ISDA 2012 Disclosure Annex for Foreign Exchange Transactions

This Annex supplements and should be read in conjunction with the General Disclosure Statement. NOTHING IN THIS ANNEX AMENDS OR SUPERSEDES THE EXPRESS TERMS OF ANY TRANSACTION BETWEEN US OR ANY RELATED GOVERNING DOCUMENTATION. Accordingly, descriptions in this Annex of the operation of FX Transactions (as described below) and the consequences of various events are in all cases subject to the actual terms of a FX Transaction executed between us and its governing documentation.

We refer to Transactions in which the Underliers are foreign currencies and involve, or at the option of either party may involve, the exchange of one or more currencies against one or more of another currency as "**FX Transactions.**" The terms of a FX Transaction may incorporate standard definitions published by industry bodies, annexes thereto and other market standard terms. Before entering into a FX Transaction, you should obtain and review carefully any such materials incorporated by reference as their content could materially affect your rights and obligations under the FX Transaction, its value and its appropriateness for your particular objectives.

One of the most common types of FX Transaction is the foreign exchange forward contract ("**FX Forward**"), which is an agreement to buy one currency against the delivery of another currency at a rate set on the trade date for settlement on a specified date in the future. Under a deliverable FX Forward, the Transaction terms provide for an exchange of payments in each of the two currencies on the settlement date. Under a non-deliverable FX Forward ("**NDF**"), the Transaction terms provide for the payment of a net cash settlement amount on the settlement date. The cash settlement amount is determined by converting the notional amount of one (or both) of the currencies into the other currency or some other designated currency (the "settlement currency") at a pre-agreed spot foreign exchange rate ("settlement rate option") that is observed on a date ("valuation date") prior to the settlement date and netting the currency amounts so that a single net payment in the settlement currency is made on the settlement date by the party owing the excess. No payment or account transfer takes place in the reference currency.

Foreign exchange options ("**FX Options**") are Transactions that give the owner (also known as the seller of the option) the right, but not the obligation, to make or take delivery of one currency in exchange for taking or making delivery of another currency at a pre-determined exchange rate. Similar to FX Forwards, FX Options may be settled on a deliverable or non-deliverable basis. (We refer to non-deliverable FX Options as "**NDOs**"). FX Options have a variety of exercise styles, such as European, American or Bermudan, and option types. See Part III.J -- "Options Transactions present special considerations" -- of the General Disclosure Statement.

Settlement Risk

Settlement risk in FX Transactions is the risk of loss when one party to the FX Transaction delivers currency it sold but does not receive the currency it bought.

Settlement risk arises in deliverable FX Transactions where the parties have not arranged to use a mechanism for payment-versus-payment ("PVP") settlement, such as an escrow arrangement or PVP settlement through a member of CLS Bank International (which operates a multi-currency cash settlement system used by many participants in the foreign exchange market) or on the books of a bank at which both parties to an FX Transaction maintain settlement accounts in the relevant currencies. Because a party's payment obligations under a deliverable FX Transaction are denominated in a different currency than those of its counterparty, the payments cannot be netted against one another. Although payment netting across multiple FX Transactions with coinciding settlement dates and currencies is possible in principle, and may be provided for under a master agreement governing the FX Transactions, such multi-transaction payment netting can be effective only to the extent that the same party has offsetting obligations in the same currency on the same date.

A contributing factor to settlement risk in FX Transactions is the time zone difference between the principal financial centers of each currency, particularly when the hours of operation of the payment systems in each country do not overlap or overlap only briefly. Unless PVP settlement is effectively implemented, the settlement exposure under a FX Transaction is the gross amount of a party's payment obligation, which may be far in excess of the market value of the FX Transaction.

Trading Hours May Not Align

The interbank market in foreign currencies is a global, twenty-four hour market. Therefore, your and our hours of operation, during which we may transact in FX Transactions, issue margin calls and settle collateral delivery or return amounts, may not conform to the hours during which the underlying currencies are most traded. To the extent this occurs, significant changes in foreign exchange rates as well as market, economic and political conditions, and thus the value of FX Transactions and the amount of credit exposure between us, may take place outside of our mutual hours of operation.

Relevant information relating to conditions affecting underlying foreign exchange markets may not be as well known or as rapidly or thoroughly reported in your country as is the case with comparable information regarding domestic developments. Information regarding developments in certain emerging market jurisdictions may be even less readily available, if at all.

Non-Business Day Risk

Trading in a currency may be substantially less liquid on days when banks in the principal financial center of the currency are not open for business.

Market Disruptions and Restrictions due to Government Action or Other Factors

Foreign currency exchange rates may be volatile and subject to intermittent market disruptions or distortions due to numerous factors specific to each foreign country, including among others government regulation and intervention, lack of liquidity and the types of entities participating in the market. Foreign currency exchange rates can be fixed by the sovereign government, allowed to float within a range of exchange rates set by the government, or left to float freely.

Governments may intervene in the currency markets through their central banks or by imposing regulatory controls or taxes. Governments may issue a new currency to replace an existing currency, or fix the exchange rate or alter the exchange rate or relative exchange rate characteristics by devaluation or revaluation of a currency. They may also restrict or suspend convertibility or transferability of a currency, or restrict participation in foreign exchange markets and funding markets, either in general or based on the nature of specific participants or transactions. The currencies of emerging economies may be subject to more frequent and larger central bank interventions than the currencies of developed economies and are also more likely to be affected by sudden changes in monetary or exchange rate policies, or by the actions of significant market participants.

Disruptions may also occur as a result of non-governmental events, such as actions taken by, or force majeure events affecting, relevant exchanges or price sources.

Any of the foregoing events may cause significant and unexpected losses with respect to a FX Transaction. You should be aware of the potential risks of any market disruptions and should understand their effect on each prospective FX Transaction, including the consequences, if any, of any such event specified under the terms of the FX Transaction.

Consequences of Disruption Events

Developments and conditions affecting the market for a currency, such as the disruptions discussed immediately above, may (a) prevent or delay the calculation of amounts payable under your FX Transaction, or your or our ability to make or receive payments in the settlement currency or (b) result in the application of alternative valuation and settlement mechanisms. Such events are ordinarily classified according to their effect, such as "price source risks," "convertibility and transferability risks," "sovereign risks" and "material adverse change" and are commonly referred to as "**disruption events**."

The terms and conditions of an FX Transaction may specify alternative methods, or "**disruption fallbacks**", that apply when such disruption events occur for determining any affected currency exchange rate and/or settling payments. Application of disruption fallbacks and/or related determinations by the calculation agent may have a significantly detrimental effect on the value of the FX Transaction, its usefulness for your intended purpose, the timing or amount of payments or deliveries or, if applicable, the likelihood that you will be able to exercise any option rights (collectively, the "**Transaction Economics**"). The existence of such disruption events and their consequences may be subject to discretionary determinations by the calculation agent, which may involve subjective judgment and uncertainty. If the applicable disruption fallback so provides, consequences such as the following may occur, among others:

- the price sources used by the calculation agent under your FX Transaction for determining any affected currency exchange rates may not be the same as those used prior to the disruption event;

- the calculation agent may determine any affected currency exchange rates by reference to unpublished or unannounced sources and through its own calculations and estimates;

- the value of the affected currency exchange rate used by the calculation agent to determine any amount payable may be materially different from the value of any previously used published price source;
- the determination of the affected currency exchange rate may be deferred until the relevant disruption event is no longer continuing, as determined by the calculation agent, and may therefore occur on unscheduled valuation dates;
- the value of the currency exchange rate may be determined long before or after the date on which it was originally scheduled to be determined;
- alternative methods for settlement of payments may be used, including postponing settlement of your FX Transaction until the relevant disruption event is no longer outstanding, as determined by the calculation agent;
- settlement of your FX Transaction may occur by payment of an equivalent amount in a different currency or by delivery of a security denominated in the original currency; and/or
- the terms of the FX Transaction may require the parties to negotiate fallback arrangements in good faith.

Depending on the terms of your FX Transaction, postponement of a valuation or settlement date may be for an indefinite time period, or subject to a specified maximum duration, after which time a different disruption fallback, such as calculation agent determination or termination of the FX Transaction, may apply.

You should evaluate carefully the interaction of various disruption fallbacks with one another and with any impossibility, illegality or force majeure provisions of the master agreement, if any, governing the FX Transaction.

Additional Considerations for Specific Product Types

The following is a discussion of certain material risks, terms and characteristics of some common types of FX Transactions. The categories employed below are illustrative only, and are intended to assist you in understanding key features of certain prospective FX Transactions. The discussion should not be viewed as a comprehensive description of any particular FX Transaction that may be under discussion between us. Because nomenclature is neither standardized nor sufficiently descriptive to capture all important transaction features and variations, a particular FX Transaction may have additional or different risks, terms and characteristics than described below, even if it is referred to by one of the following category names.

NDFs and NDOs

NDFs and NDOs may incorporate by reference product definitions, master confirmation terms and market standard disruption events and fallbacks, some of which are particular to a given reference currency or transaction type. You should obtain and thoroughly understand any such materials incorporated by reference as their content will materially affect your rights and obligations under the NDF or NDO, its value and its appropriateness for your particular objectives.

The settlement payments under an NDF or NDO are determined by reference to the price source or other methodology by which the conversion rate for the reference currency is determined. There can be no assurance that you (or any affiliate of yours operating in the jurisdiction of the reference currency) will be able to sell or purchase the reference currency at this conversion rate or on the valuation date or at all. Any difference between the conversion rate determined under an NDF or NDO and your actual conversion rate (or, if relevant, the conversion rate applied in measuring your assets or liabilities) is a source of basis risk. Due to restrictions on participation in currency and funding markets, different onshore and offshore rates may apply to the reference currency, and the forward exchange rates that are implicit in the market value of the NDF or NDO may differ considerably from the values implied by the spot exchange rate and interest rate differentials between the two currencies. Such differences can be affected by market expectations regarding changes in the exchange rate regime.

Barrier FX Options

Barrier options are options on currencies the terms of which change in some pre-defined manner upon the occurrence of a "barrier event." For example, a barrier option that becomes potentially exercisable upon the occurrence of a barrier event is known as a "knock-in option", while a barrier option that is extinguished upon the occurrence of a barrier event is known as a "knock-out" option.

Barrier events (e.g., an exchange rate reaching or passing through a pre-agreed barrier level) are defined under the terms of an FX Transaction, and may involve determinations by the calculation agent. You should review and understand thoroughly the applicable definition of barrier event, including such factors as whether there is a requirement that an actual transaction at the barrier price has occurred, and whether a specified minimum size or other criteria apply to the observed triggering transaction. Even though the applicable definition of a barrier event may require an actual transaction at the barrier price, there can be no assurance that you will be able to execute a spot or other transaction at that price, even if you have placed a limit order at such price with us or in an unrelated trading venue. Accordingly, any trading or hedging strategy that relies on the execution of a transaction at the barrier price (such as reliance on a stop-loss order to mitigate losses in the event that a purchased barrier option is extinguished) may not be effective.

Subject to any express agreement in the documentation governing a barrier option between us, we may, in our discretion, decide to engage in hedging activities with respect to the barrier option. Such activities may include buying and selling, on a dynamic basis, the underlying currency in the spot market or entering into derivates on such currency. Our hedging strategy may entail unwinding our hedge when a barrier event occurs. We may anticipate the barrier event and begin unwinding our hedge before the barrier event occurs. Unwinding the hedge typically consists of buying or selling a quantity of the currency underlying the barrier option, or terminating or entering into derivatives positions with market counterparties. This activity may affect the probability that a barrier event will occur. In addition, currency or currency derivative transactions that we execute in other capacities (such as market-maker, proprietary trader or agent for customers) may affect the probability that a barrier event will occur.