

International Swaps and Derivatives Association, Inc.
 10 East 53rd Street, 9th Floor
 New York, New York 10022
 U.S.A.

Allen & Overy LLP
 One Bishops Square
 London E1 6AD United Kingdom

Tel +44 (0)20 3088 0000
 Fax +44 (0)20 3088 0088

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10 October 2017

Dear Sir or Madam

WGMR Collateral Taker Memorandum – Supplemental Opinion

We refer to our memorandum of law addressed to the International Swaps and Derivatives Association, Inc. (**ISDA**) dated 1 September 2016 entitled "Rights of the Collateral Provider under the IM Security Documents under English Law upon the occurrence of an Event of Default under Section 5(a)(vii) of the ISDA Master Agreement in respect of the Collateral Taker" (the **Collateral Taker Opinion**).

You have asked us to issue this supplemental opinion (this **Supplement**) to address certain developments in relation to the relevant ISDA documentation since the publication of the Collateral Taker Opinion. This Supplement is therefore supplemental to the Collateral Taker Opinion and should be read in conjunction therewith. In particular, we have relied on the analysis, assumptions and qualifications as set out or referred to in the Collateral Taker Opinion, as modified and supplemented herein.

Please note that there have been a number of legal developments since the date of the Collateral Taker Opinion. This Supplement does not constitute an update of the Collateral Taker Opinion for any purpose. The intention is that this Supplement addresses whether certain conclusions set forth in the Collateral Taker Opinion would continue to apply to updated or amended forms of the IM Security Documents and the Clearing System IM Documents. Accordingly, in relation to the issues considered in this Supplement, the law continues to be stated as at the date of the Collateral Taker Opinion.

Unless otherwise provided, capitalised terms used and not defined herein have the meaning given to them expressly or by reference in the Collateral Taker Opinion.

1. 2017 ISDA EUROCLEAR CTA

Following the publication by ISDA of updated versions of the ISDA Euroclear Collateral Transfer Agreements governed by either English or New York law (the **2017 ISDA Euroclear CTA**), we confirm that our conclusions in the Collateral Taker Opinion in respect of the ISDA Euroclear IM Documents would continue to apply if references to the ISDA Euroclear CTA were references to the 2017 ISDA Euroclear CTA.

2. JAPANESE AMENDMENT PROVISIONS TO THE IM DEED

We refer to the Recommended Amendment Provisions for the ISDA English Law 2016 Phase One IM Credit Support Deed with respect to Japanese Securities (“*Shichiken*”) as published by ISDA (the **Japanese Amendment Provisions to the IM Deed**).

A footnote to the Japanese Amendment Provisions to the IM Deed explains that, from a Japanese law perspective, in order to create and perfect the Japanese pledge over Japanese Securities (as defined in the Japanese Amendment Provisions to the IM Deed), the assets over which the pledge is created need to be recorded and registered to the pledge ledger (*shichiken ran*) of a security account opened in the name of the Collateral Taker. A pledge ledger and a proprietary ledger will record the transfers of Japanese Securities as set out in the amended Paragraph 4(b). The same footnote, however, states that the Collateral Provider remains “title holder” of the Japanese Securities even after the pledged Japanese Securities have been transferred to the Collateral Taker.

The nature of such account will depend on the relevant Custodian (IM) and the terms of the relevant Control Agreement. We assume, however, that in respect of all applicable laws all Posted Credit Support (IM) continues to be owned by the Collateral Provider and, despite the fact that the Segregated Account in respect of securities may be in the name of the Collateral Taker, this is merely nomenclature and does not represent a material change in the nature of the Collateral Taker's or the Collateral Provider's rights or interest in respect of the Segregated Account from that described in Part II of the Collateral Taker Opinion and on which the analysis in that Part is based. We assume further that the assets continue to be segregated from the other assets of the Collateral Taker. In relation to cash, we assume the Segregated Account continues to be maintained in the name of the Collateral Provider such that there is no change to the account structure in respect of cash.

Where the Japanese Amendment Provisions to the IM Deed have been included in the IM Deed, there would appear to be a parallel Japanese pledge granted in addition to the English charge over Posted Credit Support (IM); whereas the English security interest relates to all Posted Credit Support (IM), the Japanese security interest relates to Japanese Securities only. We express no opinion as to the validity and enforceability of such supplemental obligation and we assume that the Japanese pledge granted under the Japanese Amendment Provisions to the IM Deed in respect of Japanese Securities is equivalent to the English charge created pursuant to the un-amended IM Deed and that such security interests complement and do not contradict one another in any relevant respect.

On the basis of the above, the Japanese Amendment Provisions to the IM Deed together with the amended account structure would not adversely affect our opinion at Part II.3(d) of the Collateral Taker Opinion regarding the IM Deed and an account located in England because the Collateral Taker would not acquire, as a consequence, absolute and unconditional beneficial ownership of the Japanese Securities or other Posted Credit Support (IM). The position with regard to cash is unchanged as stated above.

Accordingly, we confirm that the inclusion of the Japanese Amendment Provisions to the IM Deed in the IM Deed would not affect our conclusions in Part II of the Collateral Taker Opinion in respect of the IM Deed.

To the extent that the Japanese Amendment Provisions to the IM Deed are included in the IM Deed, then issues relating to *dépeçage* may arise – in respect of which see our discussion in respect of a party entering into a NY IM CSA with an English law governed ISDA Master Agreement in our answer to question 19 of Part III of the 2016 ISDA Collateral Provider WGMR Opinion. Similar issues would arise in this context. In our view, on the basis set out

above, this would not result in a logical inconsistency as the two security interests are complementary (rather than conflicting) and provide additional comfort to the Collateral Taker. However, we note that the drafting of the Japanese Amendment Provisions to the IM Deed is such that the grant of the Japanese pledge is expressed to be governed by English law. If the Japanese Amendment Provisions to the IM Deed are to be so construed then issues of *dépeçage* would not, in fact, arise.

3. JAPANESE AMENDMENT PROVISIONS TO THE ISDA CLEARSTREAM IM DOCUMENTS AND INDEPENDENT USE OF THE 2017 ISDA CLEARSTREAM SECURITY AGREEMENT

We refer to the following (each as published by ISDA and collectively referred to herein as the **Japanese Clearstream Provisions**):

- (a) the ISDA 2017 Clearstream Security Agreement subject to Luxembourg law (the **2017 ISDA Clearstream Security Agreement**);
- (b) the Recommended Amendment Provisions for the ISDA Clearstream Collateral Transfer Agreement (Subject to New York Law) and the ISDA Clearstream Collateral Transfer Agreement (Subject to English Law) with respect to Japanese Collateral ("*Shichiken*"); and
- (c) the Recommended Amendment Provisions for the ISDA 2017 Clearstream Security Agreement with respect to Japanese Collateral ("*Shichiken*").

If the parties wish to include Japanese Collateral (as defined in the Japanese Clearstream Provisions) as Collateral in cases where the Collateral is held in an account with Clearstream then the 2017 ISDA Clearstream Security Agreement will be entered into instead of the ISDA Clearstream Security Agreement and the ISDA Clearstream CTA and the 2017 ISDA Clearstream Security Agreement will be amended so as to include the provisions described at (b) and (c) above, respectively. Reference below to the inclusion of the Japanese Clearstream Provisions in the ISDA Clearstream IM Documents shall, therefore, be construed as a reference to the use of the 2017 ISDA Clearstream Security Agreement in place of the ISDA Clearstream Security Agreement together with the inclusion of the provisions referenced at (b) and (c) above in the relevant agreements. For the avoidance of doubt, any assumptions made in respect of the ISDA Clearstream Security Agreement in the Collateral Taker Opinion shall apply *mutatis mutandis* to the 2017 ISDA Clearstream Security Agreement.

Where the Japanese Clearstream Provisions have been included in the ISDA Clearstream IM Documents, we assume that as a matter of Japanese law and the law of Luxembourg there are effectively two security interests and each security interest constitutes legally valid, binding and enforceable obligations under its respective governing law. The Luxembourg pledge relates to all Posted Collateral whereas the Japanese pledge relates to Japanese Collateral only.

If the Japanese Clearstream Provisions are included in the ISDA Clearstream IM Documents, the Clearstream Account would seem to be an account opened in the name of the Collateral Taker rather than the Collateral Provider. As above, the nature of the relevant account will depend on the Relevant Tri-Party Documents. We assume that as a matter of Japanese law and the law of Luxembourg the Collateral Taker does not acquire absolute and unconditional beneficial ownership of the Japanese Collateral or other Posted Collateral and the assets are segregated from the other assets of the Collateral Taker.

On the basis of the assumptions above, the inclusion of the Japanese Clearstream Provisions in the ISDA Clearstream IM Documents would not affect our conclusions in Part III of the Collateral Taker Opinion in respect of the ISDA Clearstream IM Documents.

To the extent that the Japanese Clearstream Provisions are included issues relating to *dépeçage* will arise – in respect of which see our discussion in respect of a party entering into a NY IM CSA with an English law governed ISDA Master Agreement in our answer to question 19 of Part III of the 2016 ISDA Collateral Provider WGMR Opinion. Similar issues arise in this context. In our view this would not result in a logical inconsistency as the two security interests are complementary (rather than conflicting) and provide additional comfort to the Collateral Taker (although this will of course depend on how the two security interests fit together as a matter of Japanese law and the law of Luxembourg).

For completeness, on the basis set out above (to the extent relevant), we also confirm that the use of the 2017 ISDA Clearstream Security Agreement in place of the ISDA Clearstream Security Agreement without the inclusion of the provisions referenced at (b) and (c) above in the relevant agreements would not affect our conclusions in Part III of the Collateral Taker Opinion in respect of the ISDA Clearstream IM Documents.

This Supplement is addressed to ISDA solely for the benefit of its members in relation to their use of the ISDA Master Agreement together with an IM Security Document or the Clearing System IM Documents (including the 2017 ISDA Euroclear CTA and the 2017 ISDA Clearstream Security Agreement). No other person may rely on this Supplement for any purpose without our prior written consent. This Supplement may, however, be shown by ISDA or an ISDA member to a competent regulatory or supervisory authority or professional advisors for ISDA or such ISDA member (respectively), in each case, for the purposes of information only, on the basis that we assume no responsibility to such authority or any other person as a result, or otherwise.

Yours faithfully

A handwritten signature in black ink, appearing to read "Allen & Overy LLP", written in a cursive style.

Allen & Overy LLP