

PRICING SUPPLEMENT

25 October 2007

VICTORIA PEAK INTERNATIONAL FINANCE LIMITED

PRICING SUPPLEMENT

relating to

Octave Notes Series 22 ("**this Series**")

HK Dollar RMB-Linked Credit-Linked Secured Callable Fixed Rate Notes due 2012
(in this Pricing Supplement, the "**Notes**")

pursuant to its Retail Note Programme
arranged by

MORGAN STANLEY & CO. INTERNATIONAL PLC

The terms of the Notes are as follows:

1. Issuer: Victoria Peak International Finance Limited
2. Relevant Subscriber/Lead Manager: Morgan Stanley & Co. International Plc as Relevant Subscriber
3. Series No: 22

Terms of Series

4. Relevant Currency (or Currencies in the case of Dual Currency Notes): Hong Kong dollars ("**HK\$**" or "**HKD**")
5. Principal Amount: HK\$50,960,000
6. Form of the Notes: Registered Global Certificate
7. Status: Secured and limited recourse obligations of the Issuer, secured as provided below
8. Denomination(s): HK\$40,000 per Note
9. Issue Date: 25 October 2007
10. Issue Price: 100 per cent. of the Principal Amount
11. Maturity Date: 25 October 2012, subject to redemption following notice of occurrence of a Sovereign Credit Event, or occurrence of a Mandatory Redemption Event as provided in the Conditions and paragraph 35 below. Redemption of a Note on the Maturity Date may be postponed due to Timing Adjustments (see Special Condition (D) in

Annex 1).

12. Redemption Amount (including early redemption):

Each Note will redeem at 100% of its RMB Notional Amount converted into HK dollars in accordance with the Conversion Provisions (see Special Condition (D) in Annex 1) on or about the Maturity Date or the Call Redemption Date (as the case may be), provided that if notice of the occurrence of a Sovereign Credit Event is given to the Noteholders, the Sovereign Credit Event Redemption Amount as adjusted in accordance with the definition of Sovereign Credit Event Redemption Amount will be paid on the Sovereign Credit Event Redemption Date (see Special Condition (B)(1) in Annex 1) and if a Mandatory Redemption Event has occurred, the Notes will be redeemed at the applicable Mandatory Redemption Amount on the Mandatory Redemption Date (see Special Condition (B)(2) in Annex 1).

"RMB Notional Amount" means RMB 38,763.37 per Note.

Issuer Call Option

13. Terms of redemption at the option of the Issuer or other Issuer's option (if applicable):

The Issuer has the right, but not the obligation, to redeem the Notes in whole (but not in part) at any time from and including the first Interest Period Date (such right being the "**Issuer Call Option**"), by giving not less than five Business Days prior written notice to the Noteholders in accordance with the Conditions (such date of redemption, the "**Call Redemption Date**") provided that the Issuer shall only exercise such right if the Swap Counterparty has exercised the Swap Counterparty Option in respect of the Notes.

Any exercise by the Issuer of an Issuer Call Option shall be irrevocable and the redemption of the Notes following the exercise of such Issuer Call Option will occur as described above notwithstanding the occurrence of a Mandatory Redemption Event or a Sovereign Credit Event after such exercise of such Issuer Call Option.

For the purposes of Condition 7(f), the interest accrued on a Note which is payable on the Call Redemption Date shall be an amount of HK dollars per Note (the "**Call Interest Amount**") equal to the product of (i) the Interest Rate, (ii) the Day Count Fraction, and (iii) the RMB Notional Amount, converted into HK dollars pursuant to the Conversion Provisions, in respect of a calculation period beginning on and including the Interest Period Date immediately preceding such Call Redemption Date and ending on but excluding such Call Redemption Date.

Payment of the Redemption Amount and any Call Interest Amount on the Call Redemption Date may be postponed due to Timing Adjustments (see Special Condition (D) in Annex 1).

14. Issuer's Option Period: From and including the Issue Date
15. Terms of redemption at the option of the Noteholders or other Noteholders' Option (if applicable): Not applicable
16. Noteholders' Option Period: Not applicable

Interest

17. Interest Commencement Date (if different from Issue Date): Issue Date
18. Interest Basis: Fixed Rate
19. Interest Payment Date(s): Semi-annually in arrear on 25 October and 25 April in each year, commencing on 25 April 2008 up to and including the Maturity Date, subject to adjustment in accordance with the Following Business Day Convention. Payment of Interest Amounts on an Interest Payment Date may be postponed due to Timing Adjustments (see Special Condition (D) in Annex 1).
20. Interest Period Date(s) (if applicable): 25 October and 25 April in each year commencing on 25 April 2008 up to and including the Maturity Date.

Fixed Rate

21. Interest Rate: 5.00 per cent. per annum for each Interest Accrual Period.
- If (1) notice is given by the Issuer of the occurrence of a Sovereign Credit Event or (2) a Mandatory Redemption Event occurs, or (3) an Issuer's Event of Default occurs, interest in respect of the Notes will be treated as having ceased to accrue from and including the Interest Period Date immediately preceding the date upon which notice is given of the occurrence of such Sovereign Credit Event or the date of the occurrence of the Mandatory Redemption Event or Issuer's Event of Default, as the case may be or, in each case, the Issue Date if such event occurs before the first Interest Period Date.**
- If the Notes are redeemed following the exercise of an Issuer Call Option, interest in respect of the Notes will cease to accrue on the Call Redemption Date.**
22. Day Count Fraction: 30/360

23. Fixed Rate Interest Amount: An amount per Note per Interest Accrual Period equal to the product of (i) the Interest Rate, (ii) the Day Count Fraction, and (iii) the RMB Notional Amount, converted into HK dollars pursuant to the Conversion Provisions (see Special Condition (D) in Annex 1).
24. Broken Amount: Not applicable
- Floating Rate** Not applicable
- Zero Coupon** Not applicable
- Other**
25. Redemption for Taxation Reasons permitted on days other than Interest Payment Dates: Yes
26. Index/Formula (Indexed Note): Not applicable
27. Calculation Agent: The Bank of New York has been appointed as the Calculation Agent pursuant to the Agency Agreement dated 30 August 2004 as amended and restated on 29 March 2005 and 5 June 2006 and as further amended and restated on 25 June 2007.
28. Dual Currency Note: Not applicable
29. Partly-Paid Note: Not applicable
30. Instalment Date(s) (if applicable): Not applicable
31. Instalment Amount(s) (if applicable): Not applicable
32. Unmatured Coupons to become void upon early redemption: Not applicable
33. Talons to be attached to Notes and, if applicable, the number of Interest Payment Dates between the maturity of each Talon (Bearer Notes): No
34. Business Day Jurisdictions for Condition 8(h) (jurisdictions required to be open for payment): Hong Kong, New York City, Beijing and London
35. Mandatory Redemption/Credit Event/Other Specified Event: Condition 7(b) and Condition 7(c) shall be amended as set out in this paragraph 35.
- (i) Conditions 7(b), 7(c)(i) and 7(c)(ii) will be deleted;
- (ii) "Credit Event" in Condition 7(c)(iii) means a "Sovereign Credit Event" as set out in Special Condition (B)(1) in Annex 1; and
- (iii) "Other specified event" in Condition 7(c)(iv) means a "Mandatory Redemption Event" as set out in Special

Condition (B)(2) in Annex 1.

36. Variation: Not applicable
37. Details of any other additions or variations to the Conditions:
- (a) Condition 6(a) "Interest Rate and Accrual" shall be amended as set out in Special Condition (A) in Annex 1.
 - (b) Condition 7(i) shall not apply.
 - (c) A new Condition 7(k) shall be inserted as set out in Special Condition (C) in Annex 1.
38. Mortgaged Property:
- (a) Underlying Securities: "Standard Underlying Securities" shall apply except that Asset-Backed Securities linked to subprime mortgages or to real estate, CDO Squared Securities and Credit Commodity Linked Securities shall be excluded from the definition of "Eligible Investments".

As at the Issue Date, the Underlying Securities will comprise US\$6,573,000 in principal amount of Floating Rate Notes due 2011 extendable to 2012 issued by Morgan Stanley ACES SPC acting on the account of the Series 2007-37 Segregated Portfolio (ISIN: USU6177DAB83) (the "**Original Underlying Securities**").
 - (b) Security (order of priorities): The Trustee shall apply all moneys received by it under the Trust Deed in connection with the realisation or enforcement of the security constituted by or pursuant to the Trust Deed in accordance with the following:

Derivatives Counterparty Priority

In accordance with the Supplemental Trust Deed, the Security for the Notes shall comprise all of the following:
 - (i) a first fixed charge in favour of the Trustee over the Underlying Securities and all of the Issuer's rights attaching to or relating to the Underlying Securities and all sums derived therefrom;
 - (ii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights, title and interest against the Custodian, to the extent they relate to the Underlying Securities;
 - (iii) an assignment by way of first fixed charge in favour of the Trustee of all of the Issuer's rights, title and interest under each of the Swap Agreement, the Swap Guarantee, the Forward Agreement and the MS/MSIplc Guarantee, and

any sums received thereunder;

- (iv) a first fixed charge in favour of the Trustee over (a) all sums received under the Swap Agreement, the Swap Guarantee, the Forward Agreement and the MS/MSIplc Guarantee; and (b) any sums held by the Principal Paying Agent and/or the Custodian and/or the Registrar to meet payments due in respect of the Notes; and
- (v) an assignment by way of first fixed charge in favour of the Trustee of the Issuer's rights, title and interest under the Agency Agreement in respect of the Notes and the Underlying Securities, including all sums derived therefrom in respect of the Notes and all rights against the Custodian with respect to the Underlying Securities, including without limitation all rights to the delivery of such Underlying Securities against the Custodian under the Agency Agreement or any applicable clearing system or the operator thereof or against any bank, broker or other intermediary and including all sums and other rights derived from such Underlying Securities.

The claims of the Trustee, the Custodian, the Principal Paying Agent, the Registrar, the Swap Counterparty and the Forward Counterparty against the Issuer shall rank prior to the claims of the Noteholders under the Notes in the application of all moneys received in connection with the realisation or enforcement of the Security. As "Counterparty B Direction" applies, in realising the Security, in certain circumstances the Trustee is obliged to act in accordance with the directions of the Swap Counterparty (provided that sums are due to the Swap Counterparty).

- (c) Underlying Agreement (if applicable): Not applicable
- (d) Derivatives Contract:
- (i) Swap Agreement (including the Credit Default Swap Transaction and the Asset Swap Transaction and the Contingent Forward Transaction) and the Swap Guarantee: In connection with the issue of the Notes, the Issuer has entered into, amongst other things, an ISDA Master Agreement (the "**MSCS ISDA Master Agreement**") dated as of 30 September 2004 between the Issuer and the Swap Counterparty which MSCS ISDA Master Agreement benefits from a guarantee (the "**Swap Guarantee**") of the Swap Guarantor dated 30 September 2004. Under the MSCS ISDA Master Agreement in respect of this Series the Issuer has executed certain

confirmations thereto which incorporate the terms of the MSCS ISDA Master Agreement. The confirmations to the MSCS ISDA Master Agreement which relate to the Notes comprise a credit default swap transaction (the "**Credit Default Swap Transaction**") and an asset swap transaction (the "**Asset Swap Transaction**"), each dated the Issue Date. The MSCS ISDA Master Agreement together with the confirmations thereto which relate to the Notes are together referred to herein as the "**Swap Agreement**" (which term shall, where the context requires, refer to the MSCS ISDA Master Agreement together with the confirmations thereto which relate to this Series).

Pursuant to the terms of the Credit Default Swap Transaction the Issuer has agreed to sell credit protection to the Swap Counterparty in relation to the Sovereign Entity in a currency amount equal to the US dollar equivalent of the Principal Amount of the Notes as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion against payment of a premium amount (the "**Credit Default Swap Premium**") and the Issuer has agreed that following the giving of notice of the occurrence of a Sovereign Credit Event, it will pay to the Swap Counterparty an amount equal to the Liquidation Proceeds and the Swap Counterparty will pay an amount equal to the Sovereign Credit Event Redemption Amount (after certain adjustments have been made by the Swap Counterparty as described under the definition of Sovereign Credit Event Redemption Amount set out in Annex 2 below).

Furthermore, in connection with the issue of the Notes the Issuer has entered into the Asset Swap Transaction in a currency amount equal to the Principal Amount of the Notes pursuant to which (A) the Issuer has agreed to pay to the Swap Counterparty (i) an amount equal to all distributions in respect of interest or income receivable by the Issuer in respect of the Underlying Securities and (ii) an amount equal to the Credit Default Swap Premium and (B) the Swap Counterparty has agreed to pay to the Issuer an amount equal to all amounts of interest due in respect of the Notes.

- (ii) Forward Agreement and the MS/MSIL plc Guarantee:

In connection with the issue of the Notes, the Issuer has also entered into, amongst other things, an ISDA Master Agreement (the "**MSIplc ISDA Master Agreement**") dated 29 April 2005 between the Issuer and the Forward Counterparty which MSIplc ISDA Master Agreement

benefits from a guarantee (the "MS/MSIplc Guarantee") of the Swap Guarantor dated 29 April 2005. Under the MSIplc ISDA Master Agreement in respect of this Series the Issuer has executed a confirmation thereto which incorporate the terms of the MSIplc ISDA Master Agreement. The confirmation to the MSIplc ISDA Master Agreement which relates to the Notes comprise a contingent forward transaction dated the Issue Date. The MSIplc ISDA Master Agreement together with the confirmation thereto in connection with a contingent forward transaction which relates to the Notes are referred to herein as the "**Forward Agreement**" (which term shall, where the context requires, refer to the MSIplc ISDA Master Agreement together with the confirmations thereto in connection with the contingent forward transaction which relate to this Series).

Pursuant to the terms of the contingent forward transaction, if an Issuer Call Option is exercised in relation to the Notes, the Issuer will deliver to the Forward Counterparty the Underlying Securities in respect of the Notes, and the Forward Counterparty will pay to the Issuer a cash amount equal to the principal amount of the Underlying Securities.

Each of the Swap Agreement and the Forward Agreement may be terminated early, amongst other circumstances (which, without limitation, may relate to the Swap Agreement and the Forward Agreement entered into by the Issuer in respect of this Series):

- (a) at the election of the non-defaulting party upon an Event of Default under the Swap Agreement or the Forward Agreement, as the case may be, including:
 - (i) the failure of the other party to pay any amount due and payable under the Swap Agreement or the Forward Agreement, as the case may be, and such failure continues for one Business Day (as defined in the Swap Agreement or the Forward Agreement as the case may be);
 - (ii) non-compliance by the Swap Guarantor with any of its obligations under the Swap Guarantee or the MS/MSIplc Guarantee, as the case may be, or the ceasing of the Swap Guarantee or the MS/MSIplc Guarantee (as the case may be) to be in full force and effect;

- (iii) the merger of either party or the Swap Guarantor, as the case may be, with another entity and such entity fails to assume all of the relevant party's obligations under the Swap Agreement or the Swap Guarantee, or the Forward Agreement or the MS/MSIplc Guarantee, as the case may be;
- (b) on the occurrence of certain Termination Events, including:
 - (i) it becoming illegal for either party to perform its obligations under the Swap Agreement or the Forward Agreement, as the case may be, or for the Swap Guarantor to perform its obligations under the Swap Guarantee or the MS/MSIplc Guarantee, as the case may be;
 - (ii) if (subject as provided in the Swap Agreement or the Forward Agreement, as the case may be) withholding taxes are imposed on payments made by the Issuer, the Swap Counterparty or the Forward Counterparty under the Swap Agreement and/or the Forward Agreement, as the case may be, which is not avoided by a transfer by the Affected Party (as defined in the Swap Agreement or the Forward Agreement, as the case may be) of its rights and obligations on terms provided in the Swap Agreement or the Forward Agreement, as the case may be;
 - (iii) when the Notes become repayable in whole prior to the Maturity Date (other than as a result of the occurrence of a Sovereign Credit Event or as a result of the exercise of an Issuer Call Option);
- (c) where a Sovereign Credit Event has occurred, the Asset Swap Transaction and the Forward Agreement will terminate on the Sovereign Credit Event Determination Date; and
- (d) upon the exercise by the Swap Counterparty of a Swap Counterparty Option in respect of the Notes, the Asset Swap Transaction and the Credit Default Swap Transaction in respect of the Notes will terminate on the Optional Termination Date.

Consequences of Early Termination:

Upon any such early termination of the Swap Agreement or the Forward Agreement (in whole or in part), as the case may be, and such agreement is not replaced on or prior to such termination, the Notes will become

repayable and the Issuer or the Swap Counterparty (as the case may be) may (subject as set out below and provided, in the case of certain tax events, that the Issuer shall seek to effect a transfer of its obligations) be liable to make a termination payment to the other in respect of the Swap Agreement (regardless, if applicable, of which of such parties may have caused such termination).

Further, under the terms of the Swap Agreement or the Forward Agreement, termination payments will not be payable following termination as a result of the exercise by the Issuer of an Issuer Call Option, the exercise by the Swap Counterparty of a Swap Counterparty Option or the occurrence of a Sovereign Credit Event Determination Date (save in respect of any amounts which should have been paid prior to the date of termination and which remain unpaid).

Where such a termination payment is payable, it will be based on the total losses and costs and/or gains incurred in the termination of the Swap Agreement, and the termination payment would typically (but not necessarily) take into account the market value of the terminated Swap Agreement, based on market quotations of the cost of entering into a transaction with terms and conditions that would have the effect of preserving the economic equivalent of the respective full payment or delivery obligations of the parties under the Swap Agreement.

Regardless of which party makes the determination of the termination payment (if any), there is no assurance that the proceeds from the sale of the Underlying Securities plus or minus, as the case may be, the amount payable by the Swap Counterparty or the Issuer, as the case may be, due to the termination of the Swap Agreement, will be sufficient to repay the principal amount due to be paid in respect of the Notes and any other amounts in respect thereof that are due.

- (iii) Additional Termination Event following exercise of Morgan Stanley Exchange Option

Following an exercise of the Morgan Stanley Exchange Option by Morgan Stanley & Co. International Plc in respect of any Notes as set out in Special Condition (C) in Annex 1, a pro rata amount of the Swap Agreement and the Forward Agreement relating to the Notes (if any) corresponding in each case to that proportion of the Notes to be exchanged will be terminated without any termination payment due from either party to the other thereunder.

(e)	Derivatives Counterparty:	Morgan Stanley Capital Services Inc. (in such capacity the " Swap Counterparty ") in respect of the Swap Agreement and Morgan Stanley & Co. International Plc in respect of the Forward Agreement (in such capacity, the " Forward Counterparty ").
(f)	Contract (if applicable)	Not applicable
(g)	Derivatives Guarantor (if applicable):	Morgan Stanley acts in the capacity as the swap guarantor (the " Swap Guarantor ") in relation to (i) the Swap Counterparty's obligations under the Swap Agreement; and (ii) the Forward Counterparty's obligations under the Forward Agreement.
(h)	Details of Credit Support Document (if applicable):	Not applicable
(i)	Credit Support Provider:	Not applicable
(j)	Details of Stock Borrowing Agreement (if applicable):	Not applicable
(k)	Stock Borrower:	Not applicable
(l)	Specify any other Mortgaged Property:	Not applicable
(m)	Custodian:	The Bank of New York has been appointed as the Custodian pursuant to the Agency Agreement dated 30 August 2004 as amended and restated on 29 March 2005 and 5 June 2006 and further amended and restated on 25 June 2007.
(n)	Entitlement to procure realisation of security:	Counterparty B Direction, provided that references to "Derivatives Counterparty" for this purpose shall not include the Forward Counterparty.
39.	Investment Management Agreement:	Not applicable
40.	Exchange: Global Note/Global Certificate exchangeable for Definitive Notes/Individual Certificates:	Yes, but only in the limited circumstances set out in the Global Certificate.
41.	Details of any additions or variations to the Programme Agreement:	The Issuer and Morgan Stanley & Co. International Plc entered into a twenty second supplemental programme agreement dated the Issue Date (the " Twenty Second Supplemental Programme Agreement ") pursuant to which Morgan Stanley & Co. International Plc was appointed as the Arranger in respect of the Notes.
42.	Net Price payable to Issuer:	HK\$50,960,000

43. Common Code: 032591701
44. ISIN Code: XS0325917010
45. Registrar: The Bank of New York
One Canada Square
London E14 5AL
United Kingdom
Fax: +44 207 9642531
Attention: Corporate Trust Administration
46. Principal Paying Agent, Transfer Agent and Calculation Agent: The Bank of New York
One Canada Square
London E14 5AL
United Kingdom
Fax: +44 207 9642531
Attention: Corporate Trust Administration
47. Determination Agent: Morgan Stanley & Co. International Plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom
Fax: +44 (0) 20 7677 7990
Attention: Structured Credit Group
- With copies to:
- Morgan Stanley & Co. International Plc
c/o Morgan Stanley Asia Limited
30/F, Three Exchange Square, Central
Hong Kong
- Fax: +852 2848-5986
Attention: Structured Credit Group
- and
- Morgan Stanley & Co. International Plc
c/o Morgan Stanley Japan Securities Co., Ltd.
Yebisu Garden Place Tower
4-20-3 Ebisu, Shibuya-ku,
Tokyo 150-6008, Japan
- Fax: +81 3 5424 7894
Attention: Structured Credit Group
48. Market Agent: Morgan Stanley & Co. International Plc
25 Cabot Square
Canary Wharf
London E14 4QA
United Kingdom
Fax: +44 (0) 20 7677 7990
Attention: Structured Credit Group

With copies to:

Morgan Stanley & Co. International Plc
c/o Morgan Stanley Asia Limited
30/F, Three Exchange Square, Central
Hong Kong

Fax: +852 2848-5986

Attention: Structured Credit Group

and

Morgan Stanley & Co. International Plc
c/o Morgan Stanley Japan Securities Co., Ltd.
Yebisu Garden Place Tower
4-20-3 Ebisu, Shibuya-ku,
Tokyo 150-6008, Japan

Fax: +81 3 5424 7894

Attention: Structured Credit Group

ANNEX 1
SPECIAL CONDITIONS

The Conditions shall be supplemented and modified by the following Special Conditions. In the event of any inconsistency between the Conditions and such Special Conditions, such Special Conditions shall prevail and the Conditions shall be amended accordingly.

(A) *Interest Rate and Accrual*

In the first paragraph of Condition 6(a) "Interest Rate and Accrual", the words "outstanding principal amount" shall be replaced with the words "Redemption Amount".

The following sentence shall be added to the first paragraph of Condition 6(a) "Interest Rate and Accrual":

"If (i) a Sovereign Credit Event occurs, upon the Issuer delivering notice of such Sovereign Credit Event to the relevant clearing system for communication to Noteholders, or (ii) a Mandatory Redemption Event occurs, or (iii) an Issuer's Event of Default occurs, interest in respect of the Notes will be treated as having ceased to accrue from and including the Interest Period Date falling on or immediately prior to the date upon which notice is given to the Noteholders of the occurrence of such Sovereign Credit Event, or the date on which the Mandatory Redemption Event or the Issuer's Event of Default occurs, as the case may be or, in each case, the Issue Date if such event occurs before the first Interest Period Date. If the Notes are redeemed following the exercise of an Issuer Call Option, interest in respect of the Notes will cease to accrue on the Call Redemption Date."

(B) *Redemption for Taxation and Other Reasons*

(1) **Redemption following a Sovereign Credit Event**

A "Credit Event" in Condition 7(c)(iii) means a "Sovereign Credit Event".

Definition of Sovereign Credit Event

"**Sovereign Credit Event**" means the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion acting in good faith having the right (but not the obligation) to declare the occurrence of a Sovereign Credit Event upon the occurrence of one or more of the following events or conditions with respect to the Sovereign Entity or Obligations of the Sovereign Entity, which event or condition occurs on or after the Issue Date:

- (i) Failure to Pay;
- (ii) Restructuring;
- (iii) Repudiation/Moratorium.

If an occurrence would otherwise constitute a Sovereign Credit Event, such occurrence will constitute a Sovereign Credit Event whether or not such occurrence arises directly or indirectly from, or is subject to a defence based upon: (a) any lack or alleged lack of authority or capacity of the Sovereign Entity to enter into any Obligation, or as applicable, an Underlying Obligor to enter into any Underlying Obligation, (b) any actual or alleged unenforceability, illegality, impossibility or invalidity with respect to any Obligation or, as applicable, any Underlying Obligation however described, (c) any applicable law, order, regulation, decree or notice, however described, or the promulgation of, or any change in, the interpretation by any court, tribunal, regulatory authority or similar administrative or judicial body with competent

or apparent jurisdiction of any applicable law, order, regulation, decree or notice, however described, or (d) the imposition of, or any change in, any exchange controls, capital restrictions or any other similar restrictions imposed by any monetary or other authority, however described.

Occurrence of a Sovereign Credit Event

Upon the occurrence of a Sovereign Credit Event:

- (i) the Determination Agent, acting for and on behalf of the Issuer shall be entitled to deliver to the Issuer during the Notice Delivery Period a Sovereign Credit Event Notice and a Notice of Publicly Available Information;
- (ii) the Issuer shall have the right to notify the Trustee, the Principal Paying Agent, the Custodian, the Swap Counterparty, the Forward Counterparty and the Noteholders via Euroclear or Clearstream, Luxembourg of the relevant Sovereign Credit Event (including reasonable details of the Publicly Available Information confirming such Sovereign Credit Event) promptly after the Sovereign Credit Event Determination Date;
- (iii) the Notes shall cease to bear interest and no further payment will be made in respect of interest accrued from the preceding Interest Period Date (or if no interest payment has yet been paid, since the Issue Date);
- (iv) the Deliverable Obligations shall be identified by the Swap Counterparty (in its sole and absolute discretion) in the Initial Principal Amount;
- (v) on the Sovereign Credit Event Redemption Date, the Issuer will pay to the Swap Counterparty an amount equal to the Liquidation Proceeds and the Swap Counterparty will pay to the Issuer the Sovereign Credit Event Redemption Amount (after making certain adjustments as described under the definition of Sovereign Credit Event Redemption Amount below) to enable the Issuer to meet its obligations under the Notes; and
- (vi) the Issuer will redeem each Note by payment of the Sovereign Credit Event Redemption Amount attributable on a pro-rata basis to one Note on the Sovereign Credit Event Redemption Date converted into Hong Kong dollars at the USD/HKD exchange rate prevailing on or about the Sovereign Credit Event Redemption Date, as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion acting in good faith.

The Sovereign Credit Event Notice setting out the occurrence of a Sovereign Credit Event will include a brief description of the relevant event and the Public Source of such information, and an explanation of how it fits the definition of a Sovereign Credit Event.

(2) **Redemption following a Mandatory Redemption Event**

"Other specified event" in Condition 7(c)(iv) means a "Mandatory Redemption Event".

Definition of Mandatory Redemption Event

The Notes will be subject to mandatory redemption at the relevant Mandatory Redemption Amount following the occurrence of any of the following events (each a "**Mandatory Redemption Event**"):

(i) *An Underlying Securities Default Event*

If:-

- (A) there has been a payment default in respect of any of the Underlying Securities (without regard to any grace period applicable with respect to such payments), or
- (B) the outstanding principal amount of any of the Underlying Securities is reduced or otherwise written down in accordance with their terms, or if any of the Underlying Securities are redeemed early or otherwise become repayable early in whole or in part by the issuer of such Underlying Securities prior to their scheduled dates of maturity (if any) for any reason whatsoever at a principal amount less than the outstanding principal amount the subject of such redemption or repayment, or if the payment of any principal in respect of any of the Underlying Securities is deferred beyond the scheduled maturity date (if any) of such Underlying Securities in accordance with the terms of such Underlying Securities (other than pursuant to an extension of the original scheduled maturity date of such Underlying Securities in accordance with the terms of such Underlying Securities) (an "**Underlying Securities Writedown Event**")

(where each of (A) and (B) is an "**Underlying Securities Default Event**"), the Notes will be redeemed at the Mandatory Redemption Amount specified below.

The "**Mandatory Redemption Amount**" means for the purpose of this Condition (7)(c)(iv)(i) an amount equal to Mandatory Redemption Liquidation Proceeds of the Underlying Securities and/or any proceeds received in respect of the Underlying Securities (including any amounts received as a direct result of the reduction or writedown in the principal amount of the Underlying Securities) on or prior to the Mandatory Redemption Date plus or minus (as the case may be) the Swap Settlement Amount payable by the Swap Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

(ii) *A Tax Event*

If:

- (A) the Issuer on the occasion of the next payment due in respect of the Notes would be required by law to withhold or account for tax or would suffer tax in respect of its income (including but not limited to its income in respect of any of the Underlying Securities) or payments made to it under the Swap Agreement and/or the Forward Agreement or would receive net of tax any payments in respect of any of the Underlying Securities or payments made to it under the Swap Agreement and/or the Forward Agreement so that it would be unable to make payment of the full amount due on the Notes (and it is unable to arrange for the substitution of a company incorporated in another jurisdiction which would not impose such requirement as the principal obligor in respect of the Notes); or
- (B) any exchange controls or other currency exchange or transfer restrictions are imposed on the Issuer or any payments to be made to or by the Issuer or for any reason the cost to the Issuer of complying with its obligations under or in connection with the Notes or the Trust Deed would (in the sole opinion of the Issuer) be materially increased, the Trustee having required the Issuer to use its best endeavours to procure the substitution of a company incorporated in another jurisdiction (in which jurisdiction the relevant tax, exchange control or currency exchange or transfer restrictions does not apply) approved in writing by the Trustee as the principal obligor in respect of the Notes, or the establishment of a branch office in another jurisdiction (in which jurisdiction the relevant exchange control, or currency exchange or transfer restrictions does not apply) approved in writing by the Trustee (in each case subject to the satisfaction of certain conditions as more fully specified in the Trust Deed) from which it may continue to carry out its functions under the Notes and the Swap Agreement and/or the Forward Agreement, and the Issuer, having used its best endeavours is unable to arrange the substitution of a company incorporated in another jurisdiction in which the relevant exchange control or currency exchange or transfer restrictions do not apply before the next payment is due in respect of the Notes

(where each of (A) and (B) is a "**Tax Event**"), the Notes will be redeemed at the Mandatory Redemption Amount specified below.

Prior to publication of any notice of redemption in respect of the circumstance set out in this sub-paragraph (ii), the Issuer shall deliver to the Trustee a certificate signed by a director of the Issuer demonstrating that the conditions precedent to the obligations of the Issuer to redeem have occurred and, in the case of a redemption of Notes under (A) above an opinion to the Issuer (in form and substance satisfactory to the Trustee) of legal advisers of recognised standing (previously approved by the Trustee) in the relevant jurisdiction to the effect that the Issuer has or will become obliged to withhold, account for or suffer such tax. The Trustee may rely on the aforementioned certificate and/or opinion without further enquiry.

The Mandatory Redemption Amount following a Tax Event shall be the Mandatory Redemption Liquidation Proceeds of the Underlying Securities plus or minus (as the case may be) the Swap Settlement Amount (if any) payable by the Swap Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

(iii) *Termination of the Swap Agreement or the Forward Agreement*

If any of the Swap Agreement or the Forward Agreement is terminated in whole or in part for any reason (other than as a result of the exercise by the Swap Counterparty of one or more Swap Counterparty Options or the giving of notice of the occurrence of a Sovereign Credit Event to the Noteholders or following the exercise by the Issuer of one or more Issuer Call Options or the exercise by Morgan Stanley & Co. International Plc of the Morgan Stanley Exchange Option) and the Swap Agreement or the Forward Agreement, as the case may be, (or the relevant part, as applicable) is not replaced on or prior to such termination, the Notes will be redeemed at the Mandatory Redemption Amount specified below.

The Mandatory Redemption Amount following termination of the Swap Agreement and/or the Forward Agreement shall be the Mandatory Redemption Liquidation Proceeds of the Underlying Securities in a principal amount equal to the Principal Amount of the Notes, plus or minus (as the case may be) the Swap Settlement Amount (if any) payable by the Swap Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

(iv) *A Restructuring of Underlying Securities Event*

If the terms and conditions of any of the Underlying Securities are amended such that the issuer of (or account bank in respect of) such Underlying Securities shall no longer be obliged to pay the same amounts on the same days as contemplated in the terms and conditions of such Underlying Securities as of the date invested in by the Issuer (a "**Restructuring of Underlying Securities Event**"), the Notes will be redeemed at the Mandatory Redemption Amount specified below.

The Mandatory Redemption Amount following a Restructuring of Underlying Securities Event shall be the Mandatory Redemption Liquidation Proceeds of the Underlying Securities plus or minus (as the case may be) the Swap Settlement Amount (if any) payable by the Swap Counterparty or the Issuer (as the case may be) on the termination of the Swap Agreement. Such Mandatory Redemption Liquidation Proceeds will be subject to certain deductions relating to the costs and expenses associated with the sale of the Underlying Securities.

Upon the occurrence of a Mandatory Redemption Event:

- (i) the Determination Agent, acting for and on behalf of the Issuer shall give prompt notice thereof to the Issuer, the Custodian, the Swap Counterparty, the Forward

Counterparty and the Trustee (the "**Underlying Securities Event Notice**") and the Issuer shall notify the Trustee and the Noteholders via Euroclear and/or Clearstream, Luxembourg of the relevant Mandatory Redemption Event promptly after receipt of the Underlying Securities Event Notice. The Determination Agent, acting for and on behalf of the Issuer shall thereafter acting in good faith in its sole discretion proceed, where appropriate, to arrange for and administer the sale of the Underlying Securities as agent of the Issuer by seeking, to the extent reasonably practicable, firm bid quotes on the day (the "**Underlying Securities Sale Date**") being 10 Business Days following the day on which the Underlying Securities Event Notice is delivered as aforesaid from five market makers (which market makers will not be affiliated with each other and may include Morgan Stanley & Co. International Plc or any of its Affiliates) in the Underlying Securities and selling the Underlying Securities to the highest bidder. If, on the Underlying Securities Sale Date, the Determination Agent, acting for and on behalf of the Issuer, has not received a firm bid quotation in respect of the Underlying Securities then on the next Business Day (and, if necessary, on each Business Day thereafter for up to a total of 10 Business Days) the Determination Agent, acting for and on behalf of the Issuer, shall attempt to obtain firm bid quotes, as aforesaid, for the Underlying Securities and sell the Underlying Securities to the highest bidder (if any) on that day. If no quote is received on or prior to that 10th Business Day, the sale price thereof shall be deemed to be nil. Notwithstanding the foregoing, the Underlying Securities may only be sold to Morgan Stanley & Co. International Plc or any of its Affiliates as the highest bidder if a bid was also received in respect of the Underlying Securities from a party not affiliated to Morgan Stanley & Co. International Plc or one of its Affiliates;

- (ii) upon receipt of the sale proceeds of the Underlying Securities (or determination that the sale price is zero), the Issuer shall apply the net sale proceeds (if any) thereof (having deducted all costs, expenses and disbursements in connection with such sale) together with the termination payment (if any) payable to the Issuer under the Swap Agreement to redeem the Notes by payment of the applicable Mandatory Redemption Amount (as described below) on or prior to the 10th Business Day after receipt of such sale proceeds (or determination that the sale price is zero) and the termination payment (if any) (the "**Mandatory Redemption Date**"); and
- (iii) the Notes so redeemed shall cease to bear interest and no further payment will be made in respect of interest accrued from the preceding Interest Period Date (or if no interest has yet been paid, since the Issue Date).

Upon the occurrence of a Mandatory Redemption Event, the relevant Mandatory Redemption Amount will be paid to the Noteholders *pro rata* to their holdings of Notes in Hong Kong dollars by conversion into Hong Kong dollars at the USD/HKD exchange rate prevailing on or about the Mandatory Redemption Date, as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion acting in good faith. Following application of such net sale proceeds together with the termination payment (if any) under the Swap Agreement, no further amounts will be available to meet any remaining claims of the Noteholders and any such claims will be extinguished.

(C) *Morgan Stanley Exchange Option*

The following Condition shall be inserted as a new Condition 7(k) (Morgan Stanley Exchange Option) in respect of the Notes:

"Morgan Stanley & Co. International Plc (the "**Option Holder**") may at its option, from time to time and on one or more occasions, with respect to Notes that it beneficially owns, exchange any or all of such Notes for a pro rata amount of the Underlying Securities from the Issuer (such option, the "**Morgan Stanley Exchange Option**"), by giving not less than three Hong Kong, London and New York Business Days' notice to the Issuer, the Trustee, the Custodian and the Principal Paying Agent and/or the Registrar (as the case may be). Where the Notes and the Underlying Securities are denominated in different currencies, the principal amount of Notes to be exchanged will be determined by converting such principal amount into the currency of denomination of the Underlying Securities at the applicable exchange rate prevailing on or about the Issue Date as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion. Where the respective denominations of the Notes (converted as aforesaid where relevant) and the Underlying Securities are not equal, the pro rata amount of Underlying Securities to be exchanged pursuant to the Morgan Stanley Exchange Option will be rounded down to the nearest denomination of the Underlying Securities.

The Issuer will notify the Noteholders in accordance with Condition 16 (Notices) of an exercise of the Morgan Stanley Exchange Option by the Option Holder if, following such exercise, the outstanding principal amount of the Notes decreases to an amount less than 50 per cent., 30 per cent. and 10 per cent., respectively, of the original principal amount thereof. Each such notice will specify the amount of Notes being exchanged and will be given as soon as practicable thereafter and in any event will be given no later than five Hong Kong, London and New York Business Days after such exercise.

Any Notes beneficially owned by the Option Holder which are exchanged pursuant to an exercise of the Morgan Stanley Exchange Option will be surrendered to the Principal Paying Agent or the Registrar (as the case may be) or to its order for cancellation in accordance with Condition 7(j) (Cancellation) and the corresponding amount of the relevant Underlying Securities (calculated as aforesaid) will be released from the Security created in respect thereof. The Issuer will procure that the Custodian deliver and transfer free of all encumbrances such principal amount of the relevant Underlying Securities to or to the order of the Option Holder in the manner customary for the settlement of securities similar to the Underlying Securities, in each case on the date specified in the notice of the exercise of the Morgan Stanley Exchange Option, provided that the Option Holder will be liable to pay all taxes, duties and expenses that are incurred in connection with the delivery and transfer of such Underlying Securities."

(D) *Conversion Provisions*

The following Condition shall be inserted as a new Condition 6(k) (Conversion Provisions) in respect of the Notes:

"In calculating the Redemption Amount payable on the Maturity Date, the Interest Amount payable on a Note on an Interest Payment Date, or the Redemption Amount or the Call Interest Amount payable on a Call Redemption Date following the exercise of the Issuer Call Option, the RMB Notional Amount shall first be converted into a notional USD amount by reference to the then prevailing RMB/USD non-deliverable currency settlement exchange rate, as determined by the Determination Agent in its sole and absolute discretion acting in good faith for and on behalf of the Issuer. Such notional USD amount will then be converted into a HKD amount by reference to the then prevailing USD/HKD spot exchange rate, as determined by

the Determination Agent in its sole and absolute discretion acting in good faith for and on behalf of the Issuer.

(1) *RMB/USD non-deliverable currency settlement exchange rate*

The RMB/USD non-deliverable currency settlement exchange rate will be determined, four Beijing Business Days prior to the relevant Maturity Date, Interest Payment Date or Call Redemption Date (as the case may be) (such date, the "**Scheduled Rate Determination Date**") in accordance with the settlement rate option "CNY SAEC", as defined in the 1998 FX and Currency Option Definitions as published by the International Swaps and Derivatives Association, Inc., the Emerging Markets Traders Association and the Foreign Exchange Committee (as amended from time to time) (the "**ISDA FX Definitions**"). As at the Effective Date, "CNY SAEC" means that the relevant spot rate will be the Chinese Renminbi/U.S. Dollar official fixing rate, expressed as the amount of Chinese Renminbi per one US dollar for settlement in two Business Days reported by the People's Bank of China Beijing which appears on the Reuters Screen "SAEC" Page (or the relevant successor page) opposite the symbol "USDCNY=" at approximately 9.15 a.m., Beijing time, on the relevant rate calculation date.

If a Price Source Disruption occurs and is continuing in relation to the RMB/USD non-deliverable currency settlement exchange rate (the "**RMB/USD Rate**"), the RMB/USD Rate will be determined in accordance with the terms of the following Disruption Fallbacks:

1. Valuation Postponement
2. Fallback Reference Price
3. Fallback Survey Valuation Postponement
4. Calculation Agent Determination of Settlement Rate

"**Valuation Postponement**" means, for purposes of obtaining the RMB/USD Rate, that the RMB/USD Rate will be determined on the Beijing Business Day first succeeding the day on which the Price Source Disruption ceases to exist, unless the Price Source Disruption continues to exist (measured from the date that, but for the occurrence of the Price Source Disruption, would have been the Rate Determination Date) for a consecutive number of calendar days equal to the Maximum Days of Postponement. In such event, the RMB/USD Rate will be determined on the next Beijing Business Day after the Maximum Days of Postponement (which will, subject to the provisions relating to Fallback Survey Valuation Postponement, be deemed to be the applicable Rate Determination Date) in accordance with the next numerically applicable Disruption Fallback.

"**Fallback Reference Price**" means the SFEMC CNY Indicative Survey Rate (CNY02), as defined in the ISDA FX Definitions.

"**Fallback Survey Valuation Postponement**" means that, in the event that the Fallback Reference Price is not available on or before the third Beijing Business Day (or the day that would have been a Beijing Business Day but for an Unscheduled Holiday) succeeding the end of either (i) Valuation Postponement for Price Source

Disruption, (ii) Deferral Period for Unscheduled Holiday, or (iii) Cumulative Events, then the RMB/USD Rate will be determined in accordance with the next numerically applicable Disruption Fallback on such day (which will be deemed to be the applicable Rate Determination Date). For the avoidance of doubt, Cumulative Events, if applicable, does not preclude postponement of valuation in accordance with this provision.

"Cumulative Events" means, except as provided below, in no event shall the total number of consecutive calendar days during which either (i) valuation is deferred due to an Unscheduled Holiday, or (ii) a Valuation Postponement shall occur (or any combination of (i) and (ii)), exceed 14 consecutive calendar days in the aggregate. Accordingly, (x) if, upon the lapse of any such 14 calendar day period, an Unscheduled Holiday shall have occurred or be continuing on the day following such period that otherwise would have been a Beijing Business Day, then such day shall be deemed to be a Rate Determination Date, and (y) if, upon the lapse of any such 14 calendar day period, a Price Source Disruption shall have occurred or be continuing on the day following such period on which the RMB/USD Rate otherwise would be determined, then Valuation Postponement shall not apply and the RMB/USD Rate shall be determined in accordance with the next Disruption Fallback.

"Maximum Days of Postponement" means 14 calendar days.

"Calculation Agent Determination of Settlement Rate" means that the Determination Agent, acting for and on behalf of the Issuer will determine the RMB/USD Rate (or a method for determining the RMB/USD Rate), taking into consideration all available information that in good faith it deems relevant.

"Price Source Disruption" means it becomes impossible to obtain the RMB/USD Rate on the Rate Determination Date (or, if different, the day on which rates for that Rate Determination Date would, in the ordinary course, be published or announced by the relevant price source).

"Unscheduled Holiday" means, that a day is not a Beijing Business Day and the market was not aware of such fact (by means of a public announcement or by reference to other publicly available information) until a time later than 9:00 a.m. local time in Beijing two Beijing Business Days prior to the Scheduled Rate Determination Date.

"Rate Determination Date" means, in respect of the Maturity Date, an Interest Payment Date or a Call Redemption Date, the date which is two Beijing Business Days prior to that Maturity Date, an Interest Payment Date or a Call Redemption Date, provided that if a day that, but for the occurrence on that day of an Unscheduled Holiday would have been a Rate Determination Date (a "Scheduled Rate Determination Date"), is as a result of such occurrence not a Beijing Business Day, the Rate Determination Date in question shall be the next following Beijing Business Day to such Scheduled Rate Determination Date on which an Unscheduled Holiday does not occur, provided that if the Rate Determination Date has not occurred on or before the fourteenth consecutive day after the relevant Scheduled Rate Determination Date (any such period being the "Deferral Period"), then the next day after the Deferral Period that would have been a Beijing Business Day but for the Unscheduled Holiday, shall be deemed to be the relevant Rate Determination Date.

(2) *USD/HKD spot exchange rate*

The USD/HKD spot exchange rate will be determined by reference to Reuters Page HKD = D2 (or the relevant successor page) within 1 hour of the determination of the RMB/USD non-deliverable currency settlement exchange rate.

If it becomes impossible to obtain the USD/HKD spot exchange rate within 1 hour of the determination of the RMB/USD non-deliverable currency settlement exchange rate, such rate will be determined by reference to Reuters Page HKD = D2 (or the relevant successor page) within 1 hour of the determination of the RMB/USD non-deliverable currency settlement exchange rate. If such primary price source is unavailable within 1 hour of the determination of the RMB/USD non-deliverable currency settlement exchange rate, the USD/HKD spot exchange rate will be determined by reference to Reuters page HKD= (or the relevant successor page), or if such alternative price source is also unavailable for 1 hour, the relevant exchange rate will be the exchange rate determined by the Determination Agent in its sole and absolute discretion acting in good faith for and on behalf of the Issuer (such determination in any case to occur no later than the 10th Business Day following the relevant Interest Payment Date, Call Redemption Date or Maturity Date (as the case may be)).

If the determination of the RMB/USD non-deliverable currency settlement exchange rate or USD/HKD spot exchange rate (as the case may be) is so delayed in relation to any Interest Payment Date, Call Redemption Date or Maturity Date, the payment of any Interest Amount, Call Interest Amount and/or Redemption Amount that would otherwise have been payable on such day will be postponed to a Business Day as soon as practicable thereafter and in any case not more than 14 Business Days following such Interest Payment Date, Call Redemption Date or Maturity Date (as the case may be) provided that, in any case, the Interest Amount, Call Interest Amount or Redemption Amount (as the case may be) shall be payable no later than four Business Days after the date on which the relevant USD/HKD spot exchange rate is determined (such postponement, a "**Timing Adjustment**")."

ANNEX 2 DEFINITIONS

"**Accreting Obligation**" means any obligation (including, without limitation, a Convertible Obligation or an Exchangeable Obligation), the terms of which expressly provide for an amount payable upon acceleration equal to the original issue price (whether or not equal to the face amount thereof) plus an additional amount or amounts (on account of original issue discount or other accruals of interest or principal not payable on a periodic basis) that will or may accrete, whether or not (A) payment of such additional amounts is subject to a contingency or determined by reference to a formula or index, or (B) periodic cash interest is also payable.

"**Affiliate**" means, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"**Assignable Loan**" means a Loan that is capable of being assigned or novated to, at a minimum, commercial banks or financial institutions (irrespective of their jurisdiction of organization) that are not then a lender or a member of the relevant lending syndicate, without the consent of the Sovereign Entity or the guarantor, if any, of such Loan (or the consent of the applicable borrower if the Sovereign Entity is guaranteeing such Loan) or any agent.

"**Bond**" means Borrowed Money that is in the form of, or represented by, a bond, note (other than notes delivered pursuant to Loans), certified debt security or other debt security and shall not include any other type of Borrowed Money.

"**Borrowed Money**" means, any obligation (excluding an obligation under a revolving credit arrangement for which there are no outstanding, unpaid drawings in respect of principal) for the payment or repayment of borrowed money (which term shall include, without limitation, deposits and reimbursement obligations arising from drawings pursuant to letters of credit).

"**Sovereign Credit Event Determination Date**" means any date on which the Determination Agent, acting for and on behalf of the Issuer, gives notice that in its sole and absolute discretion acting in good faith that a Sovereign Credit Event has occurred.

"**Sovereign Credit Event Notice**" means the notice of the occurrence of a Sovereign Credit Event in respect of the Sovereign Entity which is provided to, amongst others, the Noteholders.

"**Sovereign Credit Event Redemption Amount**" shall be an amount equal to the market value of an Initial Principal Amount of Deliverable Obligations on the Valuation Date offered by the five Dealers selected by the Determination Agent, acting for and on behalf of the Issuer (which Dealers will not be affiliated to each other and may include Morgan Stanley & Co. International Plc or any of its Affiliates), less the costs and expenses, as determined by the Swap Counterparty, of effecting the relevant market valuation and/or sale.

The Sovereign Credit Event Redemption Amount shall be adjusted:

(A) by adding any Swap Settlement Amount due to the Issuer from the Swap Counterparty, or, as the case may be, by deducting any Swap Settlement Amount due from the Issuer to the Swap Counterparty; and

(B) to reflect the market value following the sale of the Underlying Securities as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion on or prior to the Sovereign Credit Event Redemption Date. If the market value of the Underlying Securities is less than 100% of the par amount of the Underlying Securities, an amount (a "**Collateral Depreciation Amount**") equal to the difference between 100% of the par amount and such market value will be due from the Issuer to the Swap Counterparty. If the market value following the sale of the Underlying Securities is greater than 100% of the par amount of the Underlying Securities, an amount (a "**Collateral Appreciation Amount**") equal to the amount by which such market value is greater than 100% of the par amount will be due from the Swap Counterparty to the Issuer.

"**Sovereign Credit Event Redemption Date**" means the day which is 2 Business Days after the Valuation Date.

"**Consent Required Loan**" means a Loan that is capable of being assigned or novated with the consent of the Credit Event Entity or the guarantor, if any, of such Loan (or the consent of the relevant borrower if a Credit Event Entity is guaranteeing such Loan) or any agent.

"**Convertible Obligation**" means any obligation that is convertible, in whole or in part, into Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"**Credit Event Entity**" means the Sovereign Entity or, where there is more than one Sovereign Entity as a result of the application of the "Successor" definition, the Sovereign Entity specified in the Sovereign Credit Event Notice and selected by the Determination Agent, acting for and on behalf of the Issuer, as the Credit Event Entity.

"**Dealers**" means dealers in Bonds or Loans of the Sovereign Entity from which quotations on the market value of the Bonds or Loans are to be obtained or dealers in the Underlying Securities.

"**Deliverable Obligation Characteristics**" in respect of the Sovereign Entity, means each of Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Law, Not Contingent, Not Domestic Issuance, Assignable Loan, Transferable, Maximum Maturity and Not Bearer.

"**Deliverable Obligation**" means:

(a) any obligation of the Credit Event Entity (either directly or as provider of any Qualifying Guarantee) determined pursuant to the Method For Determining Deliverable Obligations that (i) is payable in an amount equal to its outstanding principal balance excluding any accrued interest, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in (a)-(d) of the definition of Sovereign Credit Event) or right of set off by or of the Credit Event Entity or any applicable Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Credit Event Entity for an amount at least equal to the outstanding principal balance excluding any accrued interest being valued apart from the giving of any notice of nonpayment or

similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement;

(b) subject to the second paragraph of the definition of Not Contingent, each Reference Obligation applicable to such Credit Event Entity; and

(c) solely in relation to a Restructuring Credit Event applicable to the Sovereign Entity, any Sovereign Restructured Deliverable Obligation that (i) is payable in amount equal to its outstanding principal balance excluding any accrued interest, (ii) is not subject to any counterclaim, defence (other than a counterclaim or defence based on the factors set forth in (a)-(d) of the definition of Sovereign Credit Event) or right of set off by or of the Sovereign Entity or, as applicable, as Underlying Obligor and (iii) in the case of a Qualifying Guarantee other than a Qualifying Affiliate Guarantee, is capable, at the Valuation Date, of immediate assertion or demand by or on behalf of the holder or holders against the Sovereign Entity for an amount at least equal to the outstanding principal balance excluding any accrued interest being valued apart from the giving of any notice of nonpayment or similar procedural requirement, it being understood that acceleration of an Underlying Obligation shall not be considered a procedural requirement.

"Domestic Currency" means the lawful currency and any successor currency of the Sovereign Entity. In no event shall Domestic Currency include any successor currency if such successor currency is the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America or the euro (or any successor currency to any such currency).

"Downstream Affiliate" means an entity whose outstanding Voting Shares were, at the date of issuance of the Qualifying Guarantee, more than 50 percent. owned, directly or indirectly, by the Sovereign Entity.

"Equity Securities" means:

(A) in the case of a Convertible Obligation, equity securities (including options and warrants) of the issuer of such obligation or depositary receipts representing those equity securities of the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time; and

(B) in the case of an Exchangeable Obligation, equity securities (including options and warrants) of a person other than the issuer of such obligation or depositary receipts representing those equity securities of a person other than the issuer of such obligation together with any other property distributed to or made available to holders of those equity securities from time to time.

"Exchangeable Obligation" means any obligation that is exchangeable, in whole or in part, for Equity Securities solely at the option of holders of such obligation or a trustee or similar agent acting for the benefit only of holders of such obligation (or the cash equivalent thereof, whether the cash settlement option is that of the issuer or of (or for the benefit of) the holders of such obligation).

"Failure to Pay" means in respect of the Sovereign Entity, after the expiration of any applicable Grace Period (after the satisfaction of any conditions precedent to the commencement

of such Grace Period), the failure by the Sovereign Entity to make, when and where due, any payments in an aggregate amount of not less than US\$1,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated), as of the occurrence of the relevant Failure to Pay, under one or more Obligations, in accordance with the terms of such Obligations at the time of such failure.

"Governmental Authority" means any de facto or de jure government (or any agency, instrumentality, ministry or department thereof), court, tribunal, administrative or other governmental authority or any other entity (private or public) charged with the regulation of the financial markets (including the central bank) of the Sovereign Entity.

"Grace Period" means the applicable grace period with respect to payments under the relevant Obligation under the terms of such Obligation in effect as of the later of the Issue Date and the date as of which such Obligation is issued or incurred. Any Obligation with no grace period specified or a grace period of less than 3 Grace Period Business Days shall be deemed to have a grace period of 3 Grace Period Business Days provided that the deemed Grace Period shall expire no later than the second Business Day prior to the Maturity Date.

"Grace Period Business Day" means a day on which commercial banks and foreign exchange markets are generally open to settle payments in the place or places and on the days specified for that purpose in the relevant Obligation and if a place or places are not so specified, in the jurisdiction of the currency or currencies in which an Obligation is denominated.

"Initial Principal Amount" means a principal or nominal amount of Deliverable Obligations (or its equivalent in United States dollars calculated by reference to the relevant spot exchange rate at the time the quotation in respect of such Deliverable Obligations is being obtained, determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion, where such Deliverable Obligations are not denominated in United States dollars) identified by the Swap Counterparty after the Sovereign Credit Event Determination Date equal to the US dollar equivalent of the Principal Amount of the Notes (as determined by the Determination Agent, acting for and on behalf of the Issuer, in its sole and absolute discretion, between the fixing date for the Notes and the Issue Date) outstanding on the Sovereign Credit Event Determination Date.

"Issuer's Event of Default" means the occurrence of an event whereby the Trustee has given notice to the Issuer that the Notes are, and they have accordingly forthwith become, immediately due and repayable at their principal amount following the occurrence of an Event of Default.

"Liquidation Proceeds" means, following a Sovereign Credit Event, the US dollar amount realizable upon the sale of the Underlying Securities, at the highest clean firm bid price obtained by the Swap Counterparty upon the solicitation of five Dealers selected by the Determination Agent, acting for and on behalf of the Issuer (which Dealers will not be affiliated to each other and may include Morgan Stanley & Co. International Plc or any of its Affiliates), less the costs and expenses, as determined by the Determination Agent, acting for and on behalf of the Issuer, of effecting the relevant market valuation and/or sale on the day which is three Business Days after the Sovereign Credit Event Determination Date.

"Loan" means any Borrowed Money that is documented by a term loan agreement, revolving loan agreement or other similar credit agreement and shall not include any other type of

Borrowed Money obligation.

"Mandatory Redemption Liquidation Proceeds" means, following a Mandatory Redemption Event, the US dollar amount realisable upon the sale of the Underlying Securities, at the highest clean firm bid price, obtained by the Determination Agent, acting for and on behalf of the Issuer, on the relevant day on which the Underlying Securities have been sold or realised upon solicitation of five Dealers selected by the Determination Agent, acting for and on behalf of the Issuer (which Dealers will not be affiliated to each other and may include the Arranger or any of its Affiliates) less the costs and expenses, as determined by the Determination Agent, acting for and on behalf of the Issuer, of effecting the sale.

"Maximum Maturity" means an obligation that has a remaining maturity from the Sovereign Credit Event Redemption Date of not greater than 30 years.

"Method for Determining Deliverable Obligations" means any Bond or Loan of the Credit Event Entity having as at the Valuation Date each of the Deliverable Obligation Characteristics specified to apply to the Sovereign Entity in the definition of "Deliverable Obligation Characteristics" as at the Valuation Date.

"Not Bearer" means any obligation that is not a bearer instrument unless interests with respect to such bearer instrument are cleared via the Euroclear system, Clearstream, Luxembourg or any other internationally recognized clearing system.

"Not Contingent" means any obligation having as of the Valuation Date and all times thereafter an outstanding principal balance or, in the case of obligation that are not Borrowed Money, an outstanding principal balance excluding any accrued interest, that pursuant to the terms of such obligation may not be reduced as a result of the occurrence or nonoccurrence of an event or circumstance (other than payment). A Convertible Obligation, an Exchangeable Obligation and an Accreting Obligation shall satisfy the Not Contingent Deliverable Obligation Characteristic if such Convertible Obligation, Exchangeable Obligation or Accreting Obligation otherwise meets the requirements of the preceding sentence so long as, in the case of a Convertible Obligation or an Exchangeable Obligation, the right (A) to convert or exchange such obligation or (B) to require the issuer to purchase or redeem such obligation (if the issuer has exercised or may exercise the right to pay the purchase or redemption price, in whole or in part, in Equity Securities) has not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date.

If a Reference Obligation is a Convertible Obligation or an Exchangeable Obligation, then such Reference Obligation may be included as a Deliverable Obligation only if the rights referred to in clauses (A) and (B) of this Section definition have not been exercised (or such exercise has been effectively rescinded) on or before the Valuation Date.

"Not Domestic Currency" means any obligation that is payable in any currency other than the Domestic Currency.

"Not Domestic Issuance" means any obligation other than an obligation that was, at the time the relevant obligation was issued (or reissued, as the case may be) or incurred, intended to be offered for sale primarily in the domestic market of the Sovereign Entity. Any obligation that is registered or qualified for sale outside the domestic market of the Sovereign Entity (regardless of whether such obligation is also registered or qualified for sale within the domestic market of the Sovereign Entity) shall be deemed not to be intended for sale primarily in the domestic market of the Sovereign Entity.

"Not Domestic Law" means any obligation that is not governed by the laws of the jurisdiction of organization of the Sovereign Entity.

"Not Sovereign Lender" means any obligation that is not primarily owed to a Sovereign or Supranational Organisation, including, without limitation, obligations generally referred to as "Paris Club debt".

"Not Subordinated" means an obligation that is not Subordinated to any unsubordinated Borrowed Money obligations of the Sovereign Entity in priority of payment.

"Notice Delivery Period" means the period from and including the Issue Date to and including the second Business Day prior to the Maturity Date.

"Obligation" means in respect of the Sovereign Entity, an obligation of such entity which is a Bond or Loan (either directly or as provider of a Qualifying Guarantee, and having each of the Obligation Characteristics specified in the definition of "Obligation Characteristics").

"Obligation Characteristics" means, in respect of the Sovereign Entity, each of Not Subordinated, Not Sovereign Lender, Not Domestic Currency, Not Domestic Law and Not Domestic Issuance.

"Permitted Currency" means (i) the legal tender of any Group of 7 country (or any country that becomes a member of the Group of 7 if such Group of 7 expands its membership); or (ii) the legal tender of any country which, as of the date of such change, is a member of the Organization for Economic Cooperation and Development and has a local currency long-term debt rating of either AAA or higher assigned to it by Standard & Poor's, a division of The McGraw-Hill Companies, Inc. or any successor to the rating business thereof, Aaa or higher assigned to it by Moody's Investors Service, Inc. or any successor to the rating business thereof or AAA or higher assigned to it by Fitch Ratings or any successor to the rating business thereof.

"Public Source" means each of Bloomberg Service, Dow Jones Telerate Service, Reuter Monitor Money Rates Services, Dow Jones News Wire, Wall Street Journal, New York Times, Nihon Keizai Shinbun, Asahi Shinbun, Yomiuri Shinbun, Financial Times, La Tribune, Les Echos and the Australian Financial Review (and successor publications), the main source(s) of business news in respect of the Sovereign Entity, in the Sovereign Entity and any other internationally recognised published or electronically displayed news sources.

"Publicly Available Information" means (a) information that reasonably confirms any of the facts relevant to the determination that the Sovereign Credit Event has occurred and which (i) has been published in or on not less than the number of Public Sources specified in the Swap Agreement (as defined herein) (or, if a number is not so specified, two), regardless of whether the reader or user thereof pays a fee to obtain such information; provided that, if any of the Swap

Counterparty or its Affiliates is cited as the sole source of such information, then such information shall not be deemed to be Publicly Available Information unless any of the Swap Counterparty or its Affiliate is acting in its capacity as trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, (ii) is information received from or published by (A) a Sovereign Agency in respect of the Sovereign Entity, or (B) a trustee, fiscal agent, administrative agent, clearing agent or paying agent for an Obligation, or (iii) is information contained in any order, decree, notice or filing, however described, of or filed with a court, tribunal, exchange, regulatory authority or similar administrative, regulatory or judicial body.

(b) In relation to any information of the type described in paragraphs (a)(ii) and (iii) above, the party receiving such information may assume that such information has been disclosed to it without violating any law, agreement or understanding regarding the confidentiality of such information and that the party delivering such information has not taken any action or entered into any agreement or understanding with the Sovereign Entity that would be breached by, or would prevent, the disclosure of such information to third parties.

(c) Publicly Available Information need not state that such occurrence (A) has met the requirement of being an aggregate amount of not less than US\$1,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated) in the case of a "Failure to Pay" or US\$10,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated) in the case of a "Restructuring", (B) is the result of exceeding any applicable Grace Period or (C) has met the subjective criteria specified in certain Sovereign Credit Events.

"Qualifying Affiliate Guarantee" means a Qualifying Guarantee provided by the Sovereign Entity in respect of an Underlying Obligation of a Downstream Affiliate of the Sovereign Entity.

"Qualifying Guarantee" means an arrangement evidenced by a written instrument pursuant to which the Sovereign Entity irrevocably agrees (by guarantee of payment or equivalent legal arrangement) to pay all amounts due under an obligation (the **"Underlying Obligation"**) for which another party is the obligor (the **"Underlying Obligor"**). Qualifying Guarantees shall exclude any arrangement (i) structured as a surety bond, financial guarantee insurance policy, letter of credit or equivalent legal arrangement; or (ii) pursuant to the terms of which the payment obligations of the Sovereign Entity, can be discharged, reduced, assigned or otherwise altered (other than by operation of law) as a result of the occurrence or non-occurrence of an event or circumstance (other than payment). The benefit of a Qualifying Guarantee must be capable of being delivered together with the Delivery of the Underlying Obligation.

"Reference Obligation" means The People's Republic of China 4.75% notes due 29 October 2013 (ISIN: US712219AJ30).

In the event that the Reference Obligation:

- (i) is redeemed in full; or
- (ii) is, in the opinion of the Determination Agent, materially reduced by redemption or otherwise (other than due to any scheduled redemption, amortization or prepayments); or

(iii) is no longer an obligation of the relevant Sovereign Entity; or

(iv) is an Obligation with a Qualifying Guarantee of a Reference Entity and, other than due to the existence or occurrence of a Sovereign Credit Event, the Qualifying Guarantee is no longer a valid and binding obligation of such Reference Entity enforceable in accordance with its terms,

a substitute Reference Obligation will be identified by the Determination Agent, acting for and on behalf of the Issuer. In practice, the substitute Reference Obligation will be the same as that selected by the calculation agent under the Credit Default Swap Transactions under the Swap Agreement.

"Repudiation/Moratorium" means in respect of the Sovereign Entity, the occurrence of both of the following events: (i) an authorised officer of the Sovereign Entity or a Governmental Authority (x) disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, one or more Obligations in an aggregate amount of not less than USD10,000,000 (or its equivalent in the relevant currency or currencies in which the Obligation is denominated) or (y) declares or imposes a moratorium, standstill, roll-over or deferral, whether de facto or de jure, with respect to one or more Obligations in an aggregate amount of not less than USD10,000,000 (or its equivalent in the relevant currency or currencies in which the Obligation is denominated) and (ii) a Failure to Pay, determined without regard to the Failure to Pay Threshold (or its equivalent in the relevant currency or currencies in which the Obligation is denominated), or a Restructuring, determined without regard to the Restructuring Threshold (or its equivalent in the relevant currency or currencies in which the Obligation is denominated), with respect to any such Obligation occurs on or prior to the day which is two Business Days prior to the Maturity Date.

"Restructuring" means in respect of a the Sovereign Entity that:

(a) with respect to one or more Obligations and in relation to an aggregate amount of not less than USD10,000,000 (or its equivalent in the relevant currency or currencies in which an Obligation is denominated), any one or more of the following events occurs in a form that binds all holders of such Obligation, is agreed between the Sovereign Entity or a Governmental Authority and a sufficient number of holders of such Obligation to bind all holders of the Obligation or is announced (or otherwise decreed) by the Sovereign Entity or a Governmental Authority in a form that binds all holders of such Obligation, and such event is not expressly provided for under the terms of such Obligation in effect as of the later of the Issue Date and the date as of which such Obligation is issued or incurred:

(i) reduction in the rate or amount of interest payable or the amount of scheduled interest accruals;

(ii) reduction in the amount of principal or premium payable at maturity or at scheduled redemption dates;

(iii) postponement or other deferral of a date or dates for either (A) the payment or accrual of interest or (B) the payment of principal or premium;

(iv) change in the ranking in priority of payment of any Obligation, causing the Subordination of such Obligation to any other Obligation; or

(v) any change in the currency or composition of any payment of interest or

principal to any currency which is not a Permitted Currency.

(b) Notwithstanding the provisions of paragraph (a) above, none of the following shall constitute a Restructuring:

(i) the payment in euros of interest or principal in relation to an Obligation denominated in a currency of a Member State of the European Union that adopts or has adopted the single currency in accordance with the Treaty establishing the European Community, as amended by the Treaty on European Union;

(ii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above due to an administrative adjustment, accounting adjustment or tax adjustment or other technical adjustment occurring in the ordinary course of business; and

(iii) the occurrence of, agreement to or announcement of any of the events described in (a)(i) to (v) above in circumstances where such event does not directly or indirectly result from a deterioration in the creditworthiness or financial condition of the Sovereign Entity.

(c) For the purposes of paragraphs (a) and (b) above, the term "Obligation" shall be deemed to include Underlying Obligations for which it is acting as provider of any Qualifying Guarantee. In the case of a Qualifying Guarantee and an Underlying Obligation, references to the Sovereign Entity in paragraph (a) of this definition shall be deemed to refer to the Underlying Obligor and the reference to the Sovereign Entity in paragraph (b) of this definition shall continue to refer to the Sovereign Entity.

"RMB" means Chinese Renminbi, the lawful currency of the People's Republic of China.

"Sovereign" means any state, political subdivision or government, or any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) thereof.

"Sovereign Agency" means any agency, instrumentality, ministry, department or other authority (including, without limiting the foregoing, the central bank) of a Sovereign.

"Sovereign Entity" means The People's Republic of China and its Successors.

For the avoidance of doubt, if the Sovereign Entity has more than one Successor, the occurrence of a Sovereign Credit Event in respect of any one Successor or the Obligations of any one Successor shall constitute a Sovereign Credit Event for all purposes and in respect of the outstanding Principal Amount of the Notes.

"Sovereign Restructured Deliverable Obligation" means in respect of the Sovereign Entity an Obligation of the Sovereign Entity (a) in respect of which a Restructuring that is the subject of the relevant Sovereign Credit Event Notice has occurred and (b) is a Bond or Loan, and, subject to subsection (b) under the paragraph below headed "Interpretation of Provisions" of this Annex 2 "Definitions", having each of the Deliverable Obligation Characteristics specified to apply in the definition of Deliverable Obligation Characteristics in each case, immediately preceding the date on which such Restructuring is legally effective in accordance with the terms of the documentation governing such Restructuring without regard to whether the obligation would satisfy such Deliverable Obligation Category or Deliverable Obligation Characteristics

after such Restructuring.

"**Specified Currency**" means an obligation that is payable in any of the lawful currencies of Canada, Japan, Switzerland, Hong Kong, Singapore, United Kingdom and the United States of America and the euro (and any successor currency to any of the aforementioned currencies, which currencies may be referred to collectively as the "**Specified Currencies**").

"**Subordination**" means, with respect to an obligation (the "**Subordinated Obligation**") and another obligation of the Sovereign Entity to which such obligation is being compared (the "**Senior Obligation**"), a contractual, trust or similar arrangement providing that:

(i) upon the liquidation, dissolution, reorganisation or winding up of the Sovereign Entity (as applicable), claims of the holders of the Senior Obligation will be satisfied prior to the claims of the holders of the Subordinated Obligation; or

(ii) the holders of the Subordinated Obligation will not be entitled to receive or retain payments in respect of their claims against the Sovereign Entity at any time that the Sovereign Entity is in payment arrears or is otherwise in default under the Senior Obligation. "Subordinated" will be construed accordingly. For purposes of determining whether Subordination exists or whether an obligation is Subordinated with respect to another obligation to which it is being compared, the existence of preferred creditors arising by operation of law or of collateral, credit support or other credit enhancement arrangements shall not be taken into account, except that, notwithstanding the foregoing, priorities arising by operation of law shall be taken into account in respect of the Sovereign Entity.

"**Successor**" in respect of the Sovereign Entity means any direct or indirect successor(s) to the Sovereign Entity irrespective of whether such successor(s) assume(s) any obligations of the Sovereign Entity.

"**Supranational Organisation**" means any entity or organisation established by treaty or other arrangement between two or more Sovereigns or the Sovereign Agencies of two or more Sovereigns and includes, without limiting the foregoing, the International Monetary Fund, European Central Bank, International Bank for Reconstruction and Development and European Bank for Reconstruction and Development.

"**Swap Counterparty Option**" means, in respect of the Notes, the option of the Swap Counterparty, as provided in the Swap Agreement, to terminate the Swap Agreement in respect of the relevant notional amount of the Notes in whole (but not in part) at any time from and including the first Interest Period Date, by giving not less than five Business Days' notice to the Issuer (the date of such termination following the exercise of such option, the "**Optional Termination Date**").

"**Swap Settlement Amount**" means the early termination amount or close out payment (as determined by the Swap Counterparty) receivable or payable (expressed as a negative amount) by the Swap Counterparty or the Issuer under the Swap Agreement which has terminated early or otherwise closed out (other than where such amounts have been disapplied under the terms of the relevant transaction/transactions under the Swap Agreement).

"Transferable" means an obligation that is transferable to institutional investors without any contractual, statutory or regulatory restriction, provided that none of the following shall be considered contractual, statutory or regulatory restrictions:

(A) contractual, statutory or regulatory restrictions that provide for eligibility for resale pursuant to Rule 144A or Regulation S promulgated under the United States Securities Act of 1933, as amended (and any contractual, statutory or regulatory restrictions promulgated under the laws of any jurisdiction having a similar effect in relation to the eligibility for resale of an obligation); or

(B) restrictions on permitted investments such as statutory or regulatory investment restrictions on insurance companies and pension funds.

"Valuation Date" means any date falling on or after the 52nd Business Day to and including the 125th Business Day following the Sovereign Credit Event Determination Date, as selected by the Swap Counterparty in its sole and absolute discretion.

"Voting Shares" shall mean those shares or other interests that have the power to elect the board of directors or similar governing body of an entity.

Interpretation of Provisions

(a) In the Deliverable Obligation Characteristics the term "Not Bearer" shall be construed as only applying to Bonds; (ii) in the Deliverable Obligation Characteristics the term "Transferable" shall be construed as only applying to Deliverable Obligations that are not Loans; and (iii) in the Deliverable Obligation Characteristics "Assignable Loan" or "Consent Required Loan" shall only apply to Loans;

(b) The Deliverable Obligations may include any Loan that satisfies any one of such Deliverable Obligation Characteristics which are Assignable Loan or Consent Required Loan and need not satisfy all such Deliverable Obligation Characteristics specified to apply to that Credit Event Entity; and

(c) In the event that an Obligation or a Deliverable Obligation is a Qualifying Guarantee, the following will apply:

(i) For the purposes of the application of the Obligation Category or the Deliverable Obligation Category, the Qualifying Guarantee shall be deemed to satisfy the same category or categories as those that describe the Underlying Obligation.

(ii) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, both the Qualifying Guarantee and the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified to apply to such Credit Event Entity from the following list: Not Subordinated, Specified Currency, Not Sovereign Lender, Not Domestic Currency and Not Domestic Law. For these purposes, (A) the lawful currency of any of Canada, Japan, Switzerland, the United Kingdom or the United States of America and the euro shall not be a Domestic Currency and (B) the laws of England and the laws of the State of New York shall not be a Domestic Law.

(iii) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics, only the Underlying Obligation must satisfy on the relevant date each of the applicable Obligation Characteristics or the Deliverable Obligation Characteristics, if any, specified to apply to such Credit Event Entity from the following list: Not Contingent, Not Domestic Issuance, Assignable Loan, Consent Required Loan, Transferable, Maximum Maturity and Not Bearer.

(iv) For the purposes of the application of the Obligation Characteristics or the Deliverable Obligation Characteristics to an Underlying Obligation, references to the Credit Event Entity shall be deemed to refer to the Underlying Obligor.

(v) The term "outstanding principal balance" (as used herein), when used in connection with Qualifying Guarantees are to be interpreted to be the then "outstanding principal balance" of the Underlying Obligation which is supported by a Qualifying Guarantee.