terms); and
- (ii) if the RPI figure applicable to the relevant month or date, as the case may be, in or on which such payment falls to be made is lower than the Base Index Figure, the amount payable on redemption of the RPI-Linked Redemption Notes will be reduced to reflect such decrease in RPI (subject to any minimum redemption amount specified in the applicable Final Terms).

### *Interest*

Set out below is a worked example illustrating how payments of interest in relation to a Series of RPI-Linked Interest Notes might be calculated. The real rate of interest offered on a Series of RPI-Linked Interest Notes (i.e. the rate before taking inflation into account) is fixed when the first Tranche of such Series of RPI-Linked Interest Notes is issued (the **Rate of Interest** in the example below). For the purposes of the example below, the Rate of Interest is 1 per cent. (before any adjustments for inflation). This amount will be adjusted upwards or downwards to take into account the effect of inflation or deflation as indicated below. In the example below, the Issuer will pay interest in two half-yearly instalments until the RPI-Linked Interest Notes mature, which is why the Rate of Interest in the example below is being divided by 2. In the example below, the interest amount due on each Interest Payment Date will be adjusted to take into account a change in inflation. To calculate any inflation adjustment that might apply, two inflation index “fixing” figures are required—one that relates to the issue date of the RPI-Linked Interest Notes (being the **Base Index Figure**) and one that relates to the relevant Interest Payment Date. In the example below, both the Base Index Figure and the RPI figure that relates to any relevant Interest Payment Date are taken 8 months prior to the issue date and the relevant Interest Payment Date respectively (such 8-month period being referred to as the **Relevant Period**), but this Relevant Period can be lengthened or shortened for any given issuance of RPI-Linked Interest Notes as will be specified in the applicable Final Terms. In the example below, the interest amount due on each Interest Payment Date will be adjusted to take into account the effect of inflation between the Base Index Figure relating to January 2012 (which is 8 months prior to the issue date of the first Tranche of the Series of RPI-Linked Interest Notes in the example below, i.e. September 2012, and the figure for which is 238.0) and the RPI figure relating to the 8th month prior to the relevant Interest Payment Date, and is calculated as follows:

$$\text{Calculation Amount of the relevant Notes} \times \frac{\text{Rate of Interest}}{2} \times \frac{\text{RPI relating to the month 8 months prior to the Interest Payment Date}}{\text{Base RPI of 238.0}}$$

Interest amounts are calculated with reference to each Calculation Amount as set out in the applicable Final Terms.

As an example, if an investor owns £2,000 face value of RPI-Linked Interest Notes issued in September 2012 for which the Rate of Interest is 1 per cent. and the Calculation Amount is £100, the interest amount per Calculation Amount each investor will receive on the first Interest Payment Date in March 2013 will be:

$$\left( \begin{aligned} & \text{£100} \times \frac{1\%}{2} \times \frac{\text{RPI relating to July 2012}}{\text{Base RPI of 238.0}} \end{aligned} \right)$$

$$= \text{£100} \times 0.50\% \times \frac{242.1}{238.0} = \text{£0.51}$$

As the face value of RPI-Linked Interest Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on the first Interest Payment Date in March 2013 will be £0.51 × 20 = £10.20.

## Redemption

Set out below is a worked example illustrating how repayment of principal in relation to a Series of RPI-Linked Redemption Notes might be calculated. The RPI-Linked Redemption Notes will be redeemed either (i) on their specified Maturity Date as specified in the applicable Final Terms at the Final Redemption Amount specified in the applicable Final Terms (in this example, at 100 per cent. of the nominal amount), or (ii) in certain limited circumstances described in the Terms and Conditions of the RPI-Linked Redemption Notes (see, for example, Condition 7(c) on page 100 of this Offering Circular) upon expiry of the notice required by the Terms and Conditions, at 100 per cent. of their nominal amount, in the case of each of (i) and (ii) above, plus or minus an additional amount to take into account the effect of inflation or deflation. To calculate any inflation adjustment that might apply, two inflation index “fixing” figures are required—one that relates to the start of the RPI-Linked Redemption Note’s life (i.e. the **Base Index Figure**) and one that relates to the relevant Maturity Date or early redemption date, as applicable, of the RPI-Linked Redemption Notes. In the example below, both the Base Index Figure and the RPI figure that relates to the relevant redemption date used in the example below are taken 8 months prior to the issue date and the example redemption date respectively (such 8 month period being referred to as the **Relevant Period**), but this Relevant Period can be lengthened or shortened for any given issuance of RPI-Linked Redemption Notes as will be specified in the applicable Final Terms. In the example below, the final amount due on the redemption of the RPI-Linked Redemption Notes will be adjusted to take into account the effect of inflation between the Base Index Figure relating to January 2012 (which is 8 months prior to the issue date of the first Tranche of the Series of RPI-Linked Redemption Notes in the example below, i.e. September 2012, and the figure for which is 238.0) and a hypothetical RPI figure of 253.8 relating to April 2019, being the 8th month prior to the relevant redemption date (which redemption date, in the example below, is to fall in December 2019) and is calculated as follows:

Where the Final Redemption Amount of any RPI-Linked Redemption Note is specified in the applicable Final Terms as being 100 per cent. of the nominal amount of the Notes, the amount payable to an investor on the redemption of any such Note will be:

$$\text{Calculation Amount of the relevant Notes} \times \frac{\text{RPI relating to April 2019}}{\text{Base Redemption RPI}}$$

The amount so payable to an investor is calculated with reference to each Calculation Amount as set out in the applicable Final Terms.

As an example, if an investor owns £2,000 face value of the RPI-Linked Redemption Notes issued in September 2012 and the Calculation Amount is £100, the amount per Calculation Amount each investor will receive on redemption of the Notes in December 2019 will be:

$$£100 \times \frac{\text{RPI relating to April 2019 of 253.8}}{\text{Base Redemption RPI of 238.0}} = £106.64$$

As the face value of RPI-Linked Redemption Notes held by the investor in this example is equal to the Calculation Amount multiplied by 20, the actual amount this investor will receive on redemption of the Notes in December 2019 will be  $£106.64 \times 20 = £2,132.80$ .

In this example, the Final Redemption Amount of the RPI-Linked Redemption Notes is not subject to a maximum or minimum redemption amount as may be specified for any given issue of RPI-Linked Redemption Notes in the applicable Final Terms.

## GLOSSARY

### *clearing*

The business of acting as a CCP.

### *CCP*

A clearing house acting as a central clearing counterparty. It intermediates, and therefore takes the risk, of the obligations of transactions between its clearing members (or other CCPs through interoperability arrangements) under the transactions entered into by those clearing members (or by their clearing customers) that are cleared through it.

Accordingly, it is exposed to the risk of default by its clearing members and, indirectly in some cases, their clearing customers. It minimises this risk through its membership rules, its default management procedures, by holding margin, and by the establishment of default funds.

### *margin*

CCPs hold collateral as margin (whether by way of title transfer to or by creation of a security interest in favour of the CCP). There are various types of margin, as follows:

**initial margin**, is an amount which is calculated, using a financial model, and collected from each clearing member at least daily and which is intended to protect a CCP against the risk of that clearing member's default. The level of initial margin may take into account factors such as market risk, credit risk and product specific risk. Initial margin is generally calculated for each separate category of products cleared (rather than for all a clearing member's positions). Initial margin is provided in the form of acceptable collateral, being cash and eligible securities (broadly, securities of, or guaranteed by, certain appropriately rated governments, though the but in some cases also including gold, to a limited extent, and some corporate bonds); and

**variation margin**, which is an amount calculated by a CCP at least daily to reflect the change in value of a clearing member's cleared contracts with the CCP and is either credited to, or debited from the clearing member. Variation margin is generally determined by reference to each relevant product category with the relevant CCP and is usually in the form of cash. Variation margin received by the CCP from one clearing member will generally be required to be paid by it to another clearing member as the change in one clearing member's positions will be reflected by an equal and opposite change in another clearing member's positions. The CCP does not therefore earn any investment return on variation margin.

### *default funds*

A CCP will call and hold (or may be entitled to call in the future for) default fund contributions from clearing members to create an appropriately sized default fund which has been stress-tested against adverse market scenarios and which is available to be applied in accordance with a waterfall. The default fund of a defaulting member is generally available to reduce losses which exceed that defaulting member's margin; in the event that the defaulting clearing member's margin and default fund contribution is insufficient to cover the loss, the CCP may then be required to make a contribution to remaining losses from its own resources and then non-defaulting members' default fund contributions may be available to cover the loss. The size and structure of the default fund will vary from CCP to CCP, and some CCPs may have a separate default fund dedicated to a particular business line or business lines. Some CCPs may be able to require that default funds which have been used be replenished by non-defaulting members.

## DEFINITIONS

The following definitions apply throughout this document, unless the context requires otherwise:

<b>ACP or Autorité de Contrôle Prudentiel</b>	means <i>Autorité de Contrôle Prudentiel</i> , the French banking and financial supervisory body as defined and regulated in articles 612-1 and seq. of the French monetary and financial code;
<b>AIM</b>	means the London Stock Exchange's market for smaller and growing companies;
<b>AIM Italia-MAC</b>	means AIM Italia-Alternative Capital Market, Borsa Italiana's market for smaller and growing companies;
<b>AMF or Autorité des Marchés Financiers</b>	means the French financial market authority established pursuant to article L. 621-1 of the French monetary and financial code;
<b>ARROW</b>	means the FSA's Advanced, Risk-Responsive Operating Framework;
<b>ATT Only</b>	means admission to trading only;
<b>Basel III</b>	means the comprehensive set of reform measures issued by the Basel Committee on Banking Supervision, to strengthen the regulation, supervision and risk management of the banking sector, including "Basel III: A global regulatory framework for more resilient banks and the banking system, December 2010 (as amended)" and "Basel III: International framework for liquidity risk management, standards and monitoring, December 2010";
<b>Board</b>	means the board of the LSEG Directors;
<b>Borsa Italiana</b>	means Borsa Italiana S.p.A., a company incorporated in Italy and a subsidiary of LSEG;
<b>Budget</b>	means the current budget as most recently acknowledged by the LCH.Clearent Board;
<b>Business Plan</b>	means the current business plan as most recently acknowledged by the LCH.Clearent Board;
<b>Capital Requirements Directive</b>	means Directive 2006/48/EC of the European Parliament and of the Council of 14 June 2006 relating to the taking up and pursuit of the business of credit institutions and Directive 2006/49/EC of the European Parliament and of the Council of 14 June 2006 on the capital adequacy of investment firms and credit institutions;
<b>CC&amp;G</b>	means Cassa di Compensazione e Garanzia S.p.A., a company incorporated in Italy and a subsidiary of LSEG;
<b>CDS</b>	means credit default swap;
<b>CDS Clear</b>	means LCH.Clearent's clearing service for clearing OTC CDS trades;
<b>CFD</b>	means contract for difference;
<b>Committee on Payment and Settlement Systems</b>	means the Committee on Payment and Settlement Systems established under the auspices of the Bank for International Settlements;
<b>Companies Act 2006</b>	means the Companies Act 2006, including any statutory modification or re-enactment thereof;
<b>Companies Act 1985</b>	means the Companies Act 1985, including any statutory modification or re-enactment thereof;

<b>Completion</b>	means completion of the LCH Acquisition;
<b>CONSOB</b>	means <i>Commissione Nazionale per le Società e la Borsa</i> ;
<b>Core Operating Principles</b>	means the core operating principles set out in Schedule 4 of the Relationship Agreement and summarised in Part 7;
<b>CRD IV</b>	means the European Commission's proposal for a directive and regulation to replace the current Capital Requirements Directives (2006/48 and 2006/49);
<b>CREST</b>	means the system for the paperless settlement of trades in securities and the holding of uncertified securities operated by EUI in accordance with the Regulations;
<b>CSD</b>	means central securities depository which is an entity that holds and administrates securities and enables securities transactions to be processed by book entry transfer;
<b>CSD Regulation</b>	means the consultation initiated by the European Commission in January 2011 on CSDs and on the harmonisation of certain aspects of securities settlement in the EU;
<b>DDMplus</b>	means <i>Diffusione Dati di Mercato</i> and is the data dissemination platform for Italian markets;
<b>Directors</b>	Chris Gibson-Smith, Paolo Scaroni, Xavier Rolet, David Warren, Raffaele Jerusalemi, Baroness (Janet) Cohen, Sergio Ermotti, Gay Huey Evans, Paul Heiden, Andrea Munari, Massimo Tononi and Robert Webb Q.C.;
<b>Disclosure and Transparency Rules</b>	means the disclosure and transparency rules made by the FSA under Part VI of FSMA;
<b>Dodd-Frank</b>	means the Dodd-Frank Wall Street Reform and Consumer Protection Act;
<b>DOL</b>	means the Daily Official List produced by the London Stock Exchange;
<b>EBA</b>	means the European Banking Authority
<b>ECB</b>	means the European Central Bank;
<b>EEA</b>	means the European Economic Area;
<b>EQS</b>	means the European Quoting Service;
<b>ETFplus</b>	means Borsa Italiana's funds market ETFplus;
<b>EUI</b>	means Euroclear UK and Ireland Limited;
<b>EURIBOR</b>	means Euro Interbank Offered Rate;
<b>Euro or €</b>	means the official currency of the Eurozone;
<b>EuroMTS</b>	means a segment of the MTS cash market, which includes the most liquid Euro benchmark fixed income products;
<b>European Commission</b>	means the Commission of the EU, originally constituted under Article 4 of the Treaty establishing the European Economic Community, signed in Rome on 25 March 1957;
<b>European Parliament</b>	means the Parliament of the European Union, originally constituted under Article 4 of the Treaty establishing the European Economic Community, signed in Rome on 25 March 1957;
<b>EXPRESS II</b>	means the net settlement service provided by Monte Titoli;
<b>FCA</b>	means Financial Conduct Authority;



<b>Financial Conduct Authority</b>	means the regulatory authority established as part of regulatory reforms to be introduced by the UK Financial Services Bill, which will be responsible for regulating conduct in retail and wholesale markets, supervising the trading infrastructure that supports those markets, and for the prudential regulation of firms not prudentially regulated by the Prudential Regulation Authority;
<b>Financial Times</b>	means Financial Times Limited;
<b>ForexClear</b>	means LCH.Clearnet's clearing service for clearing OTC FX trades;
<b>FSA Handbook</b>	means the FSA's handbook of rules and guidance;
<b>FSA or Financial Services Authority</b>	means the Financial Services Authority of the UK or any successor authority or authorities (including the Prudential Regulatory Authority and the Financial Conduct Authority);
<b>FSMA</b>	means the Financial Services and Markets Act 2000 (as amended);
<b>FTSE</b>	means FTSE International Limited;
<b>FTSE 100</b>	means the benchmark index calculated by FTSE comprising of the 100 most highly capitalised UK-domiciled blue chip companies;
<b>FTSE 250</b>	means the index calculated by FTSE comprising of 250 largest mid-capitalised companies not covered by the FTSE 100;
<b>FTSE China</b>	means the index calculated by FTSE which represents approximately 80 largest and most liquid Chinese stocks;
<b>FTSE Italia Mid Cap</b>	means the index calculated by FTSE comprising of the mid-capitalised companies of the Italian market;
<b>FTSE MIB</b>	means the index calculated by FTSE which measures the performance of 40 Italian equities and seeks to replicate the broad sector weights from the stocks trading on the Borsa Italiana main equity market. Analysed by size and liquidity, the index has appropriate sector representation;
<b>FTSE Small Cap Index</b>	means the index calculated by FTSE comprising of companies outside of the FTSE 100 and FTSE 250 indices;
<b>FX</b>	means foreign exchange;
<b>G20</b>	means the group of twenty finance ministers and Central Bank Governors from 20 major economies consisting of 19 countries and the European union, which is represented by the President of the European Council and by the European Central Bank;
<b>Golden Copy</b>	means a master copy of data that is validated and verified from a number of independent sources;
<b>Group</b>	means the Issuer and its group of companies;
<b>Gulf Cooperation Council</b>	means the political and economic union of six Gulf States;
<b>HMRC</b>	means Her Majesty's Revenue and Customs;
<b>ICAP</b>	means ICAP plc;
<b>ICSD</b>	means a CSD that holds and administrates international securities and enables cross-border transactions to be processed by book entry transfer;
<b>IDEM</b>	means the Italian Derivatives Exchange Market;

<b>IDEM-Equity</b>	means the derivatives market for equity products operated by Borsa Italiana;
<b>IDEX</b>	means Borsa Italiana's derivatives market for power futures;
<b>Implementation Agreement</b>	means the implementation agreement between LCH.Clearnet, LSEG and LSEC entered into on 9 March 2012;
<b>IOB</b>	means an electronic order book service for international services;
<b>IOSCO</b>	means International Organisation of Securities' Commissions;
<b>ISDA</b>	means the International Swaps and Derivatives Association;
<b>ISIN</b>	means international securities identification number;
<b>ITCH</b>	means a low-latency and low-bandwidth direct delivery protocol;
<b>LCH.Clearnet</b>	means LCH.Clearnet Group Limited, a company incorporated in England and Wales (registered number 4743602) whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA;
<b>LCH.Clearnet (Luxembourg) S.à.r.l.</b>	means LCH.Clearnet (Luxembourg) S.à.r.l., a company incorporated in Luxembourg (registered number B134342) whose registered office is at 52, rue Charles Martel, Luxembourg, L-2134;
<b>LCH.Clearnet Group</b>	means LCH.Clearnet and its current subsidiaries as at the date of this document;
<b>LCH.Clearnet Limited</b>	means LCH.Clearnet Limited, a company incorporated in England and Wales (registered number 25932), whose registered office is at Aldgate House, 33 Aldgate High Street, London EC3N 1EA;
<b>LCH.Clearnet S.A.</b>	means LCH.Clearnet S.A., a company incorporated in France as a société anonyme (registered in the commercial and company registry of Paris under number B692032485);
<b>LCH Acquisition</b>	means the recommended cash offer made by London Stock Exchange (C) Limited, a wholly-owned subsidiary of the Issuer, for the issued share capital of LCH.Clearnet;
<b>LIBOR</b>	means London Interbank Offered Rate;
<b>Listing Rules</b>	means the rules and regulations made by the FSA in its capacity as the UK Listing Authority under FSMA and contained in the UKLA's publication of the same name;
<b>LME</b>	means The London Metal Exchange Limited, a company incorporated in England and Wales (registered number 2128666), whose registered office is at 56 Leadenhall Street, London EC3A 2DX;
<b>London Stock Exchange</b>	means London Stock Exchange plc, a Subsidiary of LSEG;
<b>LSEC</b>	means London Stock Exchange (C) Limited, a company incorporated in England and Wales (registered number 07943990) whose registered office is at 10 Paternoster Square, London EC4M 7LS;
<b>LSEG</b>	means London Stock Exchange Group plc, a company incorporated in England and Wales (registered number 05369106) whose registered office is at 10 Paternoster Square, London, EC4M 7LS and/or, where the context so requires, LSEC;

<b>LSEG Group</b>	means LSEG and its current subsidiaries as at the date of this document;
<b>Main Market</b>	means the main market for listed securities;
<b>Member State</b>	means a member state of the EU;
<b>Memorandum of Association</b>	means the memorandum of association of LSEG;
<b>MIB</b>	means Banca Intermobiliare di Investimenti e Gestioni S.p.A.;
<b>MiFID Review</b>	means the consultation initiated by the European Commission in December 2010 regarding proposed amendments to MiFID;
<b>MiFIR</b>	means the proposal for a Regulation of the European Parliament and of the Council on markets in financial instruments and amending EMIR;
<b>Millennium Exchange</b>	means the trading platform of Millennium IT and is the platform is used by the UK cash markets and includes data dissemination;
<b>Millennium IT</b>	means Millennium Information Technologies Limited, a subsidiary of LSEG;
<b>MIV</b>	means the electronic market for investment vehicles for highly specialised investment entities operated by Borsa Italiana;
<b>Monte Titoli</b>	means Monte Titoli S.p.A., a subsidiary of LSEG;
<b>MOT</b>	means Mercato Obbligazionario Telematico;
<b>MTA</b>	means Borsa Italiana's electronic markets on which shares, convertible bonds, warrants and option rights are traded;
<b>MTA International</b>	means the market segment of MTA dedicated to the trading of shares in non-Italian issues already issued in other EU regulated markets;
<b>MTA STAR</b>	means the market segment of MTA dedicated to midsize companies with a capitalisation of less than A1 billion and who voluntarily adhere to set requirements;
<b>MTS</b>	means Società per il Mercato dei Titoli di Stato Borsa Obbligazionaria Europea S.p.A., a subsidiary of LSEG and the owner and operator of an electronic trading platform for European fixed income securities;
<b>Multilateral Trading Facility/ies</b>	means electronic communications networks and alternative trading systems, as categorised under MiFID;
<b>New MIC</b>	means the interbank collateralised deposit market in Italy operated by e-MID SIM;
<b>NYSE Euronext</b>	means a Delaware corporation organised on 22 May 2006 and whose principal executive office is located at 11 Wall Street, New York 10005, USA, or any successor or surviving entity;
<b>NYSE Liffe</b>	means the global derivatives business of the NYSE Euronext group;
<b>Official List</b>	means the official list of the FSA;
<b>PRA</b>	means Prudential Regulatory Authority;
<b>Professional Securities Market</b>	means a market for debt securities or depositary receipts of any denomination upon production of a prospectus targeting a wholesale or professional investors, operated by the London Stock Exchange;

<b>Proquote</b>	means London Stock Exchange's wholly owned Subsidiary, which provides financial market software and data services;
<b>Prudential Regulation Authority</b>	means the regulatory authority established as part of regulatory reforms to be introduced by the UK Financial Services Bill, which will be responsible for the prudential regulation of deposit-takers, insurers and certain investment firms which it has designated;
<b>Recognised Bodies</b>	means a recognised investment exchange or a recognised clearing house as defined in section 285 of FSMA;
<b>Recognised Clearing House</b>	means a clearing house in relation to which a recognition order is in force pursuant to section 285 of FSMA;
<b>Recognised Investment Exchange</b>	means an investment exchange which is declared by a recognition order pursuant to section 290 of FSMA for the time being in force to be a recognised investment exchange;
<b>Recognised Overseas Clearing House</b>	means an overseas clearing house which is a recognised clearing house granted by the FSA;
<b>Recognition Requirements</b>	means the recognition requirements for investment exchanges set out in the Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges and Clearing Houses) Regulations 2001 (as amended), incorporated in the FSA's sourcebook for Recognised Investment Exchanges and Recognised Clearing Houses;
<b>Regulatory Information Service</b>	means any of the services on the list of Regulatory Information Services maintained by the FSA;
<b>REIC</b>	means real estate investment companies which are property funds that comply with specific Borsa Italiana listing rules;
<b>RIE</b>	means Recognised Investment Exchange;
<b>RMP</b>	means risk mitigation programme;
<b>RNS</b>	means the London Stock Exchange's regulatory news and non-regulatory news disclosure service;
<b>RPI</b>	means the Retail Price Index;
<b>RPI-Linked Notes</b>	means Notes issued on terms whereby the amount of interest payable on each interest payment date and/or the amount to be repaid upon redemption of the Notes will be calculated by reference to movements in the UK Retail Prices Index during a reference period;
<b>SEAQ</b>	means the London Stock Exchange's non-electronically executable quotation service;
<b>SeDeX</b>	means Borsa Italiana's electronic regulated market for securitised derivatives;
<b>SEDOL</b>	means the London Stock Exchange's global, multi-asset class reference data service;
<b>SEDOL Masterfile</b>	means the London Stock Exchange's expanding securities identification services;
<b>SETS</b>	means the electronic order book operated by the London Stock Exchange for the most liquid securities;
<b>SETSqx</b>	means the hybrid market for less liquid securities, combining continuous price formation from market makers with periodic auctions operated by the London Stock Exchange;

<b>Sharia law</b>	means the body of law derived from the Qur'an and the teachings and traditions of Prophet Mohammed;
<b>Short-Selling Regulation</b>	means the Regulation of the European Parliament and of the Council on short selling and certain aspects of Credit Default Swaps;
<b>SMEs</b>	means small and medium-sized enterprises;
<b>Specialist Fund Market</b>	means the London Stock Exchange's regulated market for highly specialised investment entities that wish to target institutional, professional and highly knowledgeable investors;
<b>sterling, pounds sterling, GBP, £, pence or p</b>	means the lawful currency of the United Kingdom;
<b>Subsidiary</b>	means a subsidiary as defined by section 1159 of the Companies Act;
<b>Sukuk Instruments</b>	means a security which provides a similar investment profile to a conventional debt security but which does not have a coupon structure in order to conform with Sharia law;
<b>SwapClear</b>	means the clearing service that LCH.Clearnet provides for clearing OTC interest rate swaps;
<b>SwapClear Agreements</b>	means the SwapClear Framework Agreement, the ForexClear Agreement and the CDSClear Agreement as amended from time to time;
<b>SwapClear Banks</b>	means a group of international investment banks who are clearing members of LCH.Clearnet Limited and LCH.Clearnet S.A. and have entered into the SwapClear Agreements with them for the development and operation of the SwapClear Businesses;
<b>SwapClear Businesses</b>	means SwapClear, ForexClear and CDSClear;
<b>Target2 Securities</b>	means the European Central Bank's project to deliver a single central settlement process for securities belonging to Eurozone and other participating countries;
<b>TUF</b>	means the Legislative Decree No. 58 of 1998 (the <i>Testo Unico della Finanza</i> ), which is the consolidated law of finance of Italy;
<b>Turquoise</b>	means Turquoise Global Holdings Limited, a subsidiary of LSEG;
<b>Turquoise Derivatives</b>	means Turquoise's pan-European derivatives markets;
<b>Turquoise Equities</b>	means Turquoise pan-European cash equity markets;
<b>UK Corporate Governance Code</b>	means the UK Corporate Governance Code published by the UK Financial Reporting Council;
<b>UK or United Kingdom</b>	means the United Kingdom of Great Britain and Northern Ireland;
<b>UKLA</b>	means the FSA acting in its capacity as a competent authority for the purpose of Part VI of FSMA;
<b>UnaVista</b>	means a hosted platform for providing matching validation and reconciliation services;
<b>US\$</b>	means the lawful currency of the US;
<b>US or United States</b>	means the United States of America;
<b>X-TRM</b>	means the daily matching service and a securities lending service operated by Monte Titoli which manages the matching and

routing of securities transactions traded on markets to be settled through EXPRESS II or through other securities settlement systems.

All references to legislation in this document are to the legislation of England and Wales, unless the contrary is indicated. Any reference to any provision of any legislation should include any amendment, modification, re-enactment or extension thereof.

The singular shall include the plural and vice versa, and words importing the masculine gender shall include the feminine or neutral gender.

Terms defined in the CREST Manual shall, unless the context otherwise requires, bear the same meanings where used in this document.

Unless otherwise indicated, all references in this document to “sterling”, “pounds sterling”, “GBP”, “£”, “pence”, or “p” are to the lawful currency of the United Kingdom; references to “euro” or “€” are to the official currency of the Eurozone; and references to “US dollars”, “USD” or “\$” are to the lawful currency of the United States.

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