

BASE PROSPECTUS

3 November 2010

STANDARD COMMODITIES LIMITED
(incorporated with limited liability in Jersey)
as Issuer under its
US\$1,000,000,000 Commodities Programme

The US\$1,000,000,000 Commodities Programme (the "**Programme**") has been established for the issuance by Standard Commodities Limited (the "**Issuer**") of secured, limited recourse debt securities (the "**Commodity Securities**") linked to either gold or silver (each a "**Commodity**"), to be secured as described herein. The Commodity Securities shall be denominated in such currencies as may be agreed with the dealers specified below (the "**Dealers**", which expression shall include any additional or replacement Dealers appointed under the Programme from time to time, each a "**Dealer**" and together the "**Dealers**" which appointment may be for a specific series ("**Series**") or tranche ("**Tranche**") of Commodity Securities or generally in respect of the Programme).

References herein to "this Base Prospectus" shall, where applicable, be deemed to be references to this Base Prospectus as supplemented or amended from time to time. To the extent not set forth in this Base Prospectus, the specific terms of any Commodity Security will be included in the appropriate Final Terms.

The Issuer is offering the Commodity Securities on a continuing basis through The Royal Bank of Scotland N.V., acting through its London Branch and/or The Royal Bank of Scotland plc (the "**Dealers**"), who have agreed to use reasonable efforts to solicit offers to purchase the Commodity Securities. The Issuer may also sell Commodity Securities to the Dealers as principal for their own account at a price to be agreed upon at the time of sale. The Dealers may resell any Commodity Securities purchased as principal at prevailing market prices, or at other prices, as they determine. The Issuer or the Dealers may, in their sole and absolute discretion, reject any offer to purchase Commodity Securities, in whole or in part. See "*Subscription and Sale*" beginning on page 135.

Any person (an "Investor") intending to acquire or acquiring any Commodity Securities from any person (an "Offeror") should be aware that, in the context of an offer to the public as defined in section 102B of the Financial Services and Markets Act 2000 ("FSMA"), the Issuer may be responsible to the Investor for the Base Prospectus under section 90 of FSMA only if the Issuer has authorised that Offeror to make the offer to the Investor. Each Investor should therefore enquire whether the Offeror is so authorised by the Issuer. If the Offeror is not authorised by the Issuer, the Investor should check with the Offeror whether anyone is responsible for the Base Prospectus for the purposes of section 90 of FSMA in the context of the offer to the public, and, if so, who that person is. If the Investor is in any doubt about whether it can rely on the Base Prospectus and/or who is responsible for its contents it should take legal advice.

An Investor intending to acquire or acquiring any securities from an Offeror will do so, and offers and sales of the securities to an Investor by an Offeror will be made, in accordance with any terms and other arrangements in place between such Offeror and such Investor including as to price, allocations and settlement arrangements. The Issuer will not be a party to any such arrangements with Investors (other than Dealers) in connection with the offer or sale of the securities and, accordingly, this Base Prospectus and any Final Terms (as defined below) will not contain such information and an Investor must obtain such information from the Offeror.

Information in relation to an offer to the public will be made available at the time such sub-offer is made, and such information will also be provided by the relevant Offeror.

A specified pool of either gold or silver (the "**Underlying Commodity**"), as specified in the Final Terms (as defined below), and other rights (together the "**Underlying Assets**") for each Series of Commodity Securities will be available to meet the obligations of the Issuer to the Holders of such Series of Commodity Securities and all other obligations of the Issuer attributable to that Series (including obligations under any Hedge Agreement (as defined below)). If the amounts received from the Underlying Assets (whether or not any security granted in respect thereof has been enforced) are insufficient to make payment of all amounts due in respect of the Commodity Securities of the relevant Series and all other obligations attributable to that Series (after meeting the Trustee's, the Paying Agent's, the Custodian's, other Secured Creditor(s)'s and any Receiver's expenses, liabilities and remuneration and any other amounts that rank in priority to the Commodity Securities of that Series) no other assets of the Issuer will be available to meet that shortfall and all further claims of the Holders in respect of such Commodity Securities will be extinguished.

The Issuer may issue listed or unlisted Commodity Securities under the Programme. Details of the number of Commodity Securities being issued, the issue price, the issue date, the Underlying Commodity and any other Conditions not contained herein, including any additional security, which are applicable to each Series or Tranche of Commodity Securities will be contained in the final terms in respect of such Series or Tranche (the "**Final Terms**"). Certain other terms applicable to each Series or each Tranche of Commodity Securities will be specified in a constituting instrument (each a "**Constituting Instrument**").

This Base Prospectus has been approved by the Financial Services Authority (the "**FSA**") in its capacity as United Kingdom competent authority for the purposes of Directive 2003/71/EC (the "**Prospectus Directive**") and relevant implementing measures in the United Kingdom as a base prospectus issued in compliance with the Prospectus Directive and relevant implementing measures in the United Kingdom for the purpose of giving information with regard to the issue of Commodity Securities under the Programme issued by the Issuer within 12 months following the date of this document. Applications have been made for the Commodity Securities issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to listing on the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange plc (the "**London Stock Exchange**"), which is a regulated market for the purpose of Directive 2004/39/EC. Application is also expected to be made to Euronext Amsterdam N.V. for Commodity Securities issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to listing and trading on Euronext Amsterdam by NYSE Euronext, which is the regulated market of Euronext Amsterdam N.V. ("**Euronext Amsterdam**") and cleared through Euroclear Nederland (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*). Application is also expected to be made to the Frankfurt Stock Exchange for Commodity Securities issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to listing and trading on the regulated market of the Frankfurt Stock Exchange ("**Frankfurt Stock Exchange**"). Application is also expected to be made to Borsa Italiana s.p.a. for Commodity Securities issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to listing and trading on the Borsa Italiana ("**Borsa Italiana**"). Application is also expected to be made to the Stuttgart Stock Exchange for Commodity Securities issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to listing and trading on the open market (*Freiverkehr*) and/or the regulated market of the Stuttgart Stock Exchange ("**Stuttgart Stock Exchange**").

References in this document to Commodity Securities being "listed" (and all related references) shall be construed to mean that such Commodity Securities have been (as the case may be) (i) listed on the Official List of the FSA and admitted to trading on the London Stock Exchange, (ii) listed on and admitted to trading on Euronext Amsterdam, (iii) listed on and admitted to trading on the regulated market of the Frankfurt Stock Exchange, (iv) listed on and admitted to trading on the Borsa Italiana and/or (v) listed on and admitted to trading on the open market (*Freiverkehr*) and/or the regulated market of the Stuttgart Stock Exchange, all of which are, except for the open market (*Freiverkehr*) of the Stuttgart Stock Exchange, regulated markets for the purpose of Directive 2004/39/EC on Markets in Financial Instruments.

The aggregate amount of Commodity Securities outstanding under the Programme on any day will be determined as an amount in US dollars equal to the greater of: (a) the aggregate of the Initial Commodity Security Value of all the Commodity Securities; and (b) the aggregate Minimum Principal Amount of all the Commodity Securities outstanding on such day. The maximum aggregate amount of Commodity Securities outstanding under the Programme at any one time will not exceed US\$1,000,000,000 (or its equivalent in other currencies), provided that the Issuer may increase such limit from time to time (subject to compliance with the relevant Transaction Documents).

The language of this Base Prospectus is English. Certain legislative references and technical terms have been cited in their original language in order that the correct technical meaning may be ascribed to them under applicable law.

Investing in the Commodity Securities involves risks. See "*Risk Factors Relating to the Commodity Securities*" beginning on page 14 of this Base Prospectus.

THE COMMODITY SECURITIES HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE COMMODITY SECURITIES MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED). SEE "SUBSCRIPTION AND SALE".

Each investor must comply with all applicable laws and regulations in each country or jurisdiction in or from which the investor purchases, offers, sells or delivers the Commodity Securities or has in the investor's possession or distributes this Base Prospectus or any accompanying Final Terms.

Arranger

The Royal Bank of Scotland N.V., acting through its London Branch

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IMPORTANT NOTICES

The Issuer (the "**Responsible Person**") accepts responsibility for the information contained in this Base Prospectus and declares that, having taken all reasonable care to ensure that such is the case, the information contained in this Base Prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

Each Tranche (as defined herein) of Commodity Securities will be issued on the terms set out herein under "*Terms and Conditions of the Commodity Securities*" (the "**Conditions**") as amended and/or supplemented by the Final Terms as described under "*Final Terms*" below. This Base Prospectus must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Commodity Securities, must be read and construed together with the relevant Final Terms.

The Issuer has confirmed to the Dealers named under "*Subscription and Sale*" below that this Base Prospectus contains all information which is (in the context of the Programme, the issue, offering and sale of the Commodity Securities) material; that such information is true and accurate in all material respects and is not misleading in any material respect; that any opinions, predictions or intentions expressed herein are honestly held or made and are not misleading in any material respect; that this Base Prospectus does not omit to state any material fact necessary to make such information, opinions, predictions or intentions (in the context of the Programme, the issue, offering and sale of the Commodity Securities and the guarantee of the Commodity Securities) not misleading in any material respect; and that all proper enquiries have been made to verify the foregoing.

No person has been authorised to give any information or to make any representation not contained in or not consistent with this Base Prospectus or any other document entered into in relation to the Programme or any information supplied by the Issuer or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer or any Dealer.

Neither the Dealers nor any of their respective affiliates have authorised the whole or any part of this Base Prospectus and none of them makes any representation or warranty or accepts any responsibility as to the accuracy or completeness of the information contained in this Base Prospectus. Neither the delivery of this Base Prospectus or any Final Terms nor the offering, sale or delivery of any Commodity Security shall, in any circumstances, create any implication that the information contained in this Base Prospectus is true subsequent to the date hereof or the date upon which this Base Prospectus has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Base Prospectus has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

The distribution of this Base Prospectus and any Final Terms and the offering, sale and delivery of the Commodity Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Base Prospectus or any Final Terms comes are required by the Issuer and the Dealers to inform themselves about and to observe any such restrictions. For a description of certain restrictions on offers, sales and deliveries of Commodity Securities and on the distribution of this Base Prospectus or any Final Terms and other offering material relating to the Commodity Securities, see "*Subscription and Sale*". In particular, Commodity Securities have not been and will not be registered under the United States Securities Act of 1933 (as amended) (the "**Securities Act**") and Commodity Securities are

subject to U.S. tax law requirements. Subject to certain exceptions, Commodity Securities may not be offered, sold or delivered within the United States or to U.S. persons.

Neither this Base Prospectus nor any Final Terms constitutes an offer or an invitation to subscribe for or purchase any Commodity Securities and should not be considered as a recommendation by the Issuer, the Dealers or any of them that any recipient of this Base Prospectus or any Final Terms should subscribe for or purchase any Commodity Securities. Each recipient of this Base Prospectus or any Final Terms shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The aggregate amount of Commodity Securities outstanding under the Programme on any day will be determined as an amount in US dollars equal to the greater of: (a) the aggregate of the Initial Commodity Security Value of all the Commodity Securities; and (b) the aggregate Minimum Principal Amount of all the Commodity Securities outstanding on such day. The maximum aggregate amount of Commodity Securities outstanding under the Programme at any one time will not exceed US\$1,000,000,000 (or its equivalent in other currencies), provided that the Issuer may increase such limit from time to time (subject to compliance with the relevant Transaction Documents).

Unless otherwise defined herein, words and expressions defined in the section headed "*Terms and Conditions of the Commodity Securities*" shall have the same meanings elsewhere in this Base Prospectus. Unless the context requires otherwise, any principles of construction and interpretation applicable to the Conditions shall also apply to the other sections of this Base Prospectus.

Certain figures included in this Base Prospectus have been subject to rounding adjustments; accordingly, figures shown for the same category presented in different tables may vary slightly and figures shown as totals in certain tables may not be an arithmetic aggregation of the figures which precede them.

This Base Prospectus has been prepared on the basis that, except to the extent sub-paragraph (ii) below may apply, any offer of Commodity Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of Commodity Securities. Accordingly any person making or intending to make an offer in that Relevant Member State of Commodity Securities which are the subject of an offering or placement contemplated in this Base Prospectus as completed by Final Terms in relation to the offer of those Commodity Securities may only do so (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case, in relation to such offer, or (ii) if a prospectus for such offer has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State and (in either case) published, all in accordance with the Prospectus Directive, provided that any such prospectus has subsequently been completed by Final Terms which specifies that offers may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State and such offer is made in the period beginning and ending on the dates specified for such purpose in such prospectus or final terms, as applicable. Except to the extent sub-paragraph (ii) above may apply, neither the Issuer nor any Dealer have authorised, nor do they authorise, the making of any offer of Commodity Securities in circumstances in which an obligation arises for the Issuer or any Dealer to publish or supplement a prospectus for such offer.

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

SUMMARY

This summary must be read as an introduction to this Base Prospectus and any decision to invest in the Commodity Securities should be based on a consideration of the Base Prospectus as a whole, including any information incorporated by reference. Following the implementation of the Prospectus Directive (Directive 2003/71/EC) in each Member State of the European Economic Area, no civil liability will attach to the Responsible Persons in any such Member State solely on the basis of this summary, including any translation thereof, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Base Prospectus, including any information incorporated by reference. Where a claim relating to the information contained in this Base Prospectus is brought before a court in a Member State of the European Economic Area, the plaintiff may, under the national legislation of the Member States, be required to bear the costs of translating the Base Prospectus before the legal proceedings are initiated.

Unless otherwise defined herein, words and expressions defined in the section headed "Terms and Conditions of the Commodity Securities" or elsewhere in this Base Prospectus shall have the same meanings in this summary. Unless the context requires otherwise, any principles of construction and interpretation applicable to the Conditions shall also apply in this summary.

Issuer: Standard Commodities Limited.

The Issuer is a special purpose company and has been established solely for the purpose of issuing asset-backed Commodity Securities.

Description: Standard Commodities Limited US\$1,000,000,000 asset-backed Commodities Programme.

Risk Factors: Investing in Commodity Securities issued under the Programme involves certain risks. The principal risk factors that may affect the ability of the Issuer to fulfil its obligations under the Commodity Securities are discussed under "*Risk Factors*" below and include the following:

Risks associated with Commodity Securities. The Commodity Securities are complex financial instruments and are not suitable for all investors.

The Commodity Securities are subject to early redemption by the Issuer due to taxation, certain other mandatory redemption events, optional redemption and events of default in relation to the Issuer.

Risks associated with Commodities. Commodity prices and, therefore, the value of the Commodity Securities may fluctuate widely. The price of Commodities is influenced by a variety of unpredictable factors beyond the control of the Issuer.

Risks related to the Custodian. The Underlying Commodity will be held by the Custodian in its vault premises in London. The Custodian has no obligation to insure the Underlying Commodity against theft, damage or loss and the Issuer does not intend to insure against such risks. Accordingly, there is a risk that the Underlying Commodity could be lost, stolen or damaged and the Issuer would not be able to satisfy its obligations in respect

of the Commodity Securities.

Risks related to the market generally. Investors should be aware that the Commodity Securities may have no established secondary market when issued and one may never develop. The Royal Bank of Scotland N.V., acting through its London Branch, may at its sole discretion provide a secondary market in the Commodity Securities but is under no obligation to do so.

Arranger:	The Royal Bank of Scotland N.V., acting through its London Branch.
Dealers:	The Royal Bank of Scotland N.V., acting through its London Branch, The Royal Bank of Scotland plc and any other Dealer appointed from time to time by the Issuer either generally in respect of the Programme or in relation to a particular Tranche of Commodity Securities.
Trustee:	Citicorp Trustee Company Limited.
Custodian:	JPMorgan Chase Bank, N.A.
Principal Paying Agent:	Citibank, N.A.
Calculation Agent:	The Royal Bank of Scotland N.V., acting through its London Branch.
Selling Agent:	The Royal Bank of Scotland N.V., acting through its London Branch.
Quanto Hedge Counterparty	The Royal Bank of Scotland N.V., acting through its London Branch.
Currency Overlay Hedge Counterparty	The Royal Bank of Scotland N.V., acting through its London Branch.
Final Terms:	Final terms will be prepared in respect of each Tranche of Commodity Securities (each, a " Final Terms "). The terms and conditions applicable to each Tranche will be those set out herein under the heading " <i>Terms and Conditions of the Commodity Securities</i> ", as supplemented, modified or replaced, in each case, by the relevant Final Terms.
Listing and Trading:	Applications have been or are expected to be made to (a) admit the Commodity Securities to the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange, (b) admit the Commodity Securities to listing and trading on the regulated market of the Borsa Italiana, Euronext Amsterdam and the Frankfurt Stock Exchange and (c) admit the Commodity Securities to listing and trading on the open market (<i>Freiverkehr</i>) and/or the regulated market of the Stuttgart Stock Exchange. The relevant Final Terms will specify whether an issue of Commodity Securities will be admitted to the Official List of the FSA and to trading on the Regulated Market of the London Stock Exchange and/or admitted to listing and trading on any of the Borsa Italiana, Euronext Amsterdam, the Frankfurt Stock Exchange, the Stuttgart Stock Exchange, or admitted to

listing, trading and/or quotation by any other listing authority, stock exchange and/or quotation system or will be unlisted, as the Issuer and any Dealer may agree.

Initial Programme Amount:	Up to US\$1,000,000,000 (or its equivalent in other currencies) outstanding at any one time.
Issuance in Series:	Commodity Securities will be issued in Series. Each Series may comprise one or more Tranches issued on different issue dates and may have different Issue Prices. The Commodity Securities of each Series will all be subject to identical terms, except that the issue date and Issue Price may be different in respect of different Tranches. The Commodity Securities of each Tranche will all be subject to identical terms in all respects.
Forms of Commodity Securities:	Commodity Securities will be issued in bearer form as described in " <i>Forms of the Commodity Securities</i> ".
Clearing Systems:	In relation to any Series of Commodity Securities, Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland (<i>Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.</i>) and/or Clearstream Banking AG, Frankfurt am Main and/or any other clearing system as may be specified in the relevant Final Terms.
Currencies:	Commodity Securities may be denominated in any currency specified in the relevant Final Terms, subject to compliance with all applicable legal and/or regulatory and/or central bank requirements. Payments in respect of Commodity Securities may, subject to such compliance, be made in and/or linked to, any currency or currencies other than the currency in which such Commodity Securities are denominated. The Issuer may issue non-US dollar denominated Commodity Securities containing a 'quanto' feature or a 'currency overlay feature' both of which are intended to provide investors with exposure to the market price of the relevant Commodity while offering a degree of protection in relation to foreign exchange risk. The degree of the foreign exchange risk will depend on which feature the Commodities Securities contain.
Status of the Commodity Securities:	Commodity Securities of each Series will be secured, direct, limited recourse debt obligations of the Issuer ranking <i>pari passu</i> and without preference among themselves.
Limited Recourse:	With respect to each Series of Commodity Securities, the Underlying Commodity and other rights of the Issuer which are attributable to those Commodity Securities, including the rights of the Issuer under the Transaction Documents entered into in connection with those Commodity Securities (such rights, together with the Underlying Commodity, being the " Underlying Assets ") will be available to meet the obligations of the Issuer in respect of those Commodity Securities and other obligations of the Issuer (all as specified in the relevant Final Terms) attributable to those Commodity Securities including the obligations of the Issuer under any Hedge Agreement entered into in connection with FX Commodity Securities (such obligations being the " Secured Obligations " and the creditors to whom they

are owed being the "**Secured Creditors**").

The obligations of the Issuer in relation to any given Series of Commodity Securities will be equal to the lesser of the amount of its obligations thereunder and the actual amount received or recovered by or for the account of the Issuer in respect of the Underlying Assets relating to the Commodity Securities (net of any sums which the Issuer certifies to the Trustee that the Issuer is or may be obliged to pay to any party in respect of the Issuer's liabilities to third parties in priority to the Secured Creditors in accordance with the application of proceeds provisions of the Master Collateral Terms and on the basis specified in the Final Terms) (the "**Available Amount**"). If the amount of such obligations exceeds the Available Amount, the right of the Trustee and the Secured Creditors to claim payment of any amount exceeding the Available Amount shall be extinguished and the Trustee and the other Secured Creditors will not have any recourse to the Issuer or its other assets in respect of the Issuer's obligations.

Collateral:

The Issuer will, except as set out in the relevant Final Terms, grant security interests over the Underlying Assets with respect to the Commodity Securities of a particular Series (the "**Collateral**") in favour of the Trustee to secure the Secured Obligations with respect to the Commodity Securities. The Security Interest in the Collateral will be granted by the incorporation by reference of the Master Collateral Terms into the Constituting Instrument.

The Trustee is only entitled to enforce the Collateral if an Event of Default occurs with respect to the relevant Series of Commodity Securities or as otherwise provided in the relevant terms and conditions of the relevant Series of Commodity Securities.

On redemption of the Commodity Securities, the Underlying Assets forming part of the Collateral will be sold and/or delivered (dependent on whether Cash Settlement or Physical Settlement applies to such redemption), see "*Redemption*" and "*Early Redemption at the option of the Issuer, Mandatory Redemption and Acceleration*" below in this summary for further details.

The Issuer is not subject to a general negative pledge but has covenanted to grant security only in limited circumstances as set out in Condition 6 (*Restrictions*) of the Base Prospectus to secure other limited recourse debt incurred by it.

**Underlying
Commodity:**

The underlying commodity in respect of any Series of Commodity Securities will initially comprise an amount of the relevant commodity equal to the aggregate of the Initial Commodity Security Entitlement for all Commodity Securities issued in such Series (the "**Underlying Commodity**").

The Underlying Commodity relating to each Series will be owned by the Issuer and will be deposited with the Custodian in respect of such Series subject to the security interests granted in favour of the Trustee.

During the life of any Series of Commodity Securities which do not contain a 'quanto' or a 'currency overlay' feature, the Underlying Commodity in respect of such Series will reduce in relation to certain fees and expenses of the Issuer in connection with such Series.

During the life of any Series of Commodity Securities which contain a 'quanto' or a 'currency overlay' feature, the Underlying Commodity in respect of such Series may reduce or increase as the Commodity Security Entitlement reduces or increases, as the case may be, in relation to certain fees and expenses of the Issuer in connection with such Series and the maintenance of the 'quanto' and the 'currency overlay' features and also certain factors in relation to the 'quanto' and the 'currency overlay' features.

Realisation of Collateral:

The Collateral in relation to the Commodity Securities will become enforceable upon the Trustee giving an Enforcement Notice (as defined in Condition 12.1 (*Occurrence of Event of Default*)) to the Issuer subsequent to an Event of Default.

On the occurrence of an Event of Default, the Trustee at its discretion may, and if so requested by the Instructing Creditor, shall (in each case provided that the Trustee is secured, indemnified, or both, to its satisfaction) give an Enforcement Notice to the Issuer. Thereupon the Commodity Securities will immediately become due and repayable and the Collateral will become enforceable. Having received such a request from the Instructing Creditor the Trustee shall not be obliged to consider the interests of any other Secured Creditor.

In relation to each Series of non-FX Commodity Securities, the Instructing Creditor is the Holders. In relation to each Series of FX Commodity Securities, the Instructing Creditor of such Series shall be, on any day, the relevant Hedge Counterparty, provided that if no sums are on such day owing to such Hedge Counterparty in respect of such Series, the Instructing Creditor shall be the Holders.

No Secured Creditor other than the Trustee shall be entitled to proceed directly against the Issuer to enforce the rights of the Secured Creditors in relation to or under the Commodity Securities unless the Trustee, having become bound to proceed in accordance with the terms of the Master Collateral Terms and Commodity Security Terms (in each case, as incorporated in the relevant Constituting Instrument and as amended, modified and/or supplemented therein), fails or neglects to do so within a reasonable period of time.

Order of Priority:

Claims of Holders and other Secured Creditors in respect of the Commodity Securities shall rank in accordance with the priorities set out in Condition 5 (*Collateral and Priority of Payments*).

Issue Price:

Commodity Securities may be issued at any price, as specified in the relevant Final Terms. The price and amount of Commodity Securities to be issued under the Programme will be determined by the Issuer and the

relevant Dealer(s) at the time of issue in accordance with prevailing market conditions.

Maturities: Subject in all cases to compliance with all applicable legal and regulatory requirements, the Issuer may issue Commodity Securities (i) with a Maturity Date ("**Term Commodity Securities**") and (ii) with no Maturity Date ("**Non-Term Commodity Securities**").

Redemption: Term Commodity Securities shall be redeemed on the Maturity Date either by payment of the relevant Cash Amount or by delivery of the relevant Delivery Amount (and payment of the relevant Fractional Cash Amount (if any)), as applicable. Non-Term Commodity Securities may be redeemed by a Holder on any Eligible Redemption Day by delivery of a Redemption Notice to the Principal Paying Agent for payment of the relevant Cash Amount or delivery of the relevant Delivery Amount (and payment of the relevant Fractional Cash Amount (if any)), as applicable.

Early Redemption at the option of the Issuer, Mandatory Redemption and Acceleration: Commodity Securities will be redeemable early in whole by the Issuer: (a) upon the occurrence of certain events as set out in Condition 7.3 (*Mandatory Redemption*); (b) at the option of the Issuer if "Issuer Call Option" is specified in the relevant Final Terms as being applicable, in accordance with Condition 7.4 (*Redemption at the option of the Issuer*); (c) in relation to the acceleration of the Commodity Securities as specified in Condition 12 (*Events of Default*); or (d) as otherwise specified in the relevant Final Terms.

Tax and VAT Redemption: Early redemption will be permitted for tax reasons or VAT reasons as described in Condition 7.3.2 (*Mandatory Redemption - Redemption for taxation and other reasons*).

Commodity Security Entitlement: The Commodity Security Entitlement reflects the amount of Underlying Commodity represented by each Commodity Security from time to time, calculated by the Calculation Agent in accordance with the Conditions. The initial Commodity Security Entitlement (the "**Initial Commodity Security Entitlement**") will be specified in the relevant Final Terms.

Interest: The Commodity Securities are non-interest bearing.

Taxation: All payments in respect of Commodity Securities will be made free and clear of withholding taxes unless the withholding is required by law. In that event, the Issuer will not be obliged to gross up payments in respect of the Commodity Securities.

Proposals and Advice: Pursuant to a proposals and advice agreement dated the Programme Signing Date (as further amended or supplemented from time to time) (the "**Proposals and Advice Agreement**") between the Issuer and the Proposer (defined therein), the Proposer shall make proposals and give advice to the Issuer.

Governing Law: The Commodity Securities will be governed by, and construed in accordance

with, English law.

Ratings: The Programme is not rated.

Selling Restrictions: There are restrictions on the offer, sale and transfer of the Commodity Securities in the United States, the European Economic Area (including the United Kingdom) and Switzerland and such other restrictions as may be required in connection with the offering and sale of a particular Tranche of Commodity Securities, see "*Subscription and Sale*".

RISK FACTORS

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

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

The Issuer believes that the factors described below represent the principal risks inherent in investing in Commodity Securities issued under the Programme, but the inability of the Issuer to pay principal or other amounts or perform other obligations on or in connection with any Commodity Securities may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate. Prospective investors should also read the detailed information set out elsewhere in this Base Prospectus and reach their own views prior to making any investment decision.

Before making an investment decision with respect to any Commodity Securities, prospective investors should consult their own stockbroker, bank manager, lawyer, accountant or other financial, legal and tax advisers and carefully review the risks entailed by an investment in the Commodity Securities and consider such an investment decision in the light of the prospective investor's personal circumstances.

Factors that may affect the Issuer's ability to fulfil its obligations under Commodity Securities issued under the Programme

The Issuer is a Special Purpose Vehicle

The Issuer has been established as a special purpose entity for the purpose of issuing commodity-backed securities. The Issuer's sole business is the raising of money by issuing the Commodity Securities or other obligations for the purposes of purchasing commodities and, where relevant, entering into related derivatives and other contracts. The Issuer has covenanted to the Trustee that for as long as any of the Commodity Securities remain outstanding, the Issuer shall not, without the consent of the Trustee (i) incur any other indebtedness for borrowed money or engage in any business (other than acquiring and holding the commodities, issuing the Commodity Securities, entering into the Transaction Documents, entering into any immobilisation or depositary agreement in relation to the Commodity Securities or any Commodity Securities of any class or any further series of Commodity Securities, issuing further series of Commodity Securities, entering into related agreements and transactions in respect of such further series of Commodity Securities and performing any act incidental to or necessary in connection with any of the above), (ii) subject to (i) above, dispose of any of the commodities or any part thereof or interest therein, (iii) release any party to the Constituting Instrument from any executory obligation thereunder, (iv) have any subsidiaries or employees, (v) purchase, own, lease or otherwise acquire any real property (including office premises or like facilities) or any assets (whether tangible or intangible) which are situated in Jersey or acquire any rights or benefits (whether contractual or otherwise) which may be deemed to be situated in Jersey, (vi) consolidate or merge with any other person or convey or transfer its properties or assets substantially as an entity to any person (otherwise than as contemplated in the Conditions of the Commodity Securities and the Constituting Instrument) or (vii) issue any shares (other than such shares as were in issue on 25 February 2009); provided that for the avoidance of doubt, nothing shall prevent the Issuer from engaging an administrator, accountants, statutory auditors and/or legal, banking or other advisers.

Factors which are material for the purpose of assessing the market risks associated with Commodity Securities issued under the Programme

The Commodity Securities may not be a suitable investment for all investors

Each potential investor in the Commodity Securities must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- (a) have sufficient knowledge and experience to make a meaningful evaluation of the Commodity Securities, the merits and risks of investing in the Commodity Securities and the information contained or incorporated by reference in this Base Prospectus or any applicable supplement;
- (b) have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Commodity Securities and the impact the Commodity Securities will have on its overall investment portfolio;
- (c) have sufficient financial resources and liquidity to bear all of the risks of an investment in the Commodity Securities, including Commodity Securities with principal payable in one or more currencies, or where the currency for principal payments is different from the potential investor's currency;
- (d) understand thoroughly the terms of the Commodity Securities and be familiar with the behaviour of any relevant indices and financial markets; and
- (e) be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic and other factors that may affect its investment and its ability to bear the applicable risks.

Commodity Securities may be redeemed early by the Issuer (irrespective of the then current price of the Underlying Commodity)

On the occurrence of certain events set out in Condition 7.3 (*Mandatory Redemption*) (including, for example, the termination of any hedge agreement in relation to the Commodity Securities, certain tax or VAT related events and the resignation of certain of the Issuer's service providers) the Issuer may be obliged to redeem the Commodity Securities early. In addition, and if so specified in the relevant Final Terms, the Issuer may have an option to redeem the Commodity Securities in any event. Any such redemption by the Issuer is likely to limit the market value of the Commodity Securities.

If the Issuer redeems the Commodity Securities early, they will then have a limited or reduced term and investors will not be able to hold them beyond the early redemption date in the expectation of a recovery in the price of the relevant Commodity. Commodity Securities subject to early redemption shall be redeemed at the Cash Amount; physical delivery of the relevant Commodity upon such redemption will not be available in respect of such Commodity Securities.

Such redemption would occur irrespective of the then current price of the Underlying Commodity. Consequently, the Commodity Securities may be redeemed at a time when the price of the Underlying Commodity is low, thus the amounts payable in respect of each Commodity Security on such redemption may be low, and investors may suffer a substantial loss on their investment.

The Commodity Securities may be accelerated following the occurrence of an Event of Default by the delivery of an Enforcement Notice by the Trustee (irrespective of the then current price of the Underlying Commodity)

Following the occurrence of an Event of Default and the delivery of an Enforcement Notice by the Trustee, the Commodity Securities will become immediately due and payable and the Collateral will become enforceable. The amount payable in respect of each Commodity Security may be significantly less than expected and investors may suffer a substantial loss on their investment.

Such acceleration would occur irrespective of the then current price of the Underlying Commodity. Consequently, the Commodity Securities may be accelerated at a time when the price of the relevant Underlying Commodity is low, thus the amount payable in respect of each Commodity Security on such redemption may be low, and investors may suffer a substantial loss on their investment.

Investment Risks

The price at which a Holder will be able to sell Commodity Securities prior to redemption may be at a potentially substantial discount to the market value of the Commodity Securities as at the Issue Date, if, at such time and in addition to any other factors, the price of the relevant Commodity is below, equal to or not sufficiently above the price of the relevant Commodity at the Issue Date.

The price of the Commodity Securities may fall in value as rapidly as it may rise and investors may not get back the amount invested and risk losing all of their investment. The price of the Commodity Securities may be affected by a number of factors, including changes in the value and volatility of the relevant Commodity, changes in foreign exchange rates and economic, financial and political events, all of which are difficult to predict. The past performance of the relevant Commodity should not be taken as an indication of the future performance of the relevant Commodity or other securities or derivatives during the term of the Commodity Securities.

Holdings have no direct proprietary interest in the Underlying Assets

Holdings will have no direct proprietary interest in the Underlying Assets other than the Security Interests created by the Issuer in favour of the Trustee for itself and on behalf of the Secured Creditors, as described in the Conditions.

Limited Recourse

On any enforcement of the Collateral or mandatory redemption of the Commodity Securities, the net proceeds available to the Issuer and/or the Trustee may be insufficient to pay all amounts due on redemption to the Holders. Any such shortfall shall be borne in accordance with the priority of payments as specified in the Conditions and any claims of the Holders remaining after realisation of the Collateral and application of the proceeds as aforesaid shall be extinguished. None of the Trustee, the Administrator, the Corporate Services Provider, the Arranger, the Dealers, the shareholders or directors of the Issuer, the Agents, the Account Bank, the Hedge Counterparty (if applicable), the Custodian or the Commodity Purchase and Sale Counterparty has any obligation to any Holder or any other person for payment of any amount owing by the Issuer in respect of the Commodity Securities.

Potential Conflicts of Interest

The Arranger, the Dealers, the Calculation Agent, the relevant Hedge Counterparty (if applicable), the Selling Agent and/or their respective subsidiaries may, from time to time, engage in purchase, sale or other transactions involving commodities, related derivatives or other related financial investments for their proprietary accounts and/or for accounts under their management and/or for clients. Such

transactions may have a positive or negative effect on the value of the relevant Commodity and consequently on the value of the Commodity Securities. In addition, the Arranger, the Dealers, the Calculation Agent, the relevant Hedge Counterparty (if applicable), the Selling Agent and/or their respective subsidiaries may, from time to time, act in other capacities with regard to the Commodity Securities (such as in an agency capacity) and may issue or participate in the issue of other competing financial instruments in respect of the Underlying Assets and the introduction of such competing financial instruments may affect the value of the Commodity Securities. The Arranger, the Dealers, the Calculation Agent, the relevant Hedge Counterparty (if applicable), the Selling Agent and/or their respective subsidiaries owe no duty or responsibility to any Holder (or any other party) to avoid or disclose information relating to such conflicts.

The Issuer and any Dealer may at the date hereof or at any time hereafter, be in possession of information in relation to a relevant factor that is or may be material in the context of the Commodity Securities and may or may not be publicly available to investors. There is no obligation on the Issuer or any Dealer to disclose to investors any such information.

Discretion of the Calculation Agent

The Calculation Agent in respect of the Commodity Securities will be The Royal Bank of Scotland N.V., acting through its London Branch or such other party specified in the relevant Final Terms. The Calculation Agent will make certain calculations in relation to the Commodity Securities, including, without limitation, the Commodity Security Entitlement, any Cash Amount and any Delivery Amount (and the Fractional Cash Amount (if any)) as applicable, in accordance with the Conditions. The Calculation Agent will make requests to the Commodity Purchase and Sale Counterparty under the terms of the Commodity Purchase and Sale Agreement on behalf of the Issuer for the purchase or sale of amounts of the relevant Commodity. Also, the Calculation Agent has certain discretions to determine whether certain events have occurred. For example, the Calculation Agent may determine that one or more of a number of specified events has occurred or exists at a relevant time which may affect the determination of the value of the relevant Commodity on a relevant Business Day and/or may delay settlement in respect of the Commodity Securities. Prospective investors should be aware that any determination made by the Calculation Agent might have an adverse effect on the value of the Commodity Securities. Any such discretion exercised by, or any calculation made by, the Calculation Agent (in the absence of manifest error) shall be binding on the Issuer, the Trustee and the Holders. Since these determinations by the Calculation Agent may affect the fair market value of the Commodity Securities, the Calculation Agent may have a conflict of interest if it needs to make any such decision.

Exercise of powers and discretions by Trustee

The Trustee in exercising its powers and discretions under the Constituting Instrument, the Master Collateral Terms and the other Transaction Documents or the Commodity Securities shall, except where expressly provided otherwise, have regard to the interests of both the Holders and the other Secured Creditors, but if, in the Trustee's sole opinion, there is a conflict between their interests, prior to the delivery of an Enforcement Notice, it will have regard solely to the interests of the Holders and following the delivery of an Enforcement Notice, it will have regard solely to the interests of the Instructing Creditor (which, in relation to FX Commodity Securities, may not necessarily be the Holders) and, in each case, no other Secured Creditor (which may include the Holders) will have any claim against the Trustee for so doing.

FX Commodity Securities – Instructing Creditor may not be Holders

The Conditions to the FX Commodity Securities provide that, in certain circumstances, the Instructing Creditor may provide certain instructions to the Trustee regarding matters such as the direction to enforce and manner of enforcement and the Trustee will be obliged to act upon such instructions. The Instructing Creditor will be the Holders of the relevant Series unless at the time of such instruction, there are amounts due and payable by the Issuer to the relevant Hedge Counterparty (who rank in priority to the Holders). In such a case, the relevant Hedge Counterparty will be entitled to provide the relevant instructions to the Trustee. Where the relevant Hedge Counterparty is the Instructing Creditor in respect of a particular Series, such Hedge Counterparty will be under no obligation to protect or otherwise consider the interests of the Holders of that Series when providing such instructions. Holders will have no recourse to the Issuer, Trustee, the relevant Hedge Counterparty or other party if such instructions are adverse to the Holders' interests.

Holders will be exposed to, amongst other risks, the credit risk of the Issuer, the Commodity Purchase and Sale Counterparty, the Agents, the Custodian, the relevant Hedge Counterparty, the Account Bank and other service providers

The Commodity Securities constitute secured limited recourse obligations of the Issuer and of no other person. The ability of the Issuer to meet its obligations under the Commodity Securities and the remaining Transaction Documents will be dependent, where applicable, upon payment of all sums due from and delivery of all amounts of Commodities deliverable by the Commodity Purchase and Sale Counterparty under the Commodity Purchase and Sale Agreement, upon the Principal Paying Agent, the other Agents, the Custodian, the Account Bank and any other service providers to the Issuer in respect of the relevant Series (such as the Hedge Counterparty (if applicable)) making the relevant payments and/or deliveries to, or on behalf of, the Issuer and upon all parties to the Transaction Documents (other than the Issuer) performing their respective obligations thereunder. Moreover, in certain cases, the Collateral for the Commodity Securities will be limited to the claims of the Issuer against the Commodity Purchase and Sale Counterparty under the Commodity Purchase and Sale Agreement. Accordingly, Holders are exposed, among other things, to the creditworthiness of the Commodity Purchase and Sale Counterparty, the Trustee, the Principal Paying Agent, the other Agents, the Custodian, the Account Bank and any other service providers to the Issuer in respect of the relevant Series.

The amount of Underlying Commodity held in the Allocated Account is intended to be at least equal to the aggregate Commodity Security Entitlement at the end of each month, and is expected to differ (possibly significantly) intra-month

On the Issue Date of a Series of Commodity Securities, the amount of Underlying Commodity held in the Allocated Account (over which security is granted in favour of the Trustee for itself and on behalf of the Secured Creditors) is intended to be equal to the aggregate Commodity Security Entitlement of all Commodity Securities issued on that date. Thereafter, the amount of Underlying Commodity held in the Allocated Account is only intended to be at least equal to the aggregate Commodity Security Entitlement of outstanding Commodity Securities of that Series at the end of each month, and, in respect of FX Commodity Securities, is expected to differ (possibly significantly) intra-month.

In respect of FX Commodity Securities, investors should note that if the Commodity Security Entitlement has increased over a month, there will be insufficient Underlying Commodity in the Allocated Account during the month until, in respect of the Quanto Hedge Agreement, the Quanto Hedge Counterparty delivers the relevant amount of the Underlying Commodity to the Unallocated Account (to be shortly thereafter transferred to the Allocated Account) at the end of the month pursuant

to its obligations under the Quanto Hedge Agreement and, in respect of the Currency Overlay Hedge Agreement, the Issuer purchases an amount of the relevant Commodity equal to the proceeds received from the Currency Overlay Hedge Counterparty and arranges for delivery of the relevant amount of Commodity to the Unallocated Account (to be shortly thereafter transferred to the Allocated Account) at the end of the month.

Risks related to the Gold and Silver market

The value of the Commodity Securities is linked to the price of the relevant Commodity

The Commodity Securities are securities which on redemption entitle the Holder to receive payment of the Cash Amount (being an amount linked to the value of the relevant Commodity) or, upon fulfilment of certain conditions (including, without limitation, that the number of Commodity Securities being redeemed is at least equal to the Minimum Redemption Amount), delivery of the Delivery Amount (being an amount of standard bars of either Gold or Silver linked to the value of the relevant Commodity) and payment of the Fractional Cash Amount (if any). The Commodity Securities therefore carry the same level of risk as a direct investment in the relevant Commodity, and in the event that the Underlying Commodity is valued at zero, investors should be aware that their entire investment may be lost. In the event that the Issuer exercises its right to optionally redeem the Commodity Securities, such Commodity Securities will have a limited or reduced term, and investors will not be able to hold them beyond the designated early redemption date in the expectation of a recovery in the price of the relevant Commodity.

The value of the Commodity Securities is linked to the price of the relevant Commodity and may be influenced by unpredictable factors

The value of the Commodity Securities will be affected by movements in the price of Gold or Silver (as applicable), as measured in the Specified Currency and may fluctuate widely and be affected by factors beyond the Issuer's control including:

- (i) the market price or value of the relevant Commodity;
- (ii) the volatility (frequency and magnitude of changes in price) of the relevant Commodity;
- (iii) global or regional political conditions and economic, financial and political, regulatory or judicial events that affect stock markets generally and which may affect the market price of the relevant Commodity;
- (iv) investors' expectations with respect to the future rates of inflation and movements in world equity, financial and property markets;
- (v) the value of the US dollar relative to other currencies;
- (vi) global Gold and Silver supply and demand, which is influenced by factors such as mine production and net forward selling activities by commodities producers, central bank purchases and sales, jewellery demand and the supply of recycled jewellery, net investment demand and industrial demand, net of recycling; and
- (vii) changes in interest rates and factors affecting the exchange(s) or quotation system(s) on which any such commodities may be traded.

Some or all of these factors will influence the price investors will receive if an investor sells or redeems its Commodity Securities. For example, investors may have to sell or redeem certain Commodity

Securities at a substantial discount from the price they paid for such Commodity Securities if the market price or value of the relevant Commodity is at, below, or not sufficiently above the initial market price or value as at the Issue Date.

Shortage of Physical Gold or Silver

There is no guarantee of a constant supply of either Gold or Silver. Commodity markets have the potential to suffer from market disruption or volatility due, in part or in whole, to shortages in the supply of physical commodities. Such events could result in a spike in commodity prices. Price spiking can also cause volatile forward rates and lease rates which could result in the bid-offer spread on any stock exchange or market where Commodity Securities are traded to widen, reflecting short-term forward rates in Gold and/or Silver.

Risks related to Commodity Securities generally

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

Modification, waivers and substitution

The conditions of the Commodity Securities provide that the Trustee may, without the consent or sanction of the Secured Creditors, at any time and from time to time concur with the Issuer and any other relevant parties in making: (a) any modification to the Conditions or any provisions of any of the Transaction Documents if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error; and (b) any modification to the Conditions, the Commodity Security Terms (other than sub-paragraph (c) of the definition of "Relevant Fraction" and the definition of "Reserved Matter", in each case as defined in the Commodity Security Terms) or any of the other Transaction Documents which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the Holders.

The conditions of the Commodity Securities also contain provisions for calling meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

The Commodity Security Terms contain provisions permitting the Trustee to agree, without the consent of the Secured Creditors, to the substitution in place of the Issuer as principal debtor under the Commodity Security Terms and the Commodity Securities by another entity (incorporated in any jurisdiction) subject to the satisfaction of certain conditions as more fully specified in the Commodity Security Terms.

Tax consequences of holding the Commodity Securities

Each Holder will assume and be solely responsible for any and all taxes of any jurisdiction or governmental or regulatory authority, including, without limitation, any state or local taxes or other like assessment or charges that may be applicable to any payment to it in respect of the Commodity Securities. The Issuer will not pay any additional amounts to Holders to reimburse them for any tax, assessment or charge required to be withheld or deducted from payments in respect of the Commodity Securities by the Issuer or any Paying Agent or any other person or suffered by the Issuer in respect of the Underlying Commodity or any disposal thereof or any tax, assessment or charge suffered by the Issuer.

This Base Prospectus is not intended to provide the basis of any evaluation of the taxation issues relevant to an investment in the Commodity Securities. No information in relation to taxation is

provided by the Issuer in this Base Prospectus, except the limited information in relation to taxation in Austria, Germany, Italy, Jersey, the Netherlands, the United Kingdom and the EC Council Directive 2003/48/EC on the taxation of savings income in the section entitled "*Taxation*" below. Each prospective investor must consider any relevant taxation matters based on its own independent review and such professional advice as it deems appropriate.

Base Prospectus to be read together with relevant Final Terms

The terms and conditions of the Commodity Securities included in this Base Prospectus apply to the different types of Commodity Securities which may be issued under the Programme. The full terms and conditions applicable to each Tranche of Commodity Securities should be reviewed by reading the Conditions as set out in full in this Base Prospectus in the section headed "*Terms and Conditions of the Commodity Securities*", which constitute the basis of all Commodity Securities to be offered under the Programme, together with the relevant Final Terms which apply and/or disapply, supplement and/or amend the Conditions in the manner required to reflect the particular terms and conditions applicable to the relevant Series of Commodity Securities.

There may be delays in effecting settlement

Non-Term Commodity Securities are subject to provisions relating to redemption at the option of a Holder by the delivery of a Redemption Notice (and Term Commodity Securities are subject to provisions relating to the delivery of a Redemption Notice by the Holder if Physical Settlement is to apply). There will be a time lag between the time a Holder delivers the Redemption Notice and the time the applicable Cash Amount (if the Commodity Securities are Cash Settlement Commodity Securities) relating to such redemption is determined and paid to the Holder. If the Holder elects for Physical Settlement, there will be a time lag following delivery of a Redemption Notice until the Delivery Amount is delivered to the relevant LBMA account designated by the Holder and the Fractional Cash Amount (if any) is paid to the Holder. Any such delay between the time of exercise and the determination and payment of the Cash Amount or delivery of the Delivery Amount (and the Fractional Cash Amount (if any)) will be specified in the Conditions. However, such delay could be significantly longer, particularly in the case of a delay arising from the determination by the Calculation Agent that a Suspension Event or a Settlement Disruption Event occurred at any relevant time. The applicable Cash Amount or Delivery Amount and Fractional Cash Amount (if any) could decrease or increase from what it would have been but for such delay.

If a Redemption Notice is received by the Principal Paying Agent after the latest time specified in the Conditions, it will be deemed to be duly delivered on the next following Business Day. Such deemed delay may increase or decrease the Cash Amount or Delivery Amount or the Fractional Cash Amount (if any) from what it would have been but for such deemed delivery. In the case of any Redemption Notice to be delivered in connection with Physical Settlement Commodity Securities, if such notice is not delivered in accordance with Conditions, it shall be void. Where in a Redemption Notice in respect of Term Commodity Securities the Holder elects for Physical Settlement to apply but such Redemption Notice is void, Cash Settlement shall apply. Where a notice in respect of Non-Term Commodity Securities is void, the relevant Holder will need to submit a new Redemption Notice.

The failure by a Holder to deliver any certifications or notices required by the Conditions could result in the loss or inability to receive amounts or deliveries otherwise due under the Commodity Securities.

Prospective purchasers should review the Conditions to ascertain whether and how such provisions apply to the Commodity Securities.

Change of law and jurisdiction

The Conditions of the Commodity Securities are based on English law in effect as at the date of this Base Prospectus. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Base Prospectus.

Custody of Underlying Commodity

The Underlying Commodity will be held by the Custodian at its London vault premises or temporarily in the vaults of a sub-custodian appointed by the Custodian or by a delegate of a sub-custodian. Access to the Underlying Commodity held by the Custodian and/or a sub-custodian could be restricted by natural events (such as earthquakes or flooding) or human actions (such as wars or terrorist attacks).

The Custodian or sub-custodian, as applicable, may make such insurance arrangements in connection with its custodial obligations with respect to Commodities in allocated form as it considers fit. The Custodian has no obligation to insure such Commodities against loss, theft or damage and the Issuer does not intend to insure against such risks. In addition, the Trustee is not responsible for ensuring that adequate insurance arrangements have been made, or for insuring the Commodities held in the Allocated Accounts, and shall not be required to make any enquiries regarding such matters.

Accordingly, there is a risk that the Commodities could be lost, stolen or damaged and the Issuer would not be able to satisfy its obligations in respect of the Commodity Securities.

The Issuer may not have adequate sources of recovery if the Underlying Commodity is lost, damaged, stolen or destroyed and recovery may be limited, even in the event of fraud, to the market price of the Underlying Commodity at the time the fraud is discovered

Holders' recourse against the Issuer or the Custodian (under English law) and any sub-custodians (under the law governing their custody operations) is limited. The Issuer does not insure the Underlying Commodity. The Custodian maintains insurance with regard to its business and with respect to any relevant Underlying Commodity standing to the credit of the relevant Allocated Account on such terms and conditions as it considers appropriate. The Issuer is not a beneficiary of any such insurance and does not have the ability to dictate the existence, nature or amount of coverage. Therefore, the Custodian might not maintain adequate insurance or any insurance with respect to the Underlying Commodity held by the Custodian on behalf of the Issuer. In addition, the Custodian and the Issuer do not require any direct or indirect sub-custodians to be insured or bonded with respect to their custodial activities or in respect of the Underlying Commodity held by them on behalf of the Issuer. Consequently, a loss may be suffered with respect to the Underlying Commodity which is not covered by insurance and for which no person is liable in damages.

The liability of the Custodian in respect of a Series of Commodity Securities will be limited under the relevant Master Secured Unallocated Account Terms and Master Secured Allocated Account Terms (as amended, modified or supplemented by the relevant Constituting Instrument). In accordance with those terms, the Custodian will only be liable for losses that are the result of its own negligence, fraud or wilful default in the performance of its custodial duties. Any such liability is further limited to the market price of the Underlying Commodity held in the relevant Allocated Account with the Custodian or credited to the Unallocated Account with the Custodian, as the case may be, at the time of such negligence, fraud or wilful default.

In addition, the Custodian will not be liable in respect of a Series of Commodity Securities for any delay in performance or any non-performance of any of its obligations under the relevant terms by reason of any cause beyond its reasonable control, including acts of God, war or terrorism. As a

result, the recourse of the Issuer or the investor, under English law, is limited. Furthermore, under English common law, the Custodian or any sub-custodian will not be liable for any delay in the performance or any non-performance of its custodial obligations by reason of any cause beyond its reasonable control.

Under the relevant Master Secured Unallocated Account Terms and Master Secured Allocated Account Terms (as amended, modified or supplemented by the relevant Constituting Instrument), except for the Custodian's obligation to make commercially reasonable efforts to obtain delivery of the relevant Underlying Commodity from any sub-custodians, the Custodian will not be liable in contract, tort or otherwise for any loss, damage or expense arising directly or indirectly from an act or omission, or insolvency, of any sub-custodian any further delegate of such sub-custodian unless the appointment of that sub-custodian was made by the Custodian negligently or in bad faith. There are expected to be no written contractual arrangements between sub-custodians that hold the Underlying Commodity and the Issuer or the Custodian, because traditionally such arrangements are based on the rules of the London Bullion Market Association ("**LBMA**") and on the customs and practices of the London Bullion Market. In the event of a legal dispute with respect to or arising from such arrangements, it may be difficult to define such customs and practice. The rules of the LBMA may be subject to change outside the control of the Issuer. Under English law, neither the Issuer nor the Custodian would have a supportable breach of contract claim against a sub-custodian for losses relating to the safekeeping of the Underlying Commodity. If the Underlying Commodity is lost or damaged while in the custody of a sub-custodian, the Issuer might not be able to recover damages from the Custodian or the sub-custodian.

If the Underlying Commodity is lost, damaged, stolen or destroyed under circumstances rendering a party liable to the Issuer, the responsible party might not have the financial resources sufficient to satisfy the Issuer's claim. For example, as to a particular event of loss, the only source of recovery for the Issuer might be limited to the Custodian or one or more sub-custodians or, to the extent identifiable, other responsible third parties (e.g., a thief or terrorist), any of which may not have the financial resources (including liability insurance coverage) to satisfy a valid claim of the Issuer.

The Holders do not have a right under the relevant Master Secured Unallocated Account Terms and Master Secured Allocated Account Terms (as amended, modified or supplemented by the relevant Constituting Instrument) to assert a claim of the Issuer against the Custodian or any sub-custodian; such claims may only be asserted by the Issuer (subject to any assignment of the Issuer's rights under the relevant Master Custody Terms to the Trustee under the relevant Collateral Documents).

The Underlying Commodity in connection with a Series of Commodity Securities might not meet the fineness or weight required by the standards of the LBMA, therefore the Underlying Commodity might be worth less than expected thereby reducing the value of the Commodity Securities

None of the Issuer, the Custodian or The Royal Bank of Scotland N.V. acting through its London Branch (whether in its capacity as Arranger, Calculation Agent, Hedge Counterparty, Selling Agent or otherwise) independently confirms the fineness or weight of the Underlying Commodity in connection with a Series of Commodity Securities. The Underlying Commodity may be different from the reported fineness or weight required by the standard of the LBMA for bars of the relevant commodity delivered in settlement of a trade in the relevant commodity, in which case the Commodity Securities might suffer a loss.

Neither the Issuer nor the Custodian oversees or monitors the activities of sub-custodians

Neither the Issuer nor the Custodian oversees or monitors the activities of sub-custodians who may hold the Underlying Commodity from time to time; failure by the sub-custodians to exercise due care in the safekeeping of the Underlying Commodity could result in the Underlying Commodity being worth less than expected thereby reducing the value of the Commodity Securities.

Underlying Commodity held in any Unallocated Account of the Issuer with the Custodian will not be segregated from the Custodian's assets. If the Custodian becomes insolvent, its assets may not be adequate to satisfy a claim by the Issuer. In addition, in the event of the Custodian's insolvency, there may be a delay and costs incurred in identifying the Underlying Commodity held in any Allocated Account of the Issuer with the Custodian

The Underlying Commodity will be held for a time in the relevant Unallocated Account in connection with the following: (a) the initial issue of Commodity Securities and deposit of the Underlying Commodity, pending transfer to the relevant Allocated Account; (b) the monthly deduction of accrued fees and expenses; (c) redemption of Commodity Securities; (d) solely in relation to the Quanto Commodity Securities, transfers of the Underlying Commodity to or from the Quanto Hedge Counterparty (as the case may be) on a monthly basis in accordance with the terms of the relevant Quanto Hedge Agreement (in the case of a transfer by the Quanto Hedge Counterparty, pending transfer to the relevant Allocated Account; and (e) solely in relation to the Currency Overlay Commodity Securities, deposit or transfer (as the case may be) of the Underlying Commodity by the Issuer following settlement of the Currency Overlay Hedge Agreement (and in the case of a purchase of Commodity, pending transfer to the relevant Allocated Account). During those times, the Issuer will have no proprietary rights to any specific bars of Commodities held by the Custodian and will be an unsecured creditor of the Custodian with respect to the amount of Commodities held in such Unallocated Account. In addition, if the Custodian fails to allocate the Underlying Commodity in a timely manner, in the proper amounts or otherwise in accordance with the relevant terms, or if a sub-custodian fails to so segregate the Underlying Commodity held by it on behalf of the Issuer, unallocated Commodities will not be segregated from the Custodian's assets, and the Issuer will be an unsecured creditor of the Custodian with respect to the amount so held in the event of the insolvency of the Custodian. In the event the Custodian becomes insolvent, the Custodian's assets might not be adequate to satisfy a claim by the Issuer for the amount of Commodities held in its Unallocated Account.

In the case of the insolvency of the Custodian, a liquidator may seek to freeze access to the Commodities held in all of the accounts held by the Custodian, including any Allocated Accounts. Although the Issuer would be able to claim ownership of properly allocated Commodities, the Issuer could incur expenses in connection with asserting such claims, and the assertion of such a claim by the liquidator could delay redemptions and settlement of Commodity Securities.

The Management Fee Rate (reflecting the fees and expenses payable by the Issuer) and, in respect of Quanto Commodity Securities, the Quanto Maintenance Fee Rate, will affect the Commodity Security Value and consequently the Commodity Security Entitlement

The Issuer does not generate any income other than in relation to the issuance of the Commodity Securities. In order for the Issuer to pay for the fees and expenses relating to each Series of Commodity Securities (such as custody fees) a portion of the Underlying Commodity in respect of such Series equal to the Combined Fees will, on a monthly basis, be sold by or on behalf of the Issuer, irrespective of then-current prices of the relevant Commodity. This will be reflected in the Commodity Security Value which will reduce on a daily basis to reflect the accrual of the Management Fee Rate

and, in respect of Quanto Commodity Securities, the Quanto Maintenance Fee Rate, with a consequent effect on the Commodity Security Entitlement and, therefore, the value of the Commodity Securities.

In respect of non-FX Commodity Securities, assuming a constant price of the Underlying Commodity from the date of issue of a Series, the value of the Commodity Securities will gradually decline as the Commodity Security Entitlement in respect of such Series declines.

In respect of FX Commodity Securities, the Commodity Security Entitlement will be adjusted at the end of each month (or as otherwise required by the Conditions) to take into account the changes in the Commodity Security Value over the previous month. Such an adjustment may involve a reduction or increase in the relevant Commodity Security Entitlement, depending on the effect of changes in the prevailing rate of exchange between US dollars and the Specified Currency and the changes in the Commodity Security Value (which takes into account the Accrued Fee Amount).

No active management of the relevant Underlying Commodity

The relevant Underlying Commodity will be withdrawn from the relevant custody accounts and, in connection with new issues of Commodity Securities, added to the relevant custody accounts (thereby decreasing or increasing the amount of Underlying Commodity, as applicable) only in certain specified circumstances set out in the Conditions and/or the Transaction Documents. In addition, and solely in relation to FX Commodity Securities, withdrawal or deposit (as the case may be) of an amount of the Underlying Commodity will be conducted on a monthly basis in accordance with the terms of the relevant Hedge Agreement.

No attempt will be made to buy or sell Underlying Commodity to protect against or to take advantage of fluctuations in the price of the relevant Commodity. Consequently, the Underlying Commodity may be sold at a time when the price of the relevant Commodity is low, resulting in a negative effect on the value of the Commodity Securities.

Suspension of Holder Optional Redemptions

Holder Optional Redemptions shall be suspended: (i) from the occurrence of any event or events which may result in a Mandatory Redemption, for as long as such Mandatory Redemption may still occur; and (2) from the occurrence of an Event of Default or a Potential Event of Default, for as long as such Event of Default or Potential Event of Default is continuing.

Settlement of Commodity Securities – Cash Settlement

The Issuer will fund payment of the Cash Amount in respect of a Commodity Security (subject to the Minimum Redemption Amount) by sale of the relevant amount of Underlying Commodity to the Commodity Purchase and Sale Counterparty pursuant to the Commodity Purchase and Sale Agreement. In the event the Issuer is unable to sell the relevant Underlying Commodity under the Commodity Purchase and Sale Agreement, payment of the Cash Amount by the Issuer will be delayed until such time as the Issuer is able to sell the Underlying Commodity under the Commodity Purchase and Sale Agreement or such other agreement or arrangement as may in good faith be used in the event of such a delayed sale. Where the sale of the relevant Underlying Commodity is subject to delayed settlement, the Holder will not receive any interest or similar payment in respect of such delay. Where delayed Cash Settlement occurs, the Settlement Date will be no earlier than the date of the sale of the relevant Underlying Commodity, not the original Settlement Date. The Cash Amount payable in respect of such delayed Cash Settlement may be more or less than that which would have been payable on the original Settlement Date.

Settlement of Commodity Securities – Physical Settlement

Any redemption of Commodity Securities where Physical Settlement applies may only be settled by delivery of the relevant Delivery Amount of Commodity to an authorised participant (an "**Authorised Participant**") of the LBMA. Any Holder of Commodity Securities wishing to elect for redemption by Physical Settlement must either (i) be an Authorised Participant or (ii) have appointed an Authorised Participant to act as their agent in respect of such settlement. No assurance is given regarding the availability or suitability of an Authorised Participant to act as agent of a Holder in respect of Physical Settlement.

In order for Physical Settlement to apply, the Final Terms must specify that Physical Settlement is applicable to the relevant Series of Commodity Securities and the Holder must deliver a Redemption Notice in accordance with the Conditions. In such Redemption Notice the Holder must (in addition to specifying that Physical Settlement should apply and specifying the number and account name of an unallocated account in London with a member of the LBMA where the relevant Delivery Amount should be delivered) represent and warrant that the request for Physical Settlement and the acceptance of the delivery of the relevant Delivery Amount and any Fractional Cash Amount payable to a Holder is and will be in accordance with all laws and regulations applicable to such Holder.

The Delivery Amount will be an amount of the Underlying Commodity equal to:

- (a) an amount of Commodity equal to the aggregate Commodity Security Entitlement (determined, in the case of non-FX Commodity Securities, as at the Valuation Date immediately preceding the scheduled Settlement Date, in the case of Quanto Commodity Securities, as at the Reset Date immediately preceding the scheduled Settlement Date or, in the case of Currency Overlay Commodity Securities, the Rebalancing Date immediately preceding the scheduled Settlement Date); *less*
- (b) an amount of Commodity equal in value (calculated at the Reference Price as at the Valuation Date immediately preceding the scheduled Settlement Date) to the aggregate of any applicable Redemption Fees and Expenses in respect of all Commodity Securities being so redeemed (rounded down to the nearest 0.001 ounce),

rounded down to the nearest whole number of Standard Bars (which may be zero in cases where the Relevant Amount of Commodity is less than a single Standard Bar). The Fractional Cash Amount will reflect the proceeds actually received by the Issuer (or any Agent on its behalf) in respect of the sale of an amount of Underlying Commodity equal to the fractional amount by which the value of the Delivery Amount would, save for the rounding down provision, have exceeded a whole number of Standard Bars. Should VAT be chargeable on a redemption of Commodity Securities where Physical Settlement applies (but not where it does not), the value of the Delivery Amount in relation to the relevant Commodity Securities (where Physical Settlement applies) may be less than the value of the Cash Amount in relation to the same (where Physical Settlement does not apply).

Physical Settlement will not be available in respect of Commodity Securities cleared through Euroclear Nederland.

Redemption of Commodity Securities is subject to a Minimum Redemption Amount

Redemptions of Commodity Securities at the option of any Holder are subject to such Holder tendering at least the Minimum Redemption Amount of Commodity Securities for redemption (as specified in the Conditions or the relevant Final Terms). The Calculation Agent, on behalf of the Issuer, will then determine the applicable Cash Amount payable or Delivery Amount deliverable (and Fractional Cash

Amount (if any) payable) to the relevant Holder. Holders with fewer Commodity Securities than the Minimum Redemption Amount will have to either sell their Commodity Securities or purchase additional Commodity Securities up to the Minimum Redemption Amount, incurring transaction costs in each case, in order to realise a return on their investment, and may incur the risk that the trading price of the Commodity Securities at that time is different from the applicable Cash Amount or Delivery Amount (and Fractional Cash Amount (if any)), as the case may be.

The Minimum Redemption Amount may be different depending on whether Cash Settlement or Physical Settlement applies and is likely to be significantly higher in relation to Physical Settlement.

London Good Delivery

According to the Good Delivery rules of the LBMA a Gold bar must have a minimum fineness of 99.5% and a Gold or a Silver bar must have a weight of approximately 400 ounces or 12.5 kilograms (although bars are permitted to be between 350 and 430 ounces). Even though a variety of smaller and exact weight bars are available in the market, the Underlying Commodity will only consist of LBMA Good Delivery bars.

*Because the Global Commodity Securities (as defined below) may be held by or on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, société anonyme ("**Clearstream, Luxembourg**") and/or Euroclear Nederland (Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.) ("**Euroclear Nederland**") and/or Clearstream Banking AG, Frankfurt am Main ("**CBF**"), investors will have to rely on their procedures for transfer, payment and communication with the Issuer.*

Commodity Securities issued under the Programme may be represented by one or more temporary global Commodity Securities (each, a "**Temporary Global Commodity Security**") and/or permanent global Commodity Securities (each, a "**Permanent Global Commodity Security**" and, together with a Temporary Global Commodity Security, the "**Global Commodity Securities**"). Such Global Commodity Securities may be deposited with Euroclear Nederland and/or a common depositary for Euroclear, Clearstream, Luxembourg and/or CBF (as applicable). Commodity Securities in definitive form will not be issued. Euroclear, Clearstream, Luxembourg, Euroclear Nederland and CBF (as applicable) will maintain records of the beneficial interests in the Global Commodity Securities. As the Commodity Securities are represented by one or more Global Commodity Securities, investors will be able to trade their beneficial interests only through Euroclear, Clearstream, Luxembourg, Euroclear Nederland and CBF (as applicable).

As the Commodity Securities are represented by one or more Global Commodity Securities, the Issuer will discharge its payment obligations under the Commodity Securities by making payments through Euroclear, Clearstream, Luxembourg, Euroclear Nederland and/or CBF (as applicable) for distribution to their account holders. A holder of an interest in a Global Commodity Security must rely on the procedures of Euroclear, Clearstream, Luxembourg, Euroclear Nederland and/or CBF (as applicable) to receive payments under the relevant Commodity Securities. The Issuer shall have no responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Commodity Securities. Accordingly, such an investor will be exposed to the credit risk of, and default risk in respect of, the relevant clearing system, as well as the Issuer.

Holders of beneficial interests in the Global Commodity Securities will not have a direct right to vote in respect of the relevant Commodity Securities. Instead, such Holders will be permitted to act only to the extent that they are enabled by Euroclear, Clearstream, Luxembourg, Euroclear Nederland and/or CBF (as applicable) to appoint appropriate proxies. Accordingly, such an investor will be exposed to the risk

that the relevant clearing system may fail to pass on the relevant notice to, fail to take relevant instructions from or otherwise fail to enable the Holder to appoint appropriate proxies.

None of the Issuer, the Arranger, any Dealer or any Agent shall be responsible for the acts or omissions of any clearing system nor makes any representation or warranty, express or implied, as to the services provided by any relevant clearing system

Quanto Commodity Securities

In relation to a Series of Commodity Securities which are Quanto Commodity Securities, the cost to the Issuer in arranging the 'quanto' feature will be reflected in the Quanto Maintenance Fee Rate which, along with the Management Fee Rate, serves to reduce the Commodity Security Value on a daily basis. The initial Quanto Maintenance Fee Rate will be specified in the relevant Final Terms, but thereafter will vary during the life of the Quanto Commodity Securities and will have an impact on the value of the Commodity Securities. No assurance can be given as to whether or not, taking into account relative exchange rate fluctuations between US dollars and the Specified Currency, the quanto feature in such Quanto Commodity Securities would at any time enhance the return on such Commodity Securities over the level of the return of Commodity Securities issued without such a quanto feature.

Risks related to the market generally

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

The secondary market generally

Commodity Securities may have no established trading market when issued, and one may never develop. If a market does develop, it may not be very liquid and may be discontinued at any time. Therefore, investors may not be able to sell their Commodity Securities easily or at prices that will provide them with a yield or return comparable to similar investments that have a developed secondary market. Commodity Securities are especially sensitive to commodity, currency or market risks and are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. Commodity Securities will generally have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have a severely adverse effect on the market value of Commodity Securities. If a market does develop, the price at which Commodity Securities are traded on such market may not accurately reflect the price of the Underlying Commodity represented by such Commodity Securities.

A Dealer may, at its sole discretion, provide a secondary market in the Commodity Securities but there will be under no obligation on any Dealer to do so.

Exchange rate risks and exchange controls

The Issuer will pay the Cash Amount, the Fractional Cash Amount and any other amounts which may be due in respect of a Commodity Security in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Holder's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Holder's Currency), the risk that authorities with jurisdiction over the Holder's Currency may impose or modify exchange controls. An appreciation in the value of the Holder's Currency relative to the Specified Currency would decrease: (a) the Holder's Currency equivalent yield or return on the Commodity Securities; (b) the Holder's Currency equivalent value of

the principal payable on the Commodity Securities; and (c) the Holder's Currency equivalent market value of the Commodity Securities.

The prices of Commodities are generally quoted in US dollars. Where the Specified Currency is not denominated in US dollars or where the Holder values Commodity Securities in a currency other than the Specified Currency, that value may be affected by changes in the exchange rate between the US dollar and that other currency. The Quanto or Currency Overlay feature of a Series of Commodity Securities may not be sufficient or adequate to mitigate any foreign exchange risk.

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

Where the Issuer pays fees, expenses or other costs (such as Taxes) in a currency other than the Specified Currency, the Issuer will normally use the Specified Currency to purchase an amount of such currency necessary to pay the relevant expenses. The Issuer may incur additional fees and expenses in relation to any such purchase.

Hedging activities by the Arranger

The Arranger may in its own absolute discretion establish, maintain, adjust or unwind hedge positions in or related to the Commodity Securities and/or the Underlying Commodity. Any hedge positions taken by the Arranger are their own proprietary trading positions and are not held on behalf of, or as agent for, the Holders.

Settlement Disruption Events

In respect of a redemption of any Commodity Securities, the Calculation Agent will determine whether or not at any time a Settlement Disruption Event has occurred or exists and where it determines such an event has occurred or exists and has prevented a sale of the Underlying Commodity (in connection with Cash Settlement or, in relation to any Fractional Cash Amount, Physical Settlement) or a delivery of a Delivery Amount (in connection with Physical Settlement) on the original day that but for such Settlement Disruption Event would have been the Commodity Sale Date or the Settlement Date (each an "**Original Settlement Date**"), then the Commodity Sale Date or Settlement Date (as the case may be) will be the first succeeding day on which the relevant sale and/or delivery can take place unless a Settlement Disruption Event prevents settlement on each of the ten Business Days immediately following the relevant Original Settlement Date. In that case, (a) if the relevant sale and/or delivery can be effected in good faith, then the Commodity Sale Date or Settlement Date, as applicable, will be that tenth Business Day and sale and/or delivery will be effected in good faith, and (b) if such sale and/or delivery cannot be effected in good faith, then the Commodity Sale Date or Settlement Date, as applicable, will be postponed until the next date on which sale and/or delivery can be effected in good faith. If no sale or delivery can be effected in good faith within one calendar year of the Original Settlement Date, the Calculation Agent, acting in good faith, will determine the equivalent cash amount payable in respect of such Commodity Securities (as if all such Commodity Securities were Cash Settlement Commodity Securities) and the Issuer shall redeem the Commodity Securities at such amount.

For the avoidance of doubt, no sums will be payable by the Issuer to the Holders for any delay in effecting redemption of the Commodity Securities following a Settlement Disruption Event. Additionally, the occurrence of a Settlement Disruption Event may have an adverse effect on the value of Underlying Commodity and so the Commodity Securities and Holders may not receive the same

amount on redemption as would have been the case but for the occurrence of the Settlement Disruption Event.

Suspension Events – suspension of redemptions

If the Calculation Agent determines that a Suspension Event has occurred and is continuing at any time, all redemptions shall be suspended until the Calculation Agent determines that such Suspension Event is no longer continuing and any Redemption Notices received will be deemed to be null and void unless such Suspension Event is not continuing on the Valuation Date immediately preceding the relevant Eligible Redemption Day.

Suspension Events – suspension of calculations

If the Calculation Agent determines that a Suspension Event has occurred and is continuing on any day as of which the Commodity Security Entitlement, the Commodity Security Value, any components of the formulae in respect of the foregoing, the Reference Price, the FX Rate and/or any amounts (including, without limitation, any Cash Amount or Fractional Cash Amount) payable in connection with the Commodity Securities if the Specified Currency is not US dollars is due to be calculated (each of such dates a "**Calculation Date**"), the occurrence of such Calculation Date will be postponed until the first succeeding Business Day on which such Suspension Event is no longer continuing, unless that Suspension Event is continuing on each of the 180 Business Days immediately following the original Business Day on which the Suspension Event occurred. In that case (regardless of the Suspension Event) the Calculation Agent shall make the calculations referred to in Condition 9.2 (*Suspension of calculations*) having regard to such factors as the Calculation Agent determines to be relevant. Suspension Events include Commodity Disruption Events and FX Disruption Events.

This could have an effect on the value of the Commodity Securities.

Legal investment considerations may restrict certain investments

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

DOCUMENTS INCORPORATED BY REFERENCE

The financial statements of the Issuer for the fiscal year ended 31 December 2009 submitted to and filed with the Financial Services Authority shall be deemed to be incorporated in, and to form part of, this Base Prospectus, save that any document incorporated by reference therein do not form part of this Base Prospectus.

OVERVIEW OF COMMODITIES PROGRAMME

The following description of the Standard Commodities Limited Commodities Programme is provided for illustrative purposes only.

A. THE COMMODITIES PROGRAMME

The US\$1,000,000,000 Standard Commodities Limited Commodities Programme (the "**Programme**") has been established for the issuance by the Issuer of secured, limited recourse debt securities (the "**Commodity Securities**") linked to Gold or Silver (each a "**Commodity**").

The Commodities Programme is designed to provide investors with exposure to the market price of the relevant Commodity similar to that which an investor could achieve by buying the Commodity, without the need to take physical delivery of the Commodity, but with the ability to do so if so elected by the investor provided certain conditions are satisfied.

Collateral

The Commodity Securities are secured, limited recourse obligations of the Issuer. On or about the Issue Date in respect of each Series, the Issuer will use the proceeds from the issuance of the Commodity Securities to purchase an amount of the relevant Commodity (the "**Underlying Commodity**") equal to the aggregate Initial Commodity Security Entitlement in respect of such Series. The Underlying Commodity will be held by the Custodian pursuant to the terms of the Master Custody Terms and, in the case of non-FX Commodity Securities, will decrease over the term of such Commodity Securities and, in the case of FX Commodity Securities, may either increase or decrease over the term of such Commodity Securities, in each case as described further below.

The Commodity Securities in respect of each Series will be constituted by a Constituting Instrument entered into between, amongst others, the Issuer, the Trustee, the Custodian, the Agents, the Dealer and the relevant Hedge Counterparty (if any).

Under the Master Collateral Terms (as described below) in respect of each Series, the Issuer will grant in favour of the Trustee for itself and on behalf of the Secured Creditors a number of security interests including a first fixed charge over the Underlying Commodity held by the Custodian in respect of such Series, as described further in the section titled "*Description of the Transaction Documents*", below. The Trustee will hold the security interests created by the Issuer, together with all rights and entitlements of the Issuer, in respect of each Series on trust for the relevant Secured Creditors.

FX Commodity Securities

Commodity Securities may be denominated in US dollars, Euros, Sterling or such other currency as may be specified in the relevant Final Terms (the "**Specified Currency**"). As the Underlying Commodity is typically denominated in US dollars, any non-US dollar denominated Commodity Securities are exposed to both the fluctuation of the market price of the Underlying Commodity as well as exchange rate fluctuations between US dollars and the Specified Currency. Unless otherwise specified, the Issuer will pay all cash amounts due in respect of a Commodity Security in the Specified Currency. This may involve a conversion (on the relevant date) by the Calculation Agent of the US dollar denominated sale proceeds of the relevant amount of Commodity (as described below) into the Specified Currency at the prevailing spot rate of exchange.

If so specified in the relevant Final Terms, the Issuer may offer non-US dollar denominated Commodity Securities containing a 'quanto' feature ("**Quanto Commodity Securities**") or a 'currency overlay' feature ("**Currency Overlay Commodity Securities**"). FX Commodity Securities are intended to

provide investors with exposure to the market price of the relevant Underlying Commodity but with limited foreign exchange risk.

(a) *Quanto Commodity Securities*

To provide the 'quanto' feature, the Issuer will enter into certain derivative transactions with the Quanto Hedge Counterparty during the life of the Quanto Commodity Securities in order to hedge the Issuer's exposure to the exchange rate fluctuations between the Specified Currency and US dollars with respect to the relevant Series of Commodity Securities (see "*Hedge Agreement*" below for further details). The Issuer charges a fee for arranging and maintaining the quanto feature of the Quanto Commodity Securities (the "**Quanto Maintenance Fee**") in addition to the management fee (at the Management Fee Rate (as defined below)) charged in respect of all Commodity Securities (the "**Management Fee**") (see "*Fees and Expenses*" below for further details).

(b) *Currency Overlay Commodity Securities*

To provide the 'currency overlay' feature, the Issuer will enter into rolling one-month currency forward transactions with the Currency Overlay Hedge Counterparty during the life of the Currency Overlay Commodity Securities in order to hedge the Issuer's exposure to the exchange rate fluctuations between the Specified Currency and US dollars with respect to the relevant Series of Commodity Securities (see "*Hedge Agreement*" below for further details).

Commodity Security Entitlement

The Commodity Security Entitlement represents the amount of the relevant Commodity held by the Issuer in respect of each Commodity Security and is used to determine the payments or deliveries due in respect of the Commodity Securities on redemption, as further described in the section titled "*Redemptions*", below.

In relation to each Series, the initial Commodity Security Entitlement for each Commodity Security (the "**Initial Commodity Security Entitlement**") will be specified in the relevant Final Terms. Thereafter, the Calculation Agent will determine the Commodity Security Entitlement periodically, using different calculations depending on whether such Series is of Quanto Commodity Securities, Currency Overlay Commodity Securities or non-FX Commodity Securities.

On the Issue Date of a Series of Commodity Securities, the amount of Underlying Commodity held in the Allocated Account (over which security is granted in favour of the Trustee for itself and on behalf of the Secured Creditors) is intended to be equal to the aggregate Commodity Security Entitlement of all Commodity Securities of the relevant Series issued on that date. Thereafter, the amount of Underlying Commodity held in the Allocated Account is only intended to be at least equal to the aggregate Commodity Security Entitlement of outstanding Commodity Securities of that Series at the end of each month, and is expected to differ (possibly significantly) intra-month in respect of FX Commodity Securities.

In respect of FX Commodity Securities, investors should note that if the Commodity Security Entitlement has increased over a month, there will be insufficient Underlying Commodity in the Allocated Account during the month until, in respect of the Quanto Hedge Agreement, the Quanto Hedge Counterparty delivers the relevant amount of the Underlying Commodity to the Unallocated Account (to be shortly thereafter transferred to the Allocated Account) at the end of the month pursuant to its obligations under the Quanto Hedge Agreement and, in respect of the Currency Overlay Hedge Agreement, the Issuer purchases an amount of the relevant Commodity equal to the proceeds received

from the Currency Overlay Hedge Counterparty and arranges for delivery of the relevant amount of Commodity to the Unallocated Account (to be shortly thereafter transferred to the Allocated Account) at the end of the month.

At the end of each calendar month an amount of Commodity equal to the Combined Fees (as defined below) for that month will be withdrawn from the accounts of the Issuer with the Custodian, sold to the Commodity Purchase and Sale Counterparty under the Commodity Purchase and Sale Agreement and the proceeds thereof credited to the Issuer's cash account and used as described further in the section titled "*Fees and Expenses*", below.

In addition, in respect of Quanto Commodity Securities, at the end of each calendar month an amount of the relevant Commodity will either: (a) be deliverable by the Issuer to the relevant Quanto Hedge Counterparty, in which case the relevant amount of Commodity will be withdrawn from the accounts of the Issuer with the Custodian and transferred to the unallocated account with a member of the LBMA specified by the relevant Hedge Counterparty; or (b) be deliverable by the relevant Hedge Counterparty to the Issuer, in which case the Quanto Hedge Counterparty will transfer the relevant amount of Commodity to the relevant Unallocated Account of the Issuer with the Custodian (which will shortly thereafter be transferred to the relevant Allocated Account of the Issuer with the Custodian).

In respect of Currency Overlay Commodity Securities, at the end of each calendar month, a cash amount will be either be payable: (a) by the Issuer to the relevant Currency Overlay Hedge Counterparty, in which case an amount of the relevant amount of Commodity equal in value to such cash amount will be withdrawn from the accounts of the Issuer with the Custodian and sold to the Commodity Purchase and Sale Counterparty and the proceeds of such sale transferred to the Currency Overlay Hedge Counterparty; or (b) by the relevant Currency Overlay Hedge Counterparty to the Issuer, in which case, the Currency Overlay Hedge Counterparty will transfer such cash amount to the Issuer, who will in turn purchase an amount of the relevant Commodity equal in value to such cash amount from the Commodity Purchase and Sale Counterparty and transfer such Commodity to the relevant Unallocated Account of the Issuer with the Custodian (which will shortly thereafter be transferred to the relevant Allocated Account).

(a) *Commodity Security Entitlement – non-FX Commodity Securities*

In respect of non-FX Commodity Securities, the Calculation Agent will determine the Commodity Security Entitlement on each Business Day (unless a Suspension Event exists on such day). The Commodity Security Entitlement in respect of non-FX Commodity Securities will reduce during the life of the relevant Commodity Security to reflect accrued Management Fees.

The Commodity Security Entitlement in respect of non-FX Commodity Securities for any Business Day after the Issue Date will be an amount of the relevant Commodity equal to the Commodity Security Value on the immediately preceding Business Day (day "**t-1**"), which is calculated by dividing such Commodity Security Value (converted into US dollars at the prevailing spot rate of exchange if the Specified Currency is not US dollars) by the Reference Price for the relevant Commodity as at day t-1.

(b) *Commodity Security Entitlement – FX Commodity Securities*

In respect of FX Commodity Securities, the Calculation Agent will determine the Commodity Security Entitlement on each monthly Reset Date or Rebalancing Date, as appropriate (unless a Suspension Event exists on such day).

The Commodity Security Entitlement in respect of FX Commodity Securities, although still reflecting accrued Management Fees and Quanto Maintenance Fees (if applicable), could increase as well as decrease as it depends also on movements in the prevailing rate of exchange between US dollars and the Specified Currency and in the Reference Price for the relevant Commodity.

The Commodity Security Entitlement in respect of FX Commodity Securities for any Reset Date or Rebalancing Date, as appropriate after the Issue Date will be an amount of the relevant Commodity equal to the Commodity Security Value on the Business Day immediately preceding such Reset Date or Rebalancing Date, as appropriate, which is calculated by dividing such Commodity Security Value (converted into US dollars at the prevailing spot rate of exchange) by the Reference Price for the relevant Commodity as at the Business Day immediately preceding such Reset Date or Rebalancing Date, as appropriate.

Commodity Security Value

The Commodity Security Value is a monetary value denominated in the Specified Currency, which is used to determine the Commodity Security Entitlement.

In relation to each Series, the Commodity Security Value for each Commodity Security as at the Pricing Date (the "**Initial Commodity Security Value**") will be specified in the relevant Final Terms. Thereafter, the Corporate Services Provider will, using information provided to it by the Calculation Agent, determine the Commodity Security Value on each Business Day.

(a) ***Commodity Security Value – non-FX Commodity Securities***

The Commodity Security Value in respect of non-FX Commodity Securities for any Business Day after the Issue Date will be an amount in the Specified Currency equal to the performance of the relevant Reference Price since the immediately preceding Business Day multiplied by the Commodity Security Value for the immediately preceding Business Day (and multiplied by the change in the prevailing spot rate of exchange since the immediately preceding Business Day, if the Specified Currency is not US dollars), and reduced to account for accrued Management Fees.

(b) ***Commodity Security Value – Quanto Commodity Securities***

The Commodity Security Value in respect of Quanto Commodity Securities for any Business Day after the Issue Date will be an amount in the Specified Currency equal to (a) the Reference Price for the relevant Commodity as at such Business Day converted into the Specified Currency at a fixed rate of exchange (as specified in the relevant Final Terms), less accrued Management Fees and Quanto Maintenance Fees, *multiplied by* (b) the Commodity Security Value Participation on the Reset Date immediately preceding such Business Day (or, prior to the first Reset Date, the Issue Date). The Commodity Security Value Participation as at the Issue Date will be specified in the relevant Final Terms. Thereafter, the Calculation Agent will determine the Commodity Security Value Participation on each Reset Date by dividing the Commodity Security Value as at the Valuation Date immediately preceding such Reset Date by the Reference Price for the relevant Commodity as at the Valuation Date immediately preceding such Reset Date converted into the Specified Currency at the fixed rate of exchange in respect of the relevant Commodity Securities.

(c) ***Commodity Security Value – Currency Overlay Commodity Securities***

The Commodity Security Value in respect of Currency Overlay Commodity Securities for any Business Day after the Issue Date will be an amount in the Specified Currency equal to (a) the Commodity Security Value on the Rebalancing Date immediately preceding such Business Day *multiplied by* (b) (i) the Reference Price *divided by* the FX Rate, on such Business Day, *divided by* (ii) the Reference Price on such Business Day *divided by* the FX Rate, on the Rebalancing Date immediately preceding such Business Day *less* (c) *the product* of the Management Fee and the number of calendar days from and excluding the Rebalancing Day immediately preceding such Business Day to and including such Business Day, *divided by* 360 *plus* (d) the Currency Hedge Return.

The Management Fee Rate and the Quanto Maintenance Fee Rate (if applicable) will be specified in the relevant Final Terms.

Description of the Commodity Securities

Each Series of Commodity Securities will have a combination of the following features, as set out in the Conditions and the relevant Final Terms.

- (a) *Maturity*: The Commodity Securities may either have a Maturity Date ("**Term Commodity Securities**") or be open-ended without a Maturity Date ("**Non-Term Commodity Securities**").
- (b) *Redemption of Term Commodity Securities*: Term Commodity Securities shall, unless previously redeemed or purchased and cancelled, be redeemed on the specified Maturity Date, either by Cash Settlement or, if applicable, Physical Settlement (as described below).
- (c) *Redemption of Non-Term Commodity Securities*: Non-Term Commodity Securities may be redeemed at the option of the Holder thereof on any Eligible Redemption Day, unless previously redeemed or purchased and cancelled, such option to be exercised by the Holder by delivery of a valid Redemption Notice to the Principal Paying Agent on any Business Day falling no less than 5 Business Days or, in respect of Commodity Securities cleared through Clearstream, Luxembourg, no less than 15 Business Days, and, in respect of all Commodity Securities, no more than 20 Business Days prior to the relevant Eligible Redemption Day and shall be effective on the relevant Eligible Redemption Day, either by Cash Settlement or, if applicable, Physical Settlement (as described below). Any redemptions of Non-Term Commodity Securities will be subject to a Minimum Redemption Amount, as specified in the Conditions or the relevant Final Terms, which is likely to be higher for Physical Settlement than for Cash Settlement.
- (d) *Redemption by Cash Settlement or Physical Settlement*: Commodity Securities may be redeemed by the Issuer in cash ("**Cash Settlement**") or, if the relevant Final Terms specify that physical settlement is applicable and certain other conditions are met, by delivery of the relevant Commodity ("**Physical Settlement**").
- (e) *Cash Settlement payment obligation*: In respect of a redemption of any Commodity Securities where Cash Settlement applies, the Issuer will pay to the Holder the Cash Amount in respect of each Commodity Security being so redeemed, such payment to be made on the relevant Settlement Date. The Cash Amount per Commodity Security will be an amount in the Specified Currency equal to (i) the relevant Per Commodity Security Commodity Sale Proceeds (being the proportion of the proceeds actually received by the Issuer (or any Agent on its behalf) in respect of the sale of the relevant amount of Underlying Commodity in connection with the aggregate number of Commodity Securities being so redeemed, which are referable to one Commodity Security) *less* (ii) any applicable Redemption Fees and Expenses, and (iii) converted into the

Specified Currency if the Specified Currency is not US dollars, or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms, provided that the Cash Amount shall not, in any case, be less than the Minimum Principal Amount.

- (f) *Physical Settlement delivery (and payment) obligation:* In respect of a redemption of any Commodity Securities where Physical Settlement applies, the Issuer will deliver, or procure the delivery of, the Delivery Amount to the unallocated account in London with a member of the LBMA specified by the relevant Holder in the relevant Redemption Notice and will pay to the Holder the Fractional Cash Amount (if any), such delivery and payment (if applicable) to be made on the relevant Settlement Date. The Delivery Amount will be an amount of the Underlying Commodity equal to the Relevant Amount of Commodity (being the aggregate Commodity Security Entitlement at the relevant time less an amount of Commodity equal in value (calculated at the Reference Price at the relevant time) to the aggregate of any applicable Redemption Fees and Expenses in respect of all Commodity Securities being so redeemed (rounded down to the nearest 0.001 ounce)), rounded down to the nearest whole number of Standard Bars. The Fractional Cash Amount (if any) will be an amount in the Specified Currency equal to (i) the proceeds actually received by the Issuer (or an Agent on its behalf) in respect of a sale of the amount of Commodity by which the aggregate Commodity Security Entitlement at the relevant time exceeds the Delivery Amount, *less* (ii) the aggregate of any applicable Redemption Fees and Expenses in respect of all Commodity Securities being so redeemed, *and* (iii) converted into the Specified Currency if the Specified Currency is not US dollars.
- (g) *Mandatory or optional redemption:* The Commodity Securities may be redeemed: mandatorily in certain circumstances (set out in Condition 7.3 (*Mandatory Redemption*)); following an acceleration (set out in Condition 12 (*Events of Default*)); or at the option of the Issuer (set out in Condition 7.4 (*Redemption at the option of the Issuer*)) if so specified in the relevant Final Terms, with Cash Settlement as the applicable settlement method in relation to such mandatory or optional redemption.
- (h) *FX Commodity Securities.* The Commodity Securities may have a 'quanto' or a 'currency overlay' feature if such Commodity Securities are specified as Quanto Commodity Securities or Currency Overlay Commodities Securities, respectively, in the relevant Final Terms.

Custody

The Underlying Commodity will be held by the Custodian at its London vault premises or in the London vaults of any sub-custodian or by a delegate of a sub-custodian, in accordance with the terms of the relevant Master Custody Terms, as further described below. The Custodian (or one of its affiliates) shall make such insurance arrangements from time to time as the Custodian considers appropriate.

Listing and Trading of Commodity Securities

Application has been or is expected to be made for the Commodity Securities issued under the Programme during the 12 months from the date of this Base Prospectus to be admitted to listing and trading on the Regulated Market of the London Stock Exchange (a regulated market), Borsa Italiana, Euronext Amsterdam, the regulated market of the Frankfurt Stock Exchange and the open market (*Freiverkehr*) and/or the regulated market of the Stuttgart Stock Exchange and it is the Issuer's present intention that all Commodity Securities issued after the date of this Base Prospectus are so listed and admitted to trading.

Secondary Market

The Dealers may, at their sole discretion, provide a secondary market in the Commodity Securities but are under no obligation to do so.

B. REDEMPTIONS

Redemptions – Term Commodity Securities

In respect of any Series of Commodity Securities which are Term Commodity Securities, unless Physical Settlement is elected by the relevant Holder, the Issuer shall redeem all such Commodity Securities (which have not previously been redeemed, purchased or cancelled) at maturity by payment of the Cash Amount.

If the Holder wishes to elect for Physical Settlement, the Holder must submit a valid Redemption Notice to the Principal Paying Agent on or before 4.00 p.m. (London time) on any Business Day which is no less than 5 Business Days or, in respect of Commodity Securities cleared through Clearstream, Luxembourg, no less than 15 Business Days, and, in respect of all Commodity Securities, no more than 20 Business Days (unless otherwise agreed with the Issuer) prior to the Maturity Date. The Redemption Notice must, amongst other things:

- (a) be in a form prescribed by the Principal Paying Agent;
- (b) specify that the Holder is electing for Physical Settlement in respect of the relevant Commodity Securities; and
- (c) specify the number and account name of the unallocated account in London with a member of the LBMA where the Delivery Amount in respect of the relevant Commodity Securities shall be delivered,

and, in addition, redemption by Physical Settlement is subject to the applicable Minimum Redemption Amount.

If the conditions for Physical Settlement are satisfied, the relevant Term Commodity Securities will be redeemed by the Issuer by delivery of the Delivery Amount to the unallocated account in London with a member of the LBMA specified in the relevant Redemption Notice and payment of the Fractional Cash Amount (if any) to the relevant Holder, in each case on the Settlement Date. Such delivery and payment shall satisfy the Issuer's obligations in respect of such redemption without the need for further enquiry on its part.

If the conditions for Physical Settlement are not satisfied, the relevant Term Commodity Securities will be redeemed by the Issuer by payment of the Cash Amount in respect of each such Commodity Security on the Settlement Date (expected to be the relevant Maturity Date, subject to any settlement disruption provisions in the Conditions or the Final Terms).

Redemptions – Non-Term Commodity Securities

In respect of any Series of Commodity Securities which are Non-Term Commodity Securities, Commodity Securities shall be redeemed by the Issuer (subject to the applicable Minimum Redemption Amount) on any Eligible Redemption Day at the option of a Holder, unless otherwise subject to prior redemption in accordance with the terms thereof. The Holder may elect for Cash Settlement by delivery of a valid Redemption Notice to the Principal Paying Agent on or before 4.00 p.m. (London time) on any Business Day which is no less than 5 Business Days or, in respect of Commodity

Securities cleared through Clearstream, Luxembourg, no less than 15 Business Days, and, in respect of all Commodity Securities, no more than 20 Business Days (unless otherwise agreed with the Issuer) prior to the relevant Eligible Redemption Day in accordance with the Conditions.

If the Holder wishes to elect for Physical Settlement, in addition to satisfying the requirements above, the Redemption Notice must:

- (a) specify that the Holder is electing for Physical Settlement in respect of the relevant Commodity Securities; and
- (b) specify the number and account name of the unallocated account in London with a member of the LBMA where the Delivery Amount in respect of the relevant Commodity Securities shall be delivered.

If the conditions for Physical Settlement are satisfied, the relevant Commodity Securities will be redeemed by the Issuer by delivery of the Delivery Amount to the unallocated account in London with a member of the LBMA specified in the relevant Redemption Notice and payment of the Fractional Cash Amount (if any), in each case on the Settlement Date (expected to be the relevant Eligible Redemption Day, subject to any settlement disruption provisions in the Conditions or the Final Terms). Such delivery and payment shall satisfy the Issuer's obligations in respect of such redemption without the need for further enquiry on its part.

If the conditions for settlement (either cash or physical) are not satisfied (subject to any settlement disruption provisions in the Conditions or the Final Terms), the Issuer and/or the Calculation Agent acting on its behalf will treat the relevant Redemption Notice as null and void and a new Redemption Notice must be submitted by the Holder to the Principal Paying Agent if such Holder still wishes to elect for redemption of the relevant Commodity Securities.

Any redemption of Non-Term Commodity Securities shall be at all times subject to the applicable Minimum Redemption Amount (which is expected to be considerably higher for Physical Settlement than for Cash Settlement).

Sale and Transfer of the Underlying Commodity on Redemption (Term and Non-Term Commodity Securities)

In respect of any Series, if Commodity Securities are to be redeemed by payment of the Cash Amount, in respect of such redemption the Calculation Agent (acting on behalf of the Issuer) will:

- (a) give notice to the Commodity Purchase and Sale Counterparty of the sale under the Commodity Purchase and Sale Agreement on the Commodity Sale Date of an amount of Underlying Commodity equal to the aggregate Commodity Security Entitlement (determined, in the case of non-FX Commodity Securities, as at the Valuation Date immediately preceding the scheduled Settlement Date, in the case of Quanto Commodity Securities, as at the Reset Date immediately preceding the scheduled Settlement Date or, in the case of Currency Overlay Commodity Securities, as at the Rebalancing Date immediately preceding the scheduled Settlement Date) in respect of the Commodity Securities subject to redemption;
- (b) use reasonable endeavours to sell such amount of Underlying Commodity at the Commodity Sale Price, provided, however, that neither the Issuer nor the Calculation Agent makes any representation or warranty as to the price at which the relevant Underlying Commodity will be sold or the amount of Commodity Sale Proceeds; and

- (c) on receipt of the Commodity Sale Proceeds, calculate the Per Commodity Security Commodity Sale Proceeds and, thereafter deduct any applicable Redemption Fees and Expenses from the Per Commodity Security Commodity Sale Proceeds in order to determine the Cash Amount,

and give all relevant instructions in connection therewith to the Custodian under the Master Custody Terms.

In respect of any Series, if Commodity Securities are to be redeemed by physical delivery of the Delivery Amount and payment of the Fractional Cash Amount (if any), the Calculation Agent (acting on behalf of the Issuer) will:

- (a) give notice to the Commodity Purchase and Sale Counterparty of the sale under the Commodity Purchase and Sale Agreement on the Commodity Sale Date of an amount of Underlying Commodity equal to the aggregate Commodity Security Entitlement (determined, in the case of non-FX Commodity Securities, as at the Valuation Date immediately preceding the scheduled Settlement Date or, in the case of Quanto Commodity Securities, as at the Reset Date immediately preceding the scheduled Settlement Date) of the Commodity Securities being so redeemed less the Delivery Amount;
- (b) use reasonable endeavours to sell such amount of Underlying Commodity at the Commodity Sale Price, provided, however, that neither the Issuer nor the Calculation Agent makes any representation or warranty as to the price at which the relevant Underlying Commodity will be sold or the amount of Commodity Sale Proceeds; and
- (c) on receipt of the Commodity Sale Proceeds deduct the aggregate of any applicable Redemption Fees and Expenses in respect of all Commodity Securities being so redeemed from the Commodity Sale Proceeds to determine the Fractional Cash Amount,

and give all relevant instructions in connection therewith to the Custodian under the Master Custody Terms.

Neither the Trustee nor the Issuer shall be responsible or liable for any failure by the Calculation Agent or any other Agent of the Issuer to effect a sale of the relevant Underlying Commodity or the Custodian to effect a delivery of the relevant Underlying Commodity in accordance with any instructions of the Calculation Agent or other Agent, as the case may be. However, in the event of any such failure, the Issuer shall to the extent practicable assign to the relevant Holder claims in relation to such Underlying Commodity in satisfaction of all claims of such Holder in respect of the Commodity Securities to be redeemed and the Holder shall have no further claims against the Issuer or the Collateral.

C. TRANSACTION DOCUMENTS

In relation to each Series the Issuer will, on or about the Issue Date thereof, enter into a constituting instrument (each a "**Constituting Instrument**") with the Arranger, the Dealer, the Calculation Agent, the Trustee, the Principal Paying Agent, any Paying Agents, the Custodian, the relevant Hedge Counterparty (in respect of FX Commodity Securities only), the Selling Agent and the Account Bank.

Such Constituting Instrument will be entered into for the purposes of constituting the relevant Commodity Securities and creating the Security Interests in respect of the relevant Series and, in addition, under such Constituting Instrument the relevant parties will enter into certain agreements in respect of the relevant Commodity Securities. The following documents will be incorporated by reference into such Constituting Instrument (in each case as amended, modified and/or supplemented by the Constituting Instrument or the relevant Final Terms):

- (a) the master schedule of definitions, interpretation and construction signed the Programme Signing Date for the purposes of identification by the Arranger (the "**Master Definitions**");
- (b) the commodity security terms signed the Programme Signing Date for the purposes of identification by the Arranger (the "**Commodity Security Terms**") (deemed to have been entered into only by the Issuer, the Principal Paying Agent, the Calculation Agent and the Trustee);
- (c) the master collateral terms signed the Programme Signing Date for the purposes of identification by the Arranger (the "**Master Collateral Terms**") (deemed to have been entered into only by the Issuer, the Calculation Agent and the Trustee);
- (d) the master agency terms signed the Programme Signing Date for the purposes of identification by the Arranger (the "**Master Agency Terms**") deemed to have been entered into only by the Issuer, the Principal Paying Agent, any Paying Agent, the Calculation Agent, the Selling Agent and the Trustee);
- (e) the master secured unallocated account terms signed the Programme Signing Date for the purposes of identification by the Arranger (the "**Master Secured Unallocated Account Terms**") (deemed to have been entered into only by the Issuer, the Calculation Agent, the Trustee and the Custodian);
- (f) the master secured allocated account terms signed the Programme Signing Date for the purposes of identification by the Arranger (the "**Master Secured Allocated Account Terms**") (deemed to have been entered into only by the Issuer, the Calculation Agent, the Trustee and the Custodian);
- (g) the master subscription terms signed the Programme Signing Date for the purposes of identification by the Arranger (the "**Master Subscription Terms**") (deemed to have been entered into only by the Issuer and the Dealer);
- (h) the master account bank terms signed the Programme Signing Date for the purposes of identification by the Arranger (the "**Master Account Bank Terms**") (deemed to have been entered into only by the Issuer, the Trustee, the Principal Paying Agent, Calculation Agent and the Account Bank); and
- (i) solely in relation to FX Commodity Securities, the Master Hedge Terms signed the Programme Signing Date for the purposes of identification by the Arranger (the "**Master Hedge Terms**") (deemed to have been entered into only by the Issuer and the relevant Hedge Counterparty),

(the "**Modular Documents**").

Each of the Modular Documents is described in more detail below.

In respect of each Series of FX Commodity Securities, the Issuer will enter into a Hedge Agreement (as described below) with the relevant Hedge Counterparty.

In respect of the Programme, the Issuer will enter into a commodity purchase and sale agreement dated the Programme Signing Date with, amongst others, the Commodity Purchase and Sale Counterparty (the "**Commodity Purchase and Sale Agreement**"), as described below.

The Modular Documents, the Commodity Purchase and Sale Agreement (to the extent it relates to the relevant Series of Commodity Securities), the relevant Hedge Agreement (if any) and certain other

documents and agreements as provided in the Conditions will together constitute the "**Transaction Documents**" in respect of the relevant Series of Commodity Securities.

Description of the Transaction Documents

The following is a general description of the Modular Documents, the Hedge Agreements (if any) and the Commodity Purchase and Sale Agreement noted above and contains summaries of certain of the provisions thereof. Such descriptions and summaries are not exhaustive and do not replicate all of the terms of the relevant agreements and Modular Documents. Copies of the Modular Documents, the relevant Hedge Agreement (if applicable) and the Commodity Purchase and Sale Agreement in relation to each Series of Commodity Securities will be made available on request as described in paragraph 4 (*Documents on Display*) in the section entitled "*General Information*" of this Base Prospectus and as described in the relevant Final Terms.

The Commodity Purchase and Sale Agreement will be entered into by the Issuer and the Commodity Purchase and Sale Counterparty on the Programme Signing Date. The relevant Hedge Agreement (if applicable) will be entered into on or about the Issue Date in respect of the relevant Series of FX Commodity Securities. The Modular Documents, however, will be incorporated by reference in the relevant Constituting Instrument entered into by the Issuer and the relevant parties on or about the Issue Date of the Series of Commodity Securities to which such Constituting Instrument relates.

Commodity Security Terms

The Commodity Security Terms contain the form of the Commodity Securities and contain a covenant from the Issuer to the Trustee to pay all amounts and deliver, or procure the delivery of, the relevant Underlying Commodity, in each case as due or required under the Conditions and to comply with the Issuer's obligations under the Transaction Documents. The Trustee will hold the benefit of the covenant on trust for itself and the Holders according to their respective interests.

Under the Commodity Security Terms, the Issuer will also covenant in favour of the Trustee, among other things, to maintain its tax residence outside the United Kingdom, not to engage in any business other than the issuance of the Commodity Securities and related activities, to incur no other indebtedness nor create any other security other than in relation to the Commodity Securities and to provide such information as the Trustee may require to perform its obligations under the Transaction Documents. Upon satisfaction of certain preconditions and provided that the Holders would suffer no adverse tax consequences, the Trustee may agree with the Issuer to the substitution of another entity in place of the Issuer as the principal debtor in respect of the Commodity Securities.

The Master Secured Allocated Account Terms and the Master Secured Unallocated Account Terms (together the "Master Custody Terms")

Terms used in this description and not otherwise defined shall have the meanings given thereto in the Master Custody Terms.

- (a) *Establishment of Custody Accounts*: The Unallocated Account, in respect of each Series, shall be established or, if already established, maintained pursuant to the terms of the relevant Master Secured Unallocated Account Terms, as amended, modified or supplemented by the relevant Constituting Instrument. The Allocated Account, in respect of each Series, shall be established pursuant to the terms of the relevant Master Secured Allocated Account Terms, as amended, modified or supplemented by the relevant Constituting Instrument. The Unallocated Account and the Allocated Account shall be referred to herein as the "**Custody Accounts**". The Custodian will open and maintain the Custody Accounts in the name of the Issuer. The Custody

Accounts shall evidence and record the Commodity held by the Custodian as well as the withdrawals from and deposits to those accounts. Each Custody Account will be denominated, in the case of Gold, in fine troy ounces, and in the case of Silver, in troy ounces.

- (b) *Reporting and corrections:* The Custodian will provide reports by fax or by e-mail (at the option of the party receiving such reports) to the Issuer and the Calculation Agent by the close of each Business Day (only if there have been any changes) identifying withdrawals from and deposits to the Custody Accounts and such additional reports as may be agreed from time to time. The Custodian retains the right to reverse recording errors with retrospective effect.
- (c) *Acknowledgment of security:* The Custodian acknowledges that, pursuant to the Master Collateral Terms (as amended, modified or supplemented by the relevant Constituting Instrument), the Issuer will grant security to the Trustee for itself and as trustee for the Secured Creditors over all its rights, title and interest, present and future, in and to all Commodities credited to the Custody Accounts and all the rights of the Issuer in respect of the Custody Accounts, including the rights of the Issuer in the relevant Master Custody Terms, such assignment to take effect by way of first fixed security.
- (d) *Instructions:* Instructions relating to intended deposits and withdrawals of Commodities to and from a Custody Account must be delivered by the Calculation Agent in accordance with the provisions of the relevant Master Custody Terms. The Custodian may amend the procedure for deposits or withdrawals or impose additional procedures as it considers appropriate in certain circumstances. In order to withdraw Commodities from the Allocated Account they must first be transferred to the Unallocated Account. The Issuer and the Custodian have agreed that only the Calculation Agent shall have the right to give instructions to the Custodian for the withdrawal of Commodities from the Allocated Account or the Unallocated Account, whether by way of de-allocation or by way of collection or delivery, credit or debit.
- (e) *Unclear instructions:* If, in the Custodian's opinion, any instructions are unclear or ambiguous, the Custodian shall use reasonable endeavours (taking into account any relevant time constraints) to obtain clarification of those instructions from the Calculation Agent and, failing that, the Custodian may in its absolute discretion and without any liability on its part, act upon what the Custodian believes in good faith such instructions to be or refuse to take any action or execute such instructions until any ambiguity or conflict has been resolved to the Custodian's satisfaction.
- (f) *Segregation:* The Custodian is appointed as the custodian of the Underlying Commodity credited to the Custody Accounts in accordance with the Master Custody Terms. The Custodian will segregate the Underlying Commodity credited to the Allocated Account from any other Gold or Silver which it owns or holds for others by entering appropriate entries in its books and records, and will require any sub-custodians it appoints to so segregate the Underlying Commodity in the same manner. The Custodian will identify in its books the Issuer as the legal owner of the Underlying Commodity credited to the Custody Accounts. Unless otherwise agreed between the Issuer and the Custodian, Commodities will be held at the Custodian's London vault premises or, by or for any sub-custodian permitted in accordance with the terms of the Master Custody Terms. The Custodian agrees to use commercially reasonable efforts promptly to transport any Commodities held for the Issuer by or for a Sub-Custodian to the Custodian's London vault premises at its own cost and risk.
- (g) *Sub-custodians:* The Custodian has the right under the terms of the Master Custody Terms to appoint Sub-Custodians. The Master Custody Terms require the Custodian to use reasonable

care in the appointment of any Sub-Custodian. The Custodian will make commercially reasonable efforts to obtain delivery of Commodities from Sub-Custodians, but will not be liable in contract, tort or otherwise for any loss, damage or expense arising directly or indirectly from any act or omission, or insolvency, of any Sub-Custodian or any further delegate of such Sub-Custodian unless the appointment of that Sub-Custodian was made by the Custodian negligently or in bad faith.

- (h) *Fees and expenses*: In consideration for the Custodian's timely, diligent and proper provision of the services under the Master Custody Terms the Issuer shall procure the payment to the Custodian of the fees as agreed between them from time to time and initially as set out in the relevant Constituting Instrument. The Issuer must pay the Custodian on demand all reasonable costs, charges and expenses (including any legal fees) incurred by the Custodian in connection with the performance of its duties and obligations under the Master Custody Terms or otherwise in connection with the Underlying Commodity.
- (i) *VAT*: All sums payable under the Master Custody Terms by the Issuer to the Custodian shall be deemed to be exclusive of VAT.
- (j) *Scope of responsibility - general*: The Custodian will use reasonable care in the performance of its duties under the Master Custody Terms. The Custodian will only be responsible for any loss or damage to the Underlying Commodity suffered as a direct result of any negligence, fraud or wilful default on its part in the performance of its duties. Provided that the Custodian notifies the Issuer promptly after discovery of any lost or damaged Underlying Commodity, its liability will not exceed the market value of the lost or damaged Underlying Commodity as at the date of discovery by the Custodian. The Custodian is under no duty or obligation to make or take, or require any Sub-Custodian to make or take, any special arrangements or precautions beyond those required by any applicable rules of the LBMA or any other applicable regulatory authority.
- (k) *Scope of responsibility - insurance*: The Custodian (or one of its affiliates) shall make such insurance arrangements from time to time in connection with the Custodian's custodial obligations under the Master Custody Terms as the Custodian considers appropriate and will be responsible for all costs, fees and expenses (including any relevant taxes) in relation to any such insurance policy or policies.
- (l) *Scope of responsibility - Force Majeure*: The Custodian shall not be liable for any delay in performance, or for the non-performance of any of its obligations under the Master Custody Terms by reason of any cause beyond the Custodian's reasonable control. This includes any act of God, war, terrorism, any breakdown, malfunction or failure of transmission or communication of computer equipment, industrial action, acts and regulations of any governmental, supra national bodies, authorities, regulatory or self-regulatory organisations, which may for any reason affect the Custodian's capacity to perform its obligations.
- (m) *Scope of responsibility - Indemnity from Issuer*: The Issuer shall indemnify and keep indemnified the Custodian on demand (on an after tax basis) against all costs and expenses, damages, liabilities and losses which the Custodian may suffer or incur, directly or indirectly in connection with the Master Custody Terms except to the extent that such sums are due as a direct result of the negligence, wilful default or fraud of the Custodian.
- (n) *Term and Termination*: The custody arrangements under the Master Custody Terms have an initial term of one calendar year from the date of the relevant Constituting Instrument (the

"**Initial Term**") and will be automatically renewed at the end of the Initial Term (or any Extended Term) for a further period of one calendar year (such extended term, the "**Extended Term**") unless one of the parties has, no later than 90 calendar days before the end of this Initial Term (or the Extended Term, as the case may be), provided notice to the other parties of intention not to renew for an Extended Term. During the Initial Term, neither the Issuer nor the Custodian may terminate the custody arrangements except in certain limited circumstances (for example, if the Custodian ceases to offer the services contemplated or proposes to withdraw from the bullion business or if there is any event which indicates the insolvency or impending insolvency of the Issuer or the Custodian). After the Initial Term, either party may terminate the custody arrangements for any reason by 90 days' prior written notice to the other party. The Custodian will, in respect of a termination of the custody arrangements, facilitate the transfer of the Underlying Commodity and custody arrangements in respect thereof to any new custodian appointed by or on behalf of the Issuer.

- (o) *Overdraft ("swingline") facility*: In respect of each Series of Commodity Securities, the Custodian will extend to the Issuer an overdraft facility (which may be withdrawn at any time by the Custodian on demand) with respect to the relevant Unallocated Account on the terms set out in the Master Custody Terms. Any overdrawn amounts shall bear interest at the percentage per annum rate notified to the Issuer by the Custodian (currently 1% per annum for Gold and 5% per annum for Silver).

Master Collateral Terms

- (a) *Charge and assignment*: In the Master Collateral Terms (as amended, modified and/or supplemented by the relevant Constituting Instrument), the Issuer with full title guarantee and as continuing security for the Secured Obligations will create in favour of the Trustee for itself and as trustee for the Secured Creditors the following security interests:
- (i) a first fixed charge over the Underlying Commodity and all rights and sums derived therefrom;
 - (ii) a first fixed charge over all of the Issuer's rights, title and interest in and to the retained monies from time to time standing to the credit of the Issuer Account and all other Retained Monies and including any interest accrued or accruing thereon;
 - (iii) an assignment by way of first fixed security of the Issuer's rights, title and interest under the Constituting Instrument and any sums payable thereunder, including the Issuer's rights to any sums held by any other party thereto to meet payments due in respect of the Commodity Securities;
 - (iv) in respect of FX Commodity Securities, an assignment by way of first fixed security of the Issuer's rights, title and interest in the relevant Hedge Agreement and all sums payable thereunder;
 - (v) an assignment by way of first fixed security of the Issuer's rights, title and interest in and to the Commodity Purchase and Sale Agreement (insofar as it relates to the Commodity Securities) and all sums payable thereunder;
 - (vi) an assignment by way of first fixed security of the Issuer's rights, title and interest under any agreement replacing any of the foregoing agreements or entered into by the Issuer in relation to the Commodity Securities and all sums payable thereunder; and

- (vii) a first fixed charge over all sums held by the Paying Agents and/or the Custodian to meet payments due in respect of the Commodity Securities.

- (b) *Floating charge*: In addition, in the Master Collateral Terms (as amended, modified and/or supplemented by the relevant Constituting Instrument), the Issuer will, in respect of the first Series of Commodity Securities, and without prejudice to any other security which may be created by the Issuer in respect of any Series of Commodity Securities, as continuing security for all the monies and other liabilities payable or owing by the Issuer in relation to all Series of Commodity Securities, with full title guarantee charge, in favour of the Trustee for itself and as trustee for the Secured Creditors, by way of first floating charge the whole of its undertaking and all its property, assets and rights whatsoever and wheresoever present and future (other than: (i) the monies representing paid up share capital of the Issuer; (ii) any transaction fees payable to the Issuer in respect of each issue of Commodity Securities; (iii) any assets of the Issuer which are otherwise effectively subject to any effective fixed charge or assignment by way of security as described in sub-paragraph (a) above and, if applicable, any Constituting Instrument and/or any Supplemental Collateral Document in respect of a particular Series of Commodity Securities; (iv) any monies available to the Issuer after application of the proceeds of the Collateral of any Series of Commodity Securities in accordance with the relevant order of priorities); and (v) any assets which are situated in Jersey).

- (c) Without prejudice to the other provisions herein, the Underlying Commodity from time to time standing to the credit of the Custody Accounts shall not, prior to the release of the Collateral, be capable of being withdrawn by the Issuer (or the Calculation Agent acting on its behalf) without the prior written consent of the Trustee, provided that (unless and until the Trustee gives written notice to the Issuer and the Custodian to the contrary) the Custodian is authorised at any time without notice to comply with instructions received in accordance with the Master Custody Terms in relation to:
 - (i) any redemption of Commodity Securities where Physical Settlement applies;
 - (ii) any redemption of Commodity Securities where Cash Settlement applies;
 - (iii) the withdrawal of an amount of Commodity equal to the Combined Fees each month; and
 - (iv) in respect of FX Commodity Securities only, any delivery due to the relevant Hedge Counterparty under the terms of the relevant Hedge Agreement,and to the extent such instructions are given, such Commodity shall be automatically released from the Collateral.

- (d) Without prejudice to the other provisions of the Master Collateral Terms (as amended, modified and/or supplemented by the relevant Constituting Instrument), the monies from time to time standing to the credit of the Issuer Account and any other Retained Monies shall not, in either case, prior to the release of the Collateral, be capable of being withdrawn by the Issuer (or an Agent acting on its behalf) without the prior written consent of the Trustee, provided that (unless and until the Trustee gives written notice to the Issuer and the Account Bank to the contrary) at any time without notice the Account Bank is permitted to allow the withdrawal of, and the Issuer is authorised to withdraw, relevant amounts in order to:
 - (i) pay the Issuer's ongoing fees and expenses (to the extent not otherwise paid for by the Arranger on the Issuer's behalf (see "*Fees and Expenses*" as described below));

- (ii) in respect of Commodity Securities where a Cash Amount or Fractional Cash Amount is payable, make such payments to the Principal Paying Agent in accordance with the Conditions; and
- (iii) in respect of FX Commodity Securities, make payments to the relevant Hedge Counterparty in accordance with the terms of the relevant Hedge Agreement,

and to the extent such payments are made, on the relevant debit being made, such monies shall be automatically released from the Collateral.

- (e) The Collateral shall become enforceable upon the Trustee giving an Enforcement Notice (as defined in the provisions of the Conditions applicable to the Collateral) pursuant to the terms thereof to the Issuer, subsequent to an Event of Default or as otherwise provided in the relevant Constituting Instrument and/or the provisions of the Final Terms.
- (f) Following the delivery of an Enforcement Notice by the Trustee or in connection with a Mandatory Redemption, all monies received by or on behalf of the Trustee or the Issuer, as the case may be, in connection with the Commodity Securities shall be applied in the manner specified in the Master Collateral Terms, which shall be:
 - (i) first, in payment or satisfaction of any Taxes and statutory fees for which the Issuer is liable or will be liable to pay to any Tax Authority;
 - (ii) second, in payment or satisfaction of the fees, costs, charges, expenses and Liabilities incurred or to be incurred by the Trustee or any Receiver in preparing and executing the trusts created by the incorporation of these provisions into the Constituting Instrument (including any indemnity payments, amounts representing or otherwise in respect of VAT, the costs of realising any Collateral and the Trustee's remuneration);
 - (iii) third, (in no order of priority *inter se*, but *pro rata* to the respective amount then due) in payment or satisfaction of the fees, costs, charges, expenses and Liabilities (including any amounts representing or otherwise in respect of VAT) (other than the Liabilities referred to in (i) and (ii) above) of the Arranger, the Principal Paying Agent, any other Paying Agent, the Selling Agent, the Administrator, the Corporate Services Provider, the Custodian, the Commodity Purchase and Sale Counterparty, the Calculation Agent and the Account Bank;
 - (iv) fourth, in meeting the claims (if any) of the relevant Hedge Counterparty under the relevant Hedge Agreement;
 - (v) fifth, rateably in meeting the claims (if any) of the Holders; and
 - (vi) sixth, in payment of the balance (if any) to the Issuer.

Master Agency Terms

The Master Agency Terms contain the duties of each of the Principal Paying Agent, Paying Agents, the Selling Agent and the Calculation Agent. The duties of each of the Agents under such terms will be as follows:

- (a) *Principal Paying Agent*: The Principal Paying Agent will hold, and make payments and/or procure deliveries of, monies or other assets from time to time on behalf of the Issuer to Holders, in accordance with the Conditions and subject to the security created by the Master

Collateral Terms (as amended, modified and/or supplemented by the relevant Constituting Instrument).

- (b) *Calculation Agent*: The Calculation Agent will perform certain calculations and determinations in respect of the Commodity Securities and also act on behalf of the Issuer in accordance with the Conditions and the Transaction Documents.
- (c) *Selling Agent*: The Selling Agent will dispose of the Underlying Assets on a mandatory redemption of the Commodity Securities.

Under the Master Agency Terms an Agent may resign its appointment as agent of the Issuer upon 30 days written notice to the Issuer, *provided* that, in respect of a Series of Commodity Securities, such resignation shall not be effective until a successor agent has been appointed by the Issuer in relation to such Series. The Issuer may revoke the appointment of any Agent appointed as agent of the Issuer (i) upon 30 days written notice to such Agent, *provided* that in respect of a Series of Commodity Securities, such resignation shall not be effective until a successor agent has been appointed by the Issuer in relation to such Series and (ii) with immediate effect upon the occurrence of certain events in relation to such Agent.

Under the Master Agency Terms, the Issuer shall indemnify each Agent against: (a) any claims, losses or liabilities arising as a result of a breach of the obligations, warranties and representations of the Issuer under the Master Agency Terms; and (b) any other claims, actions, demands, damages, losses, liabilities, costs and expenses (including, without limitation, legal fees) arising under or in connection with the Master Agency Terms (save for those arising in respect of the gross negligence, wilful misconduct, default or bad faith of any of the Agents).

Master Subscription Terms

Under the terms of the Master Subscription Terms, the Dealer(s) will agree, subject to certain conditions, to subscribe for the relevant Series of Commodity Securities issued by the Issuer on the relevant Issue Date. In the Master Subscription Terms, the Issuer will give certain undertakings to the Dealer(s) relating to the issue of the Commodity Securities and the Dealer(s) will give certain undertakings to the Issuer in relation to the distribution of the Commodity Securities. The Issuer will agree to indemnify the Dealer(s) against certain liabilities incurred or to be incurred in connection with the issue of the Commodity Securities.

Master Account Bank Terms

The Master Account Bank Terms will set out the terms and conditions applicable to the Issuer's account ("**Issuer Account**") opened and maintained with the Account Bank.

Master Definitions

The Master Definitions will set out the definitions and principles of interpretation and construction applicable to each of the Transaction Documents where not otherwise defined therein.

Master Hedge Terms

The Master Hedge Terms will set out the terms governing any derivative transaction entered into between the Issuer and the Hedge Counterparties in respect of any FX Commodity Securities. The Master Hedge Terms contain a 1992 ISDA Master Agreement (Multicurrency-Cross-Border) as published by the International Swaps and Derivatives Association, Inc. and schedule thereto (the "**ISDA**

Master Agreement"). The Master Hedge Terms also contain the form of derivative confirmations that will be used to document the Derivative Transactions (the "**Confirmations**").

Hedge Agreement

In respect of a Series of FX Commodity Securities only, on or about the Issue Date in respect of such securities and on a monthly basis thereafter throughout the life of the relevant Series, the Issuer will enter into certain derivative transactions with the relevant Hedge Counterparty (each a "**Derivative Transaction**"). The Derivative Transactions will be documented under the ISDA Master Agreement (entered into by the Issuer and the relevant Hedge Counterparty by the execution of the relevant Constituting Instrument, the terms of which specify that the Master Hedge Terms, as amended by such Constituting Instrument, shall apply in respect of such agreement) and evidenced, in respect of each Derivative Transaction, by a Confirmation that will supplement, amend, form part of and be subject to such ISDA Master Agreement (together, the "**Hedge Agreement**").

The Issuer will be entitled to terminate the relevant Hedge Agreement in certain circumstances (including a failure by the relevant Hedge Counterparty to make a delivery when required to be made by it if such failure is not remedied within any applicable grace period and certain insolvency events affecting such Hedge Counterparty).

The relevant Hedge Counterparty will be entitled to terminate the relevant Hedge Agreement only in certain limited circumstances, being:

- (a) a failure by the Issuer to make a delivery when due and such failure is not remedied on or before the third Local Delivery Day (as defined in the relevant Hedge Agreement) after notice of such failure is given to the Issuer;
- (b) certain insolvency events affecting the Issuer;
- (c) Illegality (as defined in the relevant Hedge Agreement) affecting such Hedge Agreement;
- (d) certain tax events (as described above);
- (e) the delivery of an Enforcement Notice by the Trustee pursuant to Condition 12 (*Events of Default*); and
- (f) redemption of the Commodity Securities in full pursuant to Condition 7 (*Redemption and Purchase*).

Under the relevant Hedge Agreement, if on any date deliveries would otherwise be due to be made by each party to the other, then, on such date, each party's obligation to make deliveries of such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been deliverable by one party exceeds the aggregate amount that would otherwise have been deliverable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been deliverable to deliver to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

If a Hedge Agreement is terminated in whole or a Derivative Transaction is terminated in whole or in part, either the relevant Hedge Counterparty or the Issuer, as the case may be, may be required to pay an amount to the other party as a result of such termination. Any such payment by the Issuer shall be made in accordance with the priority of payments as described in Condition 5.5 (*Priority of Payments*).

Below is a description of each of the Derivative Transactions which may be entered into in respect of the FX Commodity Securities:

Currency Overlay Hedge Agreement

On the Issue Date in respect of Series of Currency Overlay Commodity Securities, the Issuer will enter into a currency forward transaction with the Currency Overlay Hedge Counterparty (a "**Currency Overlay Derivative Transaction**") whereby the Issuer will agree to exchange an amount of US dollars into the Specified Currency at a pre-agreed rate (the "**Forward Rate**") on the first Rebalancing Date following the Issue Date. On such date, provided the Currency Overlay Hedge Agreement has not otherwise been terminated, the Issuer and the Currency Overlay Hedge Counterparty will cash settle the Currency Overlay Derivative Transaction. If the rate of exchange between US dollars and the Specified Currency has decreased during the previous month relative to the Forward Rate (measured by comparison of the prevailing rate of exchange between the Specified Currency and US dollars on the Rebalancing Date and the Forward Rate), the Currency Overlay Hedge Counterparty will pay the difference on the notional amount specified in the relevant Confirmation between the Forward Rate and the prevailing rate of exchange between the Specified Currency and US dollars on such Rebalancing Date to the Issuer; if the rate of exchange has increased, the Issuer will pay the difference on the notional amount specified in the relevant Confirmation between the Forward Rate and the prevailing rate of exchange on such Rebalancing Date to the Currency Overlay Hedge Counterparty. The Issuer will thereafter continue to enter into Currency Overlay Derivative Transactions with the Currency Overlay Hedge Counterparty on a rolling one-month basis, each such transaction to be settled on each Rebalancing Date as described above.

Quanto Hedge Agreement

On the Issue Date in respect of Series of Quanto Commodity Securities, the Issuer will enter into Derivative Transactions with the Quanto Hedge Counterparty ("**Quanto Derivative Transactions**") whereby the relevant US dollar denominated Commodity will be converted from US dollars into the Specified Currency, effectively establishing a fixed rate of exchange between the Specified Currency and US dollars (the "**Fixed Rate**"), and taking into account future movements in the price of the relevant Commodity. On the first Reset Date following the Issue Date, provided that the Quanto Hedge Agreement has not otherwise been terminated, the Issuer and the Quanto Hedge Counterparty will physically settle the Quanto Derivative Transaction for the previous month. The amount of the Commodity to be delivered by one party to the other will be an amount calculated to account for fluctuations (i) in the Fixed Rate relative to the prevailing rate of exchange on such Reset Date between the Specified Currency and US dollars and (ii) in the change in the price of the Commodity since the previous Issue Date. The Issuer will thereafter enter into Quanto Derivative Transactions with the Quanto Hedge Counterparty on a rolling one-month basis, each such transaction to be settled on each subsequent Reset Date as described above. In exchange for maintaining the 'quanto' feature of the relevant Series by entry into the Quanto Derivative Transactions, the Issuer shall charge the Holders of the Quanto Commodity Securities the Quanto Maintenance Fee in addition to the Management Fee charged in respect of all Commodity Securities.

Commodity Purchase and Sale Agreement

On the Programme Signing Date, the Issuer will enter into the Commodity Purchase and Sale Agreement with JPMorgan Chase Bank, N.A. (the "**Commodity Purchase and Sale Counterparty**"). The Issuer will purchase and sell Commodities under the terms of the Commodity Purchase and Sale Agreement. On or about the relevant Issue Date, the Issuer will purchase the Underlying Commodity in respect of a Series of Commodity Securities from the Commodity Purchase and Sale Counterparty at

the Reference Price applicable at the time of such purchase under the terms of the Commodity Purchase and Sale Agreement. The Issuer will fund the purchase of the Underlying Commodity using the issue proceeds in respect of such Series. Thereafter, the Issuer will sell certain amounts of the relevant Underlying Commodity to the Commodity Purchase and Sale Counterparty at the Reference Price applicable at the time of such sale (i) on a monthly basis, in connection with the deduction of the Combined Fees, (ii) on redemption, in order to obtain proceeds to determine and pay the Cash Amount or Fractional Cash Amount (if any) and (iii) as may be otherwise required under the Conditions and the relevant Final Terms.

D: FEES AND EXPENSES

Withdrawal and sale of relevant Commodity from the Custody Accounts of the Issuer with the Custodian on a monthly basis in connection with fees and expenses

In respect of each Series of Commodity Securities, on each Valuation Date (unless a Suspension Event exists on such date) the Calculation Agent will determine the combined fees (the "**Combined Fees**"), being an amount of the relevant Commodity (rounded down to the nearest 0.001 ounce), as follows:

- (a) in respect of non-FX Commodity Securities, (i) the amount by which the Commodity Security Entitlement has reduced in the period from but excluding the immediately preceding Valuation Date to and including such Valuation Date, except that the initial period will commence on and include the Pricing Date and end on and include the first Valuation Date, *multiplied by* (ii) the number of Commodity Securities outstanding as at such Valuation Date;
- (b) in respect of Quanto Commodity Securities, (i) the Accrued Fee Amount (being the accrued amount of the Management Fees and Quanto Maintenance Fees) as at such Valuation Date converted into US dollars at the FX Rate as at such Valuation Date divided by the relevant Reference Price as at such Valuation Date; *multiplied by* (ii) the number of Commodity Securities outstanding as at such Valuation Date; and
- (c) in respect of Currency Overlay Commodity Securities, (a) the Accrued Fee Amount as at such Valuation Date converted into US dollars at the FX Rate as at such Valuation Date divided by the relevant Reference Price as at such Valuation Date *multiplied by* (b) the number of Commodity Securities outstanding as at such Valuation Date.

On the relevant Valuation Date the Calculation Agent (on behalf of the Issuer) will then sell an amount of the Underlying Commodity equal to such Combined Fees to the Commodity Purchase and Sale Counterparty under the Commodity Purchase and Sale Agreement and the net proceeds thereof (the "**Combined Fees Proceeds**") will be credited to the Issuer's cash account. In order to settle such sale, the Calculation Agent (on behalf of the Issuer) will instruct the Custodian to de-allocate the relevant amount of Underlying Commodity from the Allocated Account to the Unallocated Account from where it will be transferred to an unallocated account in London with a member of the LBMA specified by the Commodity Purchase and Sale Counterparty.

Fees and expenses payable by the Issuer

In respect of each Series of Commodity Securities, a number of fees and expenses will be payable by the Issuer including, without limitation, fees, expenses and indemnity payments of the Trustee, fees of the Custodian, fees of the Agents, fees of the Account Bank and, in respect of FX Commodity Securities, payments (if any) due to the relevant Hedge Counterparty.

The Issuer will fund the payment of all fees and expenses payable by it using the monthly Combined Fees Proceeds which are credited to its cash account. The Arranger has agreed that to the extent that there is a shortfall in the funds standing to the credit of the Issuer's cash account such that the Issuer is unable to make any payments to various parties as they fall due, the Arranger will ensure that the Issuer has the necessary funds to make such payments, provided that the Arranger's obligation to provide such funds shall not exceed £100,000 in total. The Arranger may also agree to cover certain extraordinary expenses of the Issuer but is under no obligation to do so. In consideration of the Arranger providing services as proposer under the Proposals and Advice Agreement, on a quarterly basis (or more frequently as may be agreed by the Issuer and the Arranger) the Arranger shall be entitled to any surplus funds standing to the credit of the Issuer's cash account.

TERMS AND CONDITIONS OF THE COMMODITY SECURITIES

The following is the text of the terms and conditions of the Commodity Securities. The relevant Final Terms in relation to any issue of Commodity Securities may specify other terms and conditions which shall, to the extent so specified or to the extent inconsistent with these terms and conditions, supplement, replace or modify the following terms and conditions for the purposes of such Commodity Securities. The relevant Final Terms will be attached to each Global Commodity Security (as defined below).

The Commodity Securities will be in global form only. Commodity Securities in definitive form will not be issued. The terms and conditions applicable to any Commodity Security in global form will differ from those terms and conditions which would have applied to such Commodity Security had it been in definitive form to the extent described under "Summary of Provisions Relating to the Commodity Securities while in Global Form" below.

1. Introduction

- 1.1 *Programme:* Standard Commodities Limited (the "**Issuer**") has established a US\$1,000,000,000 Commodities Programme (the "**Programme**") for the issuance of secured, limited recourse debt securities linked to Commodities (the "**Commodity Securities**"). The aggregate amount of Commodity Securities outstanding under the Programme on any day will be determined as an amount in US dollars equal to the greater of: (a) the aggregate Initial Commodity Security Value of all the Commodity Securities outstanding on such day; and (b) the aggregate Minimum Principal Amount of all the Commodity Securities outstanding on such day. The maximum aggregate amount of Commodity Securities outstanding under the Programme at any one time will not exceed US\$1,000,000,000 (or its equivalent in other currencies), provided that the Issuer may increase such limit from time to time (subject to compliance with the relevant Transaction Documents).
- 1.2 *Final Terms:* Commodity Securities issued under the Programme are issued in series (each a "**Series**") and each Series may comprise one or more tranches (each a "**Tranche**") of Commodity Securities. Each Tranche is the subject of final terms (the "**Final Terms**") which supplement these terms and conditions (the "**Conditions**"). The terms and conditions applicable to any particular Tranche of Commodity Securities are these Conditions as supplemented, amended and/or replaced by the relevant Final Terms. In the event of any inconsistency between these Conditions and the relevant Final Terms, the relevant Final Terms shall prevail.
- 1.3 *Constituting Instrument:* In relation to each Series, the Issuer will, on or about the Issue Date thereof, enter into a constituting instrument (each a "**Constituting Instrument**") with the Arranger, the Dealer(s), the Calculation Agent, the Selling Agent, the Trustee, the Principal Paying Agent, the Custodian, the relevant Hedge Counterparty (if applicable) and the Account Bank. Such Constituting Instrument will be entered into for the purposes of constituting the relevant Commodity Securities, creating security interests over certain assets of the Issuer and the relevant parties entering into certain agreements in respect of the relevant Commodity Securities by the incorporation by reference of the Modular Documents into such Constituting Instrument.
- 1.4 *Commodity Security Terms:* The Commodity Securities are constituted by the incorporation into the Constituting Instrument of the Commodity Security Terms (the "**Commodity Security Terms**") signed the Programme Signing Date for the purposes of identification by the Arranger and secured by incorporation into the Constituting Instrument of the Master Collateral Terms

(the "**Master Collateral Terms**") signed the Programme Signing Date for the purposes of identification by the Arranger.

- 1.5 *Master Agency Terms:* The Commodity Securities will have the benefit (to the extent applicable) of the Master Agency Terms (the "**Master Agency Terms**") signed the Programme Signing Date for the purposes of identification by the Arranger when the relevant Constituting Instrument is executed.
- 1.6 *Master Custody Terms:* The Issuer will also, by the execution of the relevant Constituting Instrument, enter into certain agreements with, amongst others, the Custodian on the terms of the Master Secured Unallocated Account Terms and the Master Secured Allocated Account Terms (together, the "**Master Custody Terms**"). The Custodian may appoint any financial institution to act as sub-custodian in relation to a particular Series of Commodity Securities, as more fully set out in the relevant Master Custody Terms.
- 1.7 *Proposals and Advice Agreement:* The Issuer entered into a proposals and advice agreement (as amended or supplemented from time to time, the "**Proposals and Advice Agreement**") with the entity named therein as the "Proposer" (the "**Proposer**"). Under the Proposals and Advice Agreement, the Proposer may from time to time make proposals to the Issuer which, if accepted by the Issuer, would involve the Issuer issuing Commodity Securities, as more fully set out in the Proposals and Advice Agreement.
- 1.8 *The Commodity Securities:* All subsequent references in these Conditions to "**Commodity Securities**" are to the Commodity Securities which are the subject of the relevant Final Terms. Copies of the relevant Final Terms are available for viewing at the registered office of the Issuer, the office of the Trustee and the Specified Office of the Principal Paying Agent and copies may be obtained from such offices.
- 1.9 *Summaries:* Certain statements in these Conditions may be summaries of the detailed provisions appearing on the face of the Commodity Securities (which expression shall include the body thereof) and in the Master Collateral Terms. Copies of the Modular Documents, the Proposals and Advice Agreement, the Administration Agreement, the Commodity Purchase and Sale Agreement, the relevant Hedge Agreement (if any) and the relevant Constituting Instrument are available for inspection at the registered office of the Issuer, the office of the Trustee, the Specified Office of the Principal Paying Agent and the office of the Arranger, each as listed in the relevant Constituting Instrument. The Holders (as defined in Condition 2 (*Interpretation*) below) are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Master Collateral Terms and the Commodity Security Terms and to have notice of those provisions of the Master Agency Terms and the Master Custody Terms applicable to them.
- 1.10 *Master Definitions:* Words and expressions defined in the Master Schedule of Definitions, Interpretation and Construction Clauses (as amended or supplemented from time to time, the "**Master Definitions**") signed the Programme Signing Date for the purpose of identification by the Arranger (as amended, modified and/or supplemented by the Constituting Instrument or the relevant Final Terms), except where the context otherwise requires, have the same meaning where used in these Conditions. If there is any inconsistency between the definitions herein and the Master Definitions, the definitions used herein shall apply.

2. Interpretation

2.1 *Definitions:* In these Conditions the following expressions have the following meanings:

"**Account Bank**" means Citibank N.A., London Branch or such other entity identified as such in the relevant Final Terms.

"**Accrued Fee Amount**" means the amount of accrued fees, calculated by the Calculation Agent as follows:

(i) in respect of each Quanto Commodity Security, which will be reset to zero on each Reset Date, calculated by the Calculation Agent as follows:

- (a) on the Pricing Date, zero; and
- (b) on any Business Day thereafter, an amount in the Specified Currency calculated in accordance with the following formula:

$$FA_{(t)} = FA_{(t-1)} \times \left(1 + DCF_{(t-1,t)} \times Rate_{(t-1)}\right) + QMF_{(t)} + MF_{(t)}$$

Where:

"**FA_(t)**" means the Accrued Fee Amount on such Business Day;

"**FA_(t-1)**" means the Accrued Fee Amount on the immediately preceding Business Day, and where such day (t-1) is a Reset Date, FA(t-1) will be equal to zero;

"**Rate_(t-1)**" means the rate for deposits for the Specified Currency with a designated maturity of either 1 month or overnight (designated maturity selected by the Calculation Agent at its sole discretion) on the immediately preceding Business Day, as determined by the Calculation Agent;

"**QMF_(t)**" means the Quanto Maintenance Fee Amount on such Business Day;

"**MF_(t)**" means the Management Fee Amount on such Business Day; and

"**DCF_(t-1,t)**" means the number of calendar days from and excluding the immediately preceding Business Day (t-1) to and including such Business Day (t), divided by 360.

(ii) in respect of Currency Overlay Commodity Securities, which will be reset to zero on each Rebalancing Date, calculated by the Calculation Agent as follows:

- (a) on the Pricing Date, zero; and
- (b) on any Business Day thereafter, an amount in the Specified Currency calculated in accordance with the following formula:

$$FA_{(t)} = SV_{(m)} \times \left[F \times DCF_{(m,t)}\right]$$

Where:

"**FA(t)**" means the Accrued Fee Amount on such Business Day;

"**SV(m)**" means the Commodity Security Value on the Rebalancing Date immediately preceding such Business Day;

"**F**" means the Management Fee Rate; and

"**DCF(m,t)**" means the number of calendar days from and including the Rebalancing Date (m) immediately preceding Business Day to and including such Business Day (t), divided by 360.

"**Additional Financial Centre(s)**" means the city or cities specified as such in the relevant Final Terms.

"**Administration Agreement**" means the administration agreement dated 6 November 2009 entered into between the Issuer and the Administrator.

"**Administrator**" means State Street (Jersey) Limited in its capacity as administrator of the Issuer in accordance with the terms of the Administration Agreement.

"**Affiliate**" means, in relation to any person which is a company or corporation, a Subsidiary of that person or a Holding Company of that person or any other Subsidiary of that Holding Company.

"**Agents**" means the Principal Paying Agent, any Paying Agent, the Selling Agent and the Calculation Agent.

"**allocated**" means, when referring to Gold or Silver, requiring the identification of serial numbers of such Gold or Silver for delivery within a warehouse.

"**Allocated Account**" means the allocated account or sub-account of an allocated account specified in the relevant Constituting Instrument.

"**Arranger**" means The Royal Bank of Scotland N.V., acting through its London Branch.

"**Business Day**" means any day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in London, the Principal Financial Centre of the Specified Currency and in each (if any) Additional Financial Centre, which day is also a scheduled Trading Day, and in each case, as may be otherwise specified in the relevant Final Terms.

"**Calculation Agent**" means The Royal Bank of Scotland N.V., acting through its London Branch, or such other entity identified as such in the relevant Final Terms.

"**Cash Amount**" has the meaning given in Condition 8.5 (*Cash Settlement payment obligation*).

"**Cash Settlement**" means, in respect of a redemption of any Commodity Security, settlement by payment of the relevant amount in accordance with Condition 7 (*Redemption and Purchase*), Condition 8 (*Holder Redemption*) (if applicable) and Condition 10 (*Payments*).

"**CBF**" means Clearstream Banking AG, Frankfurt am Main.

"**Clearstream, Luxembourg**" means Clearstream Banking, *société anonyme*, Luxembourg.

"**Collateral**" means any Security Interest(s) created or intended to be created, or which may at any time be created or intended to be created by the Issuer, in favour of the Trustee for itself

and as trustee for the Secured Creditors, by or pursuant to the Master Collateral Terms and/or any other Collateral Documents.

"**Collateral Documents**" means the Master Collateral Terms (as such terms are incorporated into the Constituting Instrument) and any Supplemental Collateral Documents.

"**Combined Fees**" means, in respect of any Valuation Date, an amount of the relevant Commodity (rounded down to the nearest 0.001 ounce) calculated as follows:

- (i) in respect of non-FX Commodity Securities, (a) the amount by which the Commodity Security Entitlement has reduced in the period from but excluding the immediately preceding Valuation Date to and including such Valuation Date, except that the initial period will commence on and include the Pricing Date and end on and include the first Valuation Date, *multiplied by* (b) the number of Commodity Securities outstanding as at such Valuation Date;
- (ii) in respect of Quanto Commodity Securities, (a) the Accrued Fee Amount as at such Valuation Date converted into US dollars at the FX Rate as at such Valuation Date divided by the relevant Reference Price as at such Valuation Date *multiplied by* (b) the number of Commodity Securities outstanding as at such Valuation Date; and
- (iii) in respect of Currency Overlay Commodity Securities, (a) the Accrued Fee Amount as at such Valuation Date converted into US dollars at the FX Rate as at such Valuation Date divided by the relevant Reference Price as at such Valuation Date *multiplied by* (b) the number of Commodity Securities outstanding as at such Valuation Date.

"**Commodity**" means either Gold or Silver, as specified in the relevant Final Terms.

"**Commodity Disruption Event**" means such of the following events as are specified in the relevant Final Terms, together with any other event specified as such in the relevant Final Terms:

- (i) (A) the failure of the Price Source to announce or publish the relevant Reference Price (or the information necessary for determining such Reference Price) or (B) the temporary or permanent discontinuance or unavailability of the Price Source ("**Price Source Disruption**");
- (ii) the material suspension of, or the material limitation imposed on, trading in the relevant Commodity on the exchange or principal trading market which the Calculation Agent considers material in relation to the Commodity Securities ("**Trading Disruption**");
- (iii) (A) the disappearance of, or of trading in, the relevant Commodity or (B) the disappearance or permanent discontinuance or unavailability of the Reference Price, notwithstanding the availability of the Price Source or the status of trading in the relevant Commodity ("**Disappearance of Commodity Reference Price**");
- (iv) the occurrence, since the Issue Date, of a material change in the basis for (including, but not limited to the quantity, quality or currency), or method of calculating the relevant Reference Price ("**Material Change in Formula**"); or
- (v) the occurrence, since the Issue Date, of a material change in the content or composition of the relevant Commodity ("**Material Change in Content**").

"**Commodity Purchase and Sale Agreement**" means the commodity purchase and sale agreement dated the Programme Signing Date and entered into between the Issuer, the Trustee and the Commodity Purchase and Sale Counterparty.

"**Commodity Purchase and Sale Counterparty**" means JPMorgan Chase Bank, N.A. in its capacity as commodity purchase and sale counterparty under the Commodity Purchase and Sale Agreement.

"**Commodity Sale Date**" means, in respect of a redemption of any Commodity Security, the Valuation Date immediately preceding the scheduled Settlement Date, subject to Condition 8.7 (*Settlement Disruption*).

"**Commodity Sale Price**" means, in respect of a redemption of any Commodity Security, the Reference Price in respect of the relevant Commodity on the relevant Commodity Sale Date.

"**Commodity Sale Proceeds**" means, in respect of a redemption of any Commodity Securities, the proceeds actually received by the Issuer (or any Agent on its behalf) in respect of the sale of the relevant amount of Underlying Commodity in connection with such redemption, as described in Condition 8.5 (*Cash Settlement payment obligation*) where Cash Settlement applies or Condition 8.6 (*Physical Settlement delivery obligation*) where Physical Settlement applies (in relation to the Fractional Cash Amount (if any)), as the case may be.

"**Commodity Sale Trigger Date**" means:

- (i) in respect of a redemption of any Commodity Security which is a Term Commodity Security in accordance with Condition 7.1 (*Redemption of Term Commodity Securities*), the fifth Business Day prior to the Maturity Date;
- (ii) in respect of a redemption of any Commodity Security which is a Non-Term Commodity Security in accordance with Condition 7.2 (*Redemption of Non-Term Commodity Securities*), the date on which the relevant Redemption Notice is received by the Paying Agent; and
- (iii) in respect of a redemption of any Commodity Security in accordance with Condition 7.4 (*Redemption at the option of the Issuer*), the date on which the Issuer delivers a notice to the Holders in accordance with that Condition.

"**Commodity Security Entitlement**" reflects the amount of Underlying Commodity represented by each Commodity Security from time to time, calculated by the Calculation Agent as follows:

- (i) in respect of non-FX Commodity Securities where the Specified Currency is US dollars:
 - (a) on the Issue Date, the Initial Commodity Security Entitlement; and
 - (b) on any Business Day thereafter, an amount of the relevant Commodity calculated in accordance with the following formula:

$$CSE_{(t)} = \frac{SV_{(t-1)}}{I_{(t-1)}}$$

Where:

"CSE_(t)" means the Commodity Security Entitlement on such Business Day;

"SV_(t-1)" means the Commodity Security Value on the immediately preceding Business Day; and

"I_(t-1)" means the Reference Price on the immediately preceding Business Day;

(ii) in respect of non-FX Commodity Securities where the Specified Currency is not US dollars:

(a) on the Issue Date, the Initial Commodity Security Entitlement; and

(b) on any Business Day thereafter, an amount of the relevant Commodity calculated in accordance with the following formula:

$$CSE_{(t)} = \frac{SV_{(t-1)}}{I_{(t-1)} \times FX_{(t-1)}}$$

Where:

"CSE_(t)" means the Commodity Security Entitlement on such Business Day;

"SV_(t-1)" means the Commodity Security Value on the immediately preceding Business Day;

"I_(t-1)" means the Reference Price on the immediately preceding Business Day; and

"FX_(t-1)" means the FX Rate on the immediately preceding Business Day, quoted in units of the Specified Currency per 1 US dollar.

(iii) in respect of Quanto Commodity Securities:

(a) on the Issue Date, the Initial Commodity Security Entitlement; and

(b) on any Reset Date thereafter, an amount of the relevant Commodity calculated in accordance with the following formula:

$$CSE_{(r)} = \frac{SV_{(r')}}{I_{(r')} \times FX_{(r')}}}$$

Where:

"CSE_(r)" means the Commodity Security Entitlement on such Reset Date;

"SV_(r')" means the Commodity Security Value on the Valuation Date immediately preceding such Reset Date;

"I_(r')" means the Reference Price on the Valuation Date immediately preceding such Reset Date;

"FX_(r')" means the FX Rate on the Valuation Date immediately preceding such Reset Date, quoted in units of the Specified Currency per 1 US dollar.

- (iv) in respect of Currency Overlay Commodity Securities:
- (a) on the Issue Date, the Initial Commodity Security Entitlement; and
- (b) on any Business Day thereafter, an amount of the relevant Commodity calculated in accordance with the following formula:

$$CSE_{(t)} = \frac{SV_{(t-1)}}{I_{(t-1)} \times FX_{(t-1)}}$$

Where:

"CSE₍₀₎" means the Commodity Security Entitlement on such Business Day;

"SV_(t-1)" means the Commodity Security Value on the immediately preceding Business Day;

"I_(t-1)" means the Reference Price on the immediately preceding Business Day; and;

"FX_(t-1)" means the FX Rate on the immediately preceding Business Day, quoted in units of US dollar per 1 unit of the Specified Currency.

"Commodity Security Value" means:

- (i) in respect of non-FX Commodity Securities where the Specified Currency is US dollars:
- (a) on the Pricing Date, the Initial Commodity Security Value; and
- (b) on any Business Day thereafter, an amount in US dollars calculated by the Corporate Services Provider in accordance with the following formula:

$$SV_{(t)} = I_{(t)} \times \frac{SV_{(t-1)}}{I_{(t-1)}} \times \left(1 - \left[F \times DCF_{(t-1,t)}\right]\right)$$

Where:

"SV₍₀₎" means the Commodity Security Value on such Business Day;

"SV_(t-1)" means the Commodity Security Value on the immediately preceding Business Day;

"I₍₀₎" means the Reference Price on such Business Day;

"I_(t-1)" means the Reference Price on the immediately preceding Business Day;

"F" means the Management Fee Rate; and

"DCF_(t-1,t)" means the number of calendar days from and excluding the immediately preceding Business Day (t-1) to and including such Business Day (t), divided by 360;

- (ii) in respect of non-FX Commodity Securities where the Specified Currency is not US dollars:

- (a) on the Pricing Date, the Initial Commodity Security Value; and
- (b) on any Business Day thereafter, an amount in the Specified Currency calculated by the Corporate Services Provider in accordance with the following formula:

$$SV_{(t)} = I_{(t)} \times \frac{SV_{(t-1)}}{I_{(t-1)}} \times \frac{FX_{(t)}}{FX_{(t-1)}} \times \left(1 - \left[F \times DCF_{(t-1,r)}\right]\right)$$

Where:

"**I₍₀₎**" means the Reference Price on such Business Day;

"**I_(t-1)**" means the Reference Price on the immediately preceding Business Day;

"**F**" means the Management Fee Rate;

"**DCF_(t-1,0)**" means the number of calendar days from and excluding the immediately preceding Business Day (t-1) to and including such Business Day (t), divided by 360;

"**FX₍₀₎**" means the FX Rate on such Business Day, quoted in units of the Specified Currency per 1 US dollar;

"**FX_(t-1)**" means the FX Rate on the immediately preceding Business Day, quoted in units of the Specified Currency per 1 US dollar;

"**SV₍₀₎**" means the Commodity Security Value on such Business Day; and

"**SV_(t-1)**" means the Commodity Security Value on the immediately preceding Business Day;

- (iii) in respect of Quanto Commodity Securities:

- (a) on the Pricing Date, the Initial Commodity Security Value; and
- (b) on any Business Day thereafter, an amount in the Specified Currency calculated by the Corporate Services Provider in accordance with the following formula:

$$SV_{(t)} = (I_{(t)} - FA_{(t)}) \times P_{(t)}$$

Where:

"**SV₍₀₎**" means the Commodity Security Value on such Business Day;

"**I₍₀₎**" means the Reference Price on such Business Day, converted into the Specified Currency at the Fixed FX Rate;

"**FA₍₀₎**" means the Accrued Fee Amount on such Business Day; and

"**P_(t)**" means the Commodity Security Value Participation on the Reset Date immediately preceding such Business Day or, if such Business Day is prior to the first Reset Date to occur after the Issue Date, the Initial Commodity Security Value Participation,

- (iv) in respect of Currency Overlay Commodity Securities:

- (a) on the Pricing Date, the Initial Commodity Security Value; and
- (b) on any Business Day thereafter, an amount in the Specified Currency calculated by the Corporate Services Provider in accordance with the following formula:

$$SV_{(t)} = SV_{(m)} \times \left(\frac{I_{(t)} / FX_{(t)}}{I_{(m)} / FX_{(m)}} - [F \times DCF_{(m,t)}] + CHR_t \right)$$

Where:

"SV₍₀₎" means the Commodity Security Value on such Business Day;

"SV_(m)" means the Commodity Security Value on the Rebalancing Date m immediately preceding such Business Day (t);

"I₍₀₎" means the Reference Price on such Business Day;

"I_(m)" means the Reference Price on the Rebalancing Date (m) immediately preceding the relevant Business Day (t);

"FX₍₀₎" means the FX Rate on such Business Day, quoted in units of US dollar per 1 unit of the Specified Currency;

"FX_(m)" means the FX Rate on Rebalancing Date (m) immediately preceding such Business Day (t), quoted in units of US dollar per 1 unit of the Specified Currency;

"F" means the Management Fee Rate;

"DCF_(m,t)" means the number of calendar days from and excluding the Rebalancing Date m immediately preceding such Business Day (t) to and including such Business Day (t), divided by 360; and

"CHR_(t)" is the Currency Hedge Return,

provided that, in all cases, the Commodity Security Value shall not be less than the Minimum Principal Amount.

"Commodity Security Value Participation" reflects the rate of participation in the Commodity Security Value in respect of each Quanto Commodity Security from time to time, calculated as follows:

- (i) on the Issue Date, the Initial Commodity Security Value Participation; and
- (ii) on any Reset Date thereafter, the amount calculated in accordance with the following formula:

$$P_{(r)} = \frac{SV_{(r')}}{I_{(r')}}$$

Where:

"P_(r)" means the Commodity Security Value Participation on a Reset Date;

"**SV_(r)**" means the Commodity Security Value on the Valuation Date immediately preceding such Reset Date; and

"**I_(r)**" means the Reference Price on the Valuation Date immediately preceding such Reset Date, converted into the Specified Currency at the Fixed FX Rate.

"**Companies Act 2006**" means the Companies Act 2006 of England and Wales.

"**Confirmation**" means, in respect of an FX Commodity Security, each confirmation entered into between the Issuer and the relevant Hedge Counterparty documenting a Derivative Transaction, such confirmation to be substantially in the form of the relevant confirmations set out in the Master Hedge Terms.

"**Corporate Services Agreement**" means the corporate services agreement dated the Programme Signing Date entered into between the Issuer and the Corporate Services Provider.

"**Corporate Services Provider**" means Citi Fund Services (Ireland), Limited in its capacity as corporate services provider to the Issuer in accordance with the terms of the Corporate Services Agreement.

"**Currency Hedge Return**" in respect of Currency Overlay Commodity Securities on any Business Day after the Pricing Date, an amount in the Specified Currency calculated by the Corporate Services Provider in accordance with the following formula:

$$CHR_{(t)} = \frac{FX_{(m)}}{FX_{(m)} + FB_{(m)}} - \frac{FX_{(m)}}{FX_{(t)} + \frac{D-d}{D} * FB_{(t)}}$$

Where:

"**FX_(m)**" means the FX Rate on Rebalancing Date (m) immediately preceding such Business Day (t), quoted in units of US dollar per 1 unit of the Specified Currency;

"**FB_(m)**" means the arithmetic average of the bid and ask level of the 1-month forward basis between US dollar and the Specified Currency, quoted in units of US dollar per 1 unit of the Specified Currency, which appears on Reuters Page EURUSD1MFX=WM at or around 16:00 London time, rounded to 4 decimal places, on the Rebalancing Date (m) immediately preceding such Business Day (t);

"**FX_(t)**" means the FX Rate on such Business Day, quoted in units of US dollar per 1 unit of the Specified Currency;

"**D**" means the number of calendar days from and excluding the Rebalancing Date (m) immediately preceding such Business Day (t) to and including the Rebalancing Date immediately following or coinciding with such Business Day (t);

"**d**" means the number of calendar days from and excluding the Rebalancing Date (m) immediately preceding such Business Day (t) to and including such Business Day (t); and

"**FB_(t)**" means the arithmetic average of the bid and ask level of the 1-month forward basis between US dollar and the Specified Currency, quoted in units of US dollar per 1 unit of the Specified Currency, which appears on Reuters Page

EURUSD1MFIX=WM at or around 16:00 London time, rounded to 4 decimal places, on such Business Day (t).

"**Currency Overlay Commodity Securities**" means the Commodity Securities specified as Currency Overlay Commodity Securities in the relevant Final Terms.

"**Currency Overlay Hedge Agreement**" means, in relation to any Currency Overlay Commodity Security:

- (i) the ISDA Master Agreement including the schedule thereto entered into between the Issuer and the Currency Overlay Hedge Counterparty by the execution of the Constituting Instrument (the terms of which specify that the Master Hedge Terms, as amended by such Constituting Instrument, shall apply in respect of such agreement) or any other agreement from time to time entered into by the Issuer with a Hedge Counterparty in relation to such Currency Overlay Commodity Securities, together with, in either case, any related credit support annex; and
- (ii) each Confirmation made between the Issuer and the Currency Overlay Hedge Counterparty under the terms of any agreement referred to in (i) above in respect of such Currency Overlay Commodity Securities.

"**Currency Overlay Hedge Counterparty**" means The Royal Bank of Scotland N.V. or such other entity identified as such in the relevant Final Terms.

"**Custodian**" means JPMorgan Chase Bank, N.A. or such other entity identified as such in the relevant Final Terms.

"**Dealers**" means The Royal Bank of Scotland N.V., acting through its London Branch and/or The Royal Bank of Scotland plc or such other entity or entities identified as such in the relevant Final Terms.

"**Delivery Amount**" has the meaning given in Condition 8.6 (*Physical Settlement delivery obligation*).

"**Derivative Transaction**" means, in respect of an FX Commodity Security, any derivative transaction entered into between the Issuer and the relevant Hedge Counterparty.

"**Eligible Redemption Day**" means the last Business Day of any calendar month.

"**Enforcement Notice**" has the meaning given in Condition 12.1 (*Occurrence of an Event of Default*).

"**Euroclear**" means Euroclear Bank SA/NV, as operator of the Euroclear System.

"**Euroclear Nederland**" means Euroclear Nederland (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*).

"**Event of Default**" has the meaning given in Condition 12 (*Events of Default*).

"**Extraordinary Resolution**" has the meaning ascribed to it in Schedule 1 to the Commodity Security Terms.

"**Fees and Expenses Agreement**" means the fees and expenses agreement dated 6 November 2009 between the Issuer and the Arranger.

"**Fixed Fee**" means the fee specified as such in the relevant Final Terms.

"**Fixed FX Rate**" means 1, or such other rate as may be specified in the relevant Final Terms.

"**Fractional Cash Amount**" has the meaning given in Condition 8.6 (*Physical Settlement delivery obligation*).

"**FSA**" means the Financial Services Authority (and any successor regulator).

"**FSMA**" means the Financial Services and Markets Act 2000 of the United Kingdom.

"**FX Commodity Securities**" means the Quanto Commodity Securities and the Currency Overlay Commodity Securities and each of them an "**FX Commodity Security**".

"**FX Disruption Event**" means any one or more of the following:

- (i) any event that generally makes it impossible through customary legal channels to convert US dollars into the Specified Currency or vice versa either in the United States of America or any country for which the Specified Currency is the lawful currency (the "**Specified Currency Jurisdiction**");
- (ii) any event that generally makes it impossible to deliver (A) US dollars or the Specified Currency from accounts inside the Specified Currency Jurisdiction to accounts outside the Specified Currency Jurisdiction or from an account inside the United States of America to accounts outside the United States of America, or (B) US dollars or the Specified Currency between accounts inside the United States of America or the Specified Currency Jurisdiction or to a party that is a non-resident of the United States of America or the Specified Currency Jurisdiction;
- (iii) with respect to any security or indebtedness for borrowed money of, or guaranteed by, any Governmental Authority, the occurrence of a default, event of default or other similar condition or event (however described) including, but not limited to, (A) the failure of timely payment in full of any principal, interest or other amounts due (without giving effect to any applicable grace periods) in respect of any such security, indebtedness for borrowed money or guarantee, (B) a declared moratorium, standstill, waiver, deferral, repudiation or rescheduling of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee or (C) the amendment or modification of the terms and conditions of payment of any principal, interest or other amounts due in respect of any such security, indebtedness for borrowed money or guarantee without the consent of all holders of such obligation. The determination of the existence or occurrence of any default, event of default or other similar condition or event shall be made without regard to any lack or alleged lack of authority or capacity of such Governmental Authority to issue or enter into such security, indebtedness for borrowed money or guarantee;
- (iv) it is or becomes impossible to obtain a firm quote of any relevant spot rate of exchange between US dollars and the Specified Currency for the relevant amount in respect of any Business Day;
- (v) any event in the United States of America or the Specified Currency Jurisdiction beyond the control of the Issuer and the Calculation Agent which makes it impossible or impracticable for (A) any calculations under these Conditions or any Hedge

Agreement to be made or determined or (B) for the Issuer generally to fulfil its obligations in connection with the Commodity Securities;

- (vi) it is or becomes impossible to obtain any relevant spot rate of exchange between US dollars and the Specified Currency in respect of any Business Day;
- (vii) any expropriation, confiscation, requisition, nationalisation or other action by any Governmental Authority which deprives the Issuer (or any Agent(s)) of all or substantially all of its assets in the United States of America or the Specified Currency Jurisdiction;
- (viii) any event that makes it impossible for the Issuer (or any Agent(s)) to convert a relevant amount of US dollars into the Specified Currency in the United States of America or the Specified Currency Jurisdiction, other than where such impossibility is due solely to the failure by that party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date and it is impossible for such party due to an event beyond the control of that party, to comply with such law, rule or regulation); and
- (ix) any event that makes it impossible for the Issuer (or any Agent(s)) to deliver (A) the Specified Currency from accounts inside the United States of America or the Specified Currency Jurisdiction to accounts outside the United States of America or the Specified Currency Jurisdiction or (B) US dollars between accounts inside the United States of America or the Specified Currency Jurisdiction or to a party that is a non-resident of the United States of America or the Specified Currency Jurisdiction, other than where such impossibility is due solely to the failure by that party to comply with any law, rule or regulation enacted by any Governmental Authority (unless such law, rule or regulation is enacted after the Issue Date of the transaction and it is impossible for such party due to an event beyond the control of that party to comply with such law, rule or regulation).

"FX Rate" means, in respect of any day, the spot rate of exchange between US dollars and the Specified Currency as determined by the Calculation Agent at such time and by reference to such sources as the Calculation Agent may reasonably determine to be appropriate at such time.

"Global Commodity Security" means a Temporary Global Commodity Security or a Permanent Global Commodity Security.

"Gold" means gold bars or unallocated gold complying with the rules of the LBMA relating to good delivery and fineness from time to time in effect.

"Gold Reference Price" means, on any day, that day's morning Gold fixing price per troy ounce of Gold for delivery in London through a member of the LBMA authorised to effect such delivery, stated in US dollars, as calculated by the London Bullion Market and displayed on Reuters Screen page "GOFO" that displays prices effective on that relevant day, as determined by the Calculation Agent.

"Good Delivery" means the refining standard and weights of Gold and Silver as determined by the LBMA.

"Governmental Authority" means any *de facto* or *de jure* government (or any agency or instrumentality 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 relevant jurisdiction.

"**Holder**" has the meaning given in Condition 3 (*Form, Title and Transfer*).

"**Holder Optional Redemption**" has the meaning given in Condition 8.1 (*Non-Term Commodity Securities*).

"**Holding Company**" means, in relation to a company or corporation, any other company or corporation in respect of which it is a Subsidiary.

"**Initial Commodity Security Entitlement**" has the meaning given in the relevant Final Terms.

"**Initial Commodity Security Value**" has the meaning given in the relevant Final Terms.

"**Initial Commodity Security Value Participation**" has the meaning given in the relevant Final Terms.

"**Initial Quanto Maintenance Fee Rate**" has the meaning given in the relevant Final Terms.

"**Instructing Creditor**" means the person determined to be the "Instructing Creditor" in respect of the relevant Series of Commodity Securities in accordance with Condition 4 (*Status of the Commodity Securities and Instructing Creditor*).

"**Issue**" means any issue of Commodity Securities which pertain to, and are created by, a Constituting Instrument.

"**Issue Date**" has the meaning given in the relevant Final Terms.

"**Issue Price**" means, in relation to a Tranche of Commodity Securities, the issue price of such Commodity Securities as specified in the relevant Final Terms.

"**Issuer Account**" means the cash account (including all sub-accounts) of the Issuer with the Account Bank as specified in the relevant Constituting Instrument.

"**LBMA**" means The London Bullion Market Association or its successor.

"**Liabilities**" means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any irrecoverable VAT or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.

"**London Bullion Market**" means the over-the-counter market in respect of Gold and Silver co-ordinated by the LBMA.

"**Management Fee Amount**" means an amount in respect of each FX Commodity Security, which will accrue on a daily basis and be calculated by the Calculation Agent as follows:

- (i) on the Pricing Date, zero; and
- (ii) on any Business Day thereafter, an amount in the Specified Currency calculated in accordance with the following formula:

$$MF_{(t)} = F \times I_{(t-1)} \times DCF_{(t-1,t)}$$

Where:

"**MF_(t)**" means the Management Fee Amount on such Business Day;

"**F**" means the Management Fee Rate;

"**I_(t-1)**" means the Reference Price on the immediately preceding Business Day, converted into the Specified Currency at the Fixed FX Rate; and

"**DCF_(t-1,t)**" means the number of calendar days from and excluding the immediately preceding Business Day (t-1) to and including such Business Day (t), divided by 360.

"**Management Fee Rate**" means the rate specified as such in the relevant Final Terms.

"**Manager(s)**" means the entity or entities identified as such in the relevant Final Terms.

"**Mandatory Redemption**" means a redemption of all Commodity Securities pursuant to Condition 7.3 (*Mandatory Redemption*).

"**Master Account Bank Terms**" means the master account bank terms signed the Programme Signing Date for the purposes of identification by the Arranger.

"**Master Secured Allocated Account Terms**" means the master secured allocated account terms signed the Programme Signing Date for the purposes of identification by the Arranger.

"**Master Secured Unallocated Account Terms**" means the master secured unallocated account terms signed the Programme Signing Date for the purposes of identification by the Arranger.

"**Master Subscription Terms**" means the master subscription terms signed the Programme Signing Date for the purposes of identification by the Arranger.

"**Master Hedge Terms**" means the Master Hedge Terms signed the Programme Signing Date for the purposes of identification by the Arranger.

"**Maturity Date**" has the meaning given in the relevant Final Terms, if applicable.

"**Member State**" means any member state of the European Economic Area which adopts the euro as its lawful currency in accordance with the Treaty establishing the European Community (as amended).

"**Minimum Principal Amount**" means, in respect of each Commodity Security, US\$0.01 or its equivalent in the Specified Currency.

"**Minimum Redemption Amount**" means, unless otherwise specified in the Final Terms, in respect of a proposed redemption of any Commodity Securities:

- (i) if Cash Settlement applies, one Commodity Security; and
- (ii) if Physical Settlement applies, the number of Commodity Securities the redemption of which would result in a Delivery Amount of at least one Standard Bar of the relevant Commodity,

or as may be otherwise specified in the relevant Final Terms.

"Modular Documents" means the following documents:

- (i) the Commodity Security Terms;
- (ii) the Master Collateral Terms;
- (iii) the Master Agency Terms;
- (iv) the Master Secured Unallocated Account Terms;
- (v) the Master Secured Allocated Account Terms;
- (vi) the Master Subscription Terms;
- (vii) the Master Hedge Terms;
- (viii) the Master Account Bank Terms; and
- (ix) the Master Definitions,

and each a **"Modular Document"**.

"non-FX Commodity Securities" means any Commodity Securities not specified as either Quanto Commodity Securities or Currency Overlay Commodity Securities.

"Non-Term Commodity Securities" means Commodity Securities in respect of which 'Not Applicable' is specified in the relevant Final Terms under the heading 'Maturity Date'.

"Offeror" means any person intending to sell or selling any Commodity Securities to any person.

"Optional Issuer Redemption Date" means, unless otherwise specified in the relevant Final Terms, any Business Day.

"Original Tranche" has the meaning ascribed to it in Condition 18 (*Further Issues*).

"ounce" means, in the case of Gold, a fine troy ounce, and in the case of Silver, a troy ounce.

"outstanding" means, in relation to any Series of Commodity Securities, all the Commodity Securities of that Series issued other than:

- (i) to the extent redeemed, those Commodity Securities which have been redeemed in part pursuant to the Conditions;
- (ii) those Commodity Securities which have been redeemed in full or purchased and cancelled pursuant to the Conditions;
- (iii) those Commodity Securities in respect of which the date for redemption in full in accordance with the Conditions has occurred and the redemption monies (including premium (if any) and all interest payable thereon) have been duly paid to the Trustee or to the Principal Paying Agent in the manner provided in the Master Agency Terms (as completed, modified and amended by the relevant Constituting Instrument) (and, where appropriate, notice to that effect has been given to the Holders in accordance with the Conditions) and remain available for payment against presentation of such Commodity Securities;

- (iv) those Commodity Securities which have been forfeited or have become void under their terms or claims in respect of which have become prescribed under the Conditions;
- (v) those mutilated or defaced Commodity Securities which have been surrendered and cancelled and in respect of which replacements have been issued pursuant to their terms;
- (vi) (for the purpose only of ascertaining the principal amount of the Commodity Securities outstanding and without prejudice to the status for any other purpose of the relevant Commodity Securities) those Commodity Securities which are alleged to have been lost, stolen or destroyed and in respect of which replacements have been issued pursuant to their terms; and
- (vii) any Temporary Global Commodity Security to the extent that it has been exchanged for a Permanent Global Commodity Security,

provided that for each of the following purposes, namely:

- (a) the right to attend and vote at any meeting of Holders;
- (b) the determination of how many and which Commodity Securities are for the time being outstanding for the purposes of the Commodity Security Terms and Condition 12 (*Events of Default*), Condition 13 (*Proceedings, Action, Indemnification, Limited Recourse and Non-Petition*) and Condition 17 (*Meetings of Holders, Modification, Waiver, Authorisation and Substitution*) and the provisions for meetings of Holders set out in the schedules of the Commodity Security Terms; and
- (c) any discretion, power or authority, whether contained in the Constituting Instrument or provided by law, which the Trustee is required to exercise in or by reference to the interests of the Holders or any of them,

those Commodity Securities (if any) which are for the time being held by any person (including the Issuer) for the benefit of the Issuer shall (unless and until ceasing to be so held) be deemed not to remain outstanding.

"Party" means, in relation to any agreement, a party to such agreement.

"Paying Agent" means Citibank N.A. or such other entity (or each entity) identified as such in the relevant Final Terms.

"Payment Business Day" means:

- (i) if the currency of payment is euro, any day which is:
 - (a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (b) in the case of payment by transfer to an account, a TARGET2 Settlement Day and a day on which dealings in foreign currencies may be carried on in each (if any) Additional Financial Centre; or

- (ii) if the currency of payment is not euro, any day which is:
 - (a) a day on which banks in the relevant place of presentation are open for presentation and payment of bearer debt securities and for dealings in foreign currencies; and
 - (b) in the case of payment by transfer to an account, a day on which dealings in foreign currencies may be carried on in the Principal Financial Centre of the currency of payment and in each (if any) Additional Financial Centre.

"Per Commodity Security Commodity Sale Proceeds" means, in respect of a redemption of any Commodity Security, an amount in US dollars equal to the portion of the relevant Commodity Sale Proceeds which is referable to one Commodity Security.

"Permanent Global Commodity Security" means a permanent global commodity security or certificate in bearer form substantially in the form set out in the schedules to the Commodity Security Terms.

"Physical Settlement" means, in respect of a redemption of Commodity Securities, if specified as applicable in the relevant Final Terms, settlement by delivery of the relevant amount of Underlying Commodity in accordance with Condition 7 (*Redemption and Purchase*) and/or Condition 8 (*Holder Redemption*), which shall only be available if the relevant Final Terms specify that Physical Settlement is applicable.

"Potential Event of Default" means any condition, event or act which, with the giving of notice (by the relevant party) and/or the lapse of time and/or the issue of a certificate, would constitute an Event of Default.

"Price Source" means the publication (or such other origin of reference, including an exchange or principal trading market) containing (or reporting) the Reference Price (or process from which the Reference Price is calculated) as specified in the definition of Reference Price herein.

"Pricing Date" means the Business Day immediately preceding the Issue Date, unless otherwise specified in the relevant Final Terms.

"Principal Amount" means, in respect of a Commodity Security, the greater of (i) the Minimum Principal Amount and (ii) the Cash Amount (where Cash Settlement is applicable) or the Delivery Amount (where Physical Settlement is applicable).

"Principal Financial Centre" means, in relation to any currency, the principal financial centre for that currency *provided, however*, that:

- (i) in relation to euro, it means the principal financial centre of such Member State of the European Communities as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent; and
- (ii) in relation to Australian dollars, it means either Sydney or Melbourne and, in relation to New Zealand dollars, it means either Wellington or Auckland; in each case as is selected (in the case of a payment) by the payee or (in the case of a calculation) by the Calculation Agent.

"Principal Paying Agent" means Citibank, N.A. or such other entity identified as such in the relevant Final Terms.

"Programme Signing Date" means on or about 5 November 2010.

"Quanto Commodity Securities" means the Commodity Securities specified as Quanto Commodity Securities in the relevant Final Terms.

"Quanto Maintenance Fee Amount" means an amount in the Specified Currency covering the Issuer's expenses of arranging such fixed exchange rate (Quanto) for the Holders, calculated by the Calculation Agent as follows:

- (i) on the Pricing Date, zero; and
- (ii) on any Business Day thereafter, an amount in the Specified Currency calculated in accordance with the following formula:

$$QMF_{(t)} = QMFR_{(r')} \times I_{(r')} \times DCF_{(t-1,t)}$$

Where:

"QMF_(t)" means the Quanto Maintenance Fee Amount on such Business Day;

"QMFR_(r')" means the Quanto Maintenance Fee Rate on the Reset Date immediately preceding such Business Day or, if such Business Day is a Reset Date, such Business Day;

"I_(r')" means the Reference Price on the Reset Date immediately preceding such Business Day or, if such Business Day is a Reset Date, such Business Day, converted into the Specified Currency at the Fixed FX Rate; and

"DCF_(t-1,t)" means the number of calendar days from and excluding the immediately preceding Business Day (t-1) to and including such Business Day (t), divided by 360.

"Quanto Maintenance Fee Rate" means the Initial Quanto Maintenance Fee Rate on the Issue Date and thereafter the relevant Quanto Maintenance Fee Rate per annum on each Reset Date being the rate which is determined by the Calculation Agent having regard to the prevailing market conditions, the correlation between the relevant Commodity and the prevailing rate of exchange between US dollars and the Specified Currency, interest rates of such currencies and such other factors as the Calculation Agent deems relevant in determining the costs associated with arranging the 'quanto' feature in respect of the Commodity Securities under the relevant Hedge Agreement. The Quanto Maintenance Fee Rate can be negative.

"Quanto Hedge Agreement" means, in relation to any Quanto Commodity Security:

- (iii) the ISDA Master Agreement including the schedule thereto entered into between the Issuer and the Quanto Hedge Counterparty by the execution of the Constituting Instrument (the terms of which specify that the Master Hedge Terms, as amended by such Constituting Instrument, shall apply in respect of such agreement) or any other agreement from time to time entered into by the Issuer with a Hedge Counterparty in relation to such Quanto Commodity Securities, together with, in either case, any related credit support annex; and
- (iv) each Confirmation made between the Issuer and the Quanto Hedge Counterparty under the terms of any agreement referred to in (i) above in respect of such Quanto Commodity Securities.

"Quanto Hedge Counterparty" means The Royal Bank of Scotland N.V. or such other entity identified as such in the relevant Final Terms.

"Rebalancing Date" means the first Business Day following each Valuation Date.

"Receiver" has the meaning ascribed to it in the Master Collateral Terms.

"Redemption Fees and Expenses" means, unless otherwise specified in the relevant Final Terms, in respect of a redemption of any Commodity Security, an amount in US dollars per Commodity Security equal to:

- (i) in the case of a Holder Optional Redemption, the Fixed Fee (which applies in respect of each Holder Optional Redemption, regardless of the number of Commodity Securities being so redeemed), divided by the number of Commodity Securities being so redeemed; *plus*
- (ii) in all cases, without limitation, all expenses, fees, charges and any Taxes incurred or to be incurred by or on behalf of the Issuer in connection with such redemption.

"Redemption Notice" has the meaning given in Condition 8 (*Holder Redemption*).

"Reference Price" means the Gold Reference Price or the Silver Reference Price, as the case may be.

"Relevant Amount of Commodity" has the meaning given in Condition 8.6 (*Physical Settlement delivery obligation*).

"Relevant Date" means, in relation to any payment, whichever is the later of (a) the date on which the payment in question first becomes due and (b) if the full amount payable has not been received in the Principal Financial Centre of the currency of payment by the Principal Paying Agent on or prior to such due date, the date on which (the full amount having been so received) notice to that effect has been given to the Holders by the Calculation Agent.

"Reset Date" means the first Business Day following each Valuation Date.

"Retained Monies" means any monies received by the Account Bank or by any person for the Issuer's account in respect of the Commodity Securities (together with any interest accrued or accruing thereon (if any)).

"Rights" means rights, authorities, discretions, remedies, liberties and powers (in each case, of any nature whatsoever).

"Secured Creditors" means the Trustee in its own capacity and as trustee on behalf of those persons listed as entitled to payment in accordance with Condition 5.5 (*Priority of Payments*).

"Secured Obligations" means the aggregate of all monies and Liabilities which from time to time are or may become due, owing or payable by the Issuer to each, some or any of the Secured Creditors under the Commodity Securities of the relevant Series or the Transaction Documents.

"Security Interest" means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction.

"Selling Agent" means The Royal Bank of Scotland N.V., acting through its London Branch or such entity or entities identified as such in the relevant Final Terms.

"Series" means a Tranche of Commodity Securities together with any further Tranche or Tranches of Commodity Securities expressed to be consolidated and to form a single series with the Commodity Securities of the original Tranche and the terms of which are (save for the Issue Date, the Issue Price and such subordination provisions (where relevant)) otherwise identical (including whether or not the Commodity Securities are listed) and unless for any purpose the Trustee in its discretion otherwise determines, all the provisions of the Master Collateral Terms and the Commodity Security Terms shall apply separately to the Commodity Securities of each Series and the expressions **"Commodity Securities of the relevant Series"**, **"Series of Commodity Securities"** and **"Holders of the relevant Series"** and related expressions shall be construed accordingly.

"Settlement Date" means:

- (i) in respect of a redemption of any Commodity Security which is a Term Commodity Security in accordance with Condition 7.1 (*Redemption of Term Commodity Securities*), the Maturity Date;
- (ii) in respect of a redemption of any Commodity Security which is a Non-Term Commodity Security in accordance with Condition 7.2 (*Redemption of Non-Term Commodity Securities*), the relevant Eligible Redemption Day; and
- (iii) in respect of a redemption of any Commodity Security in accordance with Condition 7.4 (*Redemption at the option of the Issuer*), the relevant Optional Issuer Redemption Date,

in each case subject to Condition 8.7 (*Settlement Disruption*).

"Settlement Disruption Event" unless otherwise specified in the Final Terms, has the meaning given in Condition 8.7 (*Settlement Disruption*).

"Silver" means silver bars or unallocated silver complying with the rules of the LBMA relating to Good Delivery and fineness from time to time in effect.

"Silver Reference Price" means, as of any day, that day's morning Silver fixing price per troy ounce of Silver for delivery in London through a member of the LBMA authorised to effect such delivery, stated in U.S. cents, as calculated by the London Bullion Market and displayed on Reuters Screen page "SIFO" that displays prices effective on that relevant day, as determined by the Calculation Agent.

"Specified Currency" has the meaning given in the relevant Final Terms.

"Specified Office" means, in relation to any Party to a Transaction Document, the office specified beneath such Party's name in Schedule 1 of the relevant Constituting Instrument or such other office in the same city or town as such Party may specify by notice to the other parties to the relevant Constituting Instrument.

"Stabilising Managers" has the meaning given in the relevant Final Terms.

"Standard Bar" means a Gold or Silver bar which complies with Good Delivery.

"Sub-Custodian" means any sub-custodian or nominee appointed by the Custodian under the Master Custody Terms.

"Subsidiary" means, in relation to any company, corporation, a company or corporation:

- (i) which is controlled, directly or indirectly, by the first mentioned company or corporation; or
- (ii) more than half the issued share capital of which is beneficially owned, directly or indirectly, by the first mentioned company or corporation,

and, for this purpose, a company or corporation shall be treated as being controlled by another if that other company or corporation is able to direct its affairs and/or to control the composition of its board of directors or equivalent body.

"successor" means, in relation to any Party, an assignee or successor in title of such Party or any person, who, under the laws of its jurisdiction of incorporation or domicile, has assumed the rights and obligations of such Party thereunder or to which under such laws the same has been transferred.

"Supplemental Collateral Document" means any further collateral document supplementing the collateral contemplated by the provisions of the Master Collateral Terms (as such terms are incorporated into the relevant Constituting Instrument) which creates any Security Interest over any Underlying Commodity or Underlying Assets.

"Suspension Event" means any one or more of the following:

- (i) only in respect of Commodity Securities where the Specified Currency is not US dollars, an FX Disruption Event; and
- (ii) a Commodity Disruption Event.

"Hedge Agreements" means the Quanto Hedge Agreement and the Currency Overlay Hedge Agreement and each of them a **"Hedge Agreement"**.

"Hedge Counterparties" means the Quanto Hedge Counterparty and the Currency Overlay Hedge Counterparty and each of them a **"Hedge Counterparty"**.

"TARGET2" means the Trans-European Automated Real-Time Gross Settlement Express Transfer payment system which utilises a single shared platform and which was launched on 19 November 2007.

"TARGET2 Settlement Day" means any day on which TARGET2 is open for the settlement of payments in euro.

"Tax" means any tax, levy, impost, duty or other charge or withholding of a similar nature (including any penalty or interest payable in connection with any failure to pay or any delay in paying any of the same) and, unless specified otherwise, VAT or amounts which represent or are otherwise in respect of VAT, and **"Taxes"**, **"taxation"**, **"taxable"** and comparable expressions shall be construed accordingly.

"Tax Authority" means any government, state or municipality or any local, state, federal or other authority, body or official anywhere in the world exercising a fiscal, revenue, customs or excise function.

"Temporary Global Commodity Security" means a temporary global commodity security in bearer form substantially in the form set out in the schedules to the Commodity Security Terms.

"Term Commodity Securities" means Commodity Securities in respect of which a Maturity Date is specified in the relevant Final Terms.

"Trading Day" means any day on which markets are ordinarily open in the London Bullion Market other than a day on which trading on the London Bullion Market is scheduled to close prior to its regular weekday closing time.

"Tranche" means, in relation to a Series which is to be issued in tranches, issues of all Commodity Securities which are specified to be a tranche in respect of each other in a Constituting Instrument with the same Issue Date, the terms of which are identical in all respects.

"Transaction Documents" means each of the following documents:

- (i) the relevant Constituting Instrument;
- (ii) the Commodity Security Terms, the Master Collateral Terms, the Master Custody Terms, the Master Agency Terms, the Master Subscription Terms, the Master Account Bank Terms and the Master Definitions;
- (iii) the Commodity Securities;
- (iv) the relevant Hedge Agreement (if any);
- (v) any Supplemental Collateral Document;
- (vi) the Commodity Purchase and Sale Agreement (to the extent it relates to the relevant Series of Commodity Securities);
- (vii) the Proposals and Advice Agreement (to the extent it relates to the relevant Series of Commodity Securities);
- (viii) the Administration Agreement (to the extent it relates to the relevant Series of Commodity Securities);
- (ix) the Fees and Expenses Agreement (to the extent it relates to the relevant Series of Commodity Securities);
- (x) the Corporate Services Agreement (to the extent it relates to the relevant Series of Commodity Securities); and
- (xi) any other documents entered into by a party or produced in connection with the relevant Series.

"Trustee" means Citicorp Trustee Company Limited or such other entity identified as such in the relevant Final Terms.

"Unallocated Account" means the unallocated account specified in the relevant Constituting Instrument.

"Underlying Assets" means the Underlying Commodity and all other assets and/or rights of the Issuer which are attributed to such Commodity Securities including, without limitation, the

Rights of the Issuer under any Derivative Transaction entered into in connection with those Commodity Securities.

"**Underlying Commodity**" means the relevant Commodity held in the Allocated Account as adjusted in accordance with the provisions of the Transaction Documents.

"**Valuation Date**" means, unless otherwise specified in the relevant Final Terms, the third Business Day prior to:

- (i) each Eligible Redemption Day;
- (ii) the Maturity Date; and
- (iii) any Optional Issuer Redemption Date selected for the redemption of the Commodity Securities in whole at the option of the Issuer and notified to the Holders in accordance with Condition 7.4 (*Redemption at the option of the Issuer*).

"**VAT**" means:

- (i) any tax imposed in compliance with the council directive of 28 November 2006 on the common system of value added tax (EC Directive 2006/112) (including, in relation to the United Kingdom, value added tax imposed by VATA and legislation and regulations supplemental thereto); and
- (ii) any other tax of a similar nature (including Jersey goods and services tax imposed by the Goods and Services Tax (Jersey) Law 2007), whether imposed in a member state of the European Union in substitution for, or levied in addition to, such tax referred to in (i) above, or elsewhere.

"**VATA**" means the Value Added Tax Act 1994.

2.2 *Construction:*

In these Conditions any reference to:

- (a) "**US dollars**" and "\$" or "**US\$**" denote the lawful currency of the United States of America, "**Sterling**" and "£" or "**GBP**" denote the lawful currency of the United Kingdom and "**EUR**", "**euro**" or "€" means the single currency unit of the Member States;
- (b) the "Issuer", the "Calculation Agent", the "Custodian", the "Arranger", the "Dealer", the "Hedge Counterparty", the "Principal Paying Agent", the "Paying Agent", the "Selling Agent", the "Trustee", the "Account Bank", the "Commodity Purchase and Sale Counterparty", the "Administrator", the "Corporate Services Provider", any "Party" or any other person shall be construed so as to include its successors in title, permitted assigns and permitted transferees;
- (c) "The Royal Bank of Scotland N.V., acting through its London Branch or "The Royal Bank of Scotland N.V., London Branch" shall include its successors in title including but not limited to The Royal Bank of Scotland plc or any of its Affiliates; provided, however, that for these purposes the term "Affiliate" shall not include (i) the UK government or any member or instrumentality thereof, including Her Majesty's Treasury and UK Financial Investments Limited (or any directors, officers, employees

or entities thereof) or (ii) any persons or entities controlled by or under common control with the UK government or any member or instrumentality thereof (including Her Majesty's Treasury and UK Financial Investments Limited) and which are not part of The Royal Bank of Scotland Group plc and its subsidiary or subsidiary undertakings (including The Royal Bank of Scotland N.V. and each of its subsidiary or subsidiary undertakings);

- (d) a Modular Document shall be construed as a reference to that Modular Document as incorporated by reference in the relevant Constituting Instrument and as amended, modified and/or supplemented by such Constituting Instrument (for example, a reference to the "Master Agency Terms" shall be construed as a reference to those terms as incorporated by reference in the relevant Constituting Instrument and as amended, modified and/or supplemented by such Constituting Instrument), unless the context otherwise requires;
- (e) the "Constituting Instrument", the "Proposals and Advice Agreement", the "Commodity Purchase and Sale Agreement", the "Administration Agreement", the "Corporate Services Agreement" or any other document shall be construed as a reference to that instrument, transaction, agreement or document, as the case may be, as amended, modified, restated and/or supplemented from time to time, unless the context otherwise requires;
- (f) "principal" shall be deemed to include the Principal Amount and any other amount in the nature of principal payable pursuant to these Conditions;
- (g) Commodity Securities being "outstanding" shall be construed in accordance with the Master Definitions;
- (h) "assets" includes present and future properties, revenues and rights of every description;
- (i) "indebtedness" shall be construed so as to include any obligation (whether incurred as principal or as surety) for the payment or repayment of money, whether present or future, actual or contingent;
- (j) a "person" includes any person, firm, company, corporation, government, state or agency of a state or any association, trust or partnership (whether or not having separate legal personality) of two or more of the foregoing;
- (k) a "regulation" includes any regulation, rule, official directive, request or guideline (whether or not having the force of law) of any governmental, intergovernmental or supranational body, agency, department or regulatory, self-regulatory or other authority or organisation;
- (l) a time of day is a reference to London time;
- (m) words denoting the singular include the plural and vice versa;
- (n) words denoting one gender only include the other genders;
- (o) taking proceedings against the Issuer shall be deemed to include references to proving in the winding-up of the Issuer; and

- (p) "repayment" or "repay" or any analogous expression shall, save where the context otherwise requires, be deemed also to include "prepayment" and "prepay", as the case may be.

In addition, if an expression is stated in these Conditions to have the meaning given in the relevant Final Terms, but the relevant Final Terms gives no such meaning or specifies that such expression is "Not Applicable" then such expression is not applicable to the Commodity Securities.

3. **Form, Title and Transfer**

3.1 *Form:* The Issuer shall issue Commodity Securities in bearer form.

3.2 *Title to Commodity Securities:* Title to Commodity Securities will pass by delivery.

3.3 *Ownership:* The holder of any Commodity Security (the "**Holder**") shall (except as otherwise required by law) be treated as its absolute owner for all purposes (whether or not it is overdue and regardless of any notice of ownership, trust or any other interest therein, any writing thereon) and no person shall be liable for so treating such Holder. No person shall have any right to enforce any term or condition of any Commodity Security under the Contracts (Rights of Third Parties) Act 1999.

3.4 *Commodity Securities held through Euroclear Nederland:* Notwithstanding any other Condition, if the Commodity Securities are held through Euroclear Nederland the following will apply. Unless specified otherwise in the Final Terms, interests in a Global Commodity Security will be transferable only in accordance with the provisions of the Dutch Giro Securities Transfer Act (*Wet giraal effectenverkeer*) and the rules and procedures for the time being of Euroclear Nederland and its participants (*aangesloten instellingen*) and all transactions in (including transfer of) Commodity Securities, in the open market or otherwise must be effected through participants of Euroclear Nederland. The bearer of a Global Commodity Security will be the only person entitled to receive payments or deliveries in respect of such Global Commodity Security. Each person who is for the time being shown in the records of Euroclear Nederland or any of its participants as the holder of a particular number of such Commodity Securities (in which regard any certificate or other document issued by Euroclear Nederland or such participant as to the number of Commodity Securities standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be treated by the Issuer, the Trustee, the Principal Paying Agent and any other Paying Agent as the Holder of such number of Commodity Securities for all purposes other than with respect to any payments or deliveries in respect of the Commodity Securities, for which purpose the bearer of a Global Commodity Security shall be treated by the Issuer, the Trustee, the Principal Paying Agent and any other Paying Agent as the Holder of such Commodity Securities in accordance with and subject to the terms of the Global Commodity Security.

4. Status of the Commodity Securities and Instructing Creditor

- 4.1 The Commodity Securities are secured, limited recourse debt obligations of the Issuer, which are secured in the manner described in Condition 5 (*Collateral and Priority of Payments*) and recourse in respect of which is limited in the manner described in Condition 13 (*Proceedings, Action, Indemnification, Limited Recourse and Non-Petition*). The Commodity Securities rank and will rank *pari passu* without any preference among themselves.
- 4.2 *Instructing Creditor*: In relation to each Series of non-FX Commodity Securities, the Instructing Creditor of such Series is the Holders. In relation to each Series of FX Commodity Securities, the Instructing Creditor of such Series shall be, on any day, the relevant Hedge Counterparty, provided that if (i) no sums are, on such day, owing to such Hedge Counterparty in respect of such Series and/or (ii) an Insolvency Event has occurred in respect of such Hedge Counterparty, the Instructing Creditor shall be the Holders. For the avoidance of doubt, sums will be considered to be "owing" to the relevant Hedge Counterparty in respect of a Series if, on the relevant day, an amount would be payable by the Issuer to such Hedge Counterparty if the relevant Hedge Agreement was terminated on such day due to a termination event affecting both parties to the relevant Hedge Agreement.

For the purpose of this Condition, "**Insolvency Event**" in respect of a Hedge Counterparty means that such Hedge Counterparty (i) becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of such Hedge Counterparty or the whole or a substantial part of the undertaking, assets and revenues of such Hedge Counterparty is appointed (or application for any such appointment is made), (iii) such Hedge Counterparty takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it, (iv) such Hedge Counterparty ceases or threatens to cease to carry on all or any substantial part of its business, (v) an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of such Hedge Counterparty, or (vi) any event occurs which has an analogous effect to any of the events referred to in this paragraph.

- 4.3 The Instructing Creditor for a Series may be the Holders and, if so, the Holders of such Series will be deemed to be a single Secured Creditor. Where the Instructing Creditor is the Holders, the Holders may make requests to the Trustee by means of a request in writing of the Holders of at least one-half of the Principal Amount of the Commodity Securities of such Series outstanding or by means of an Extraordinary Resolution of such Holders and where the Instructing Creditor is a Hedge Counterparty, such Hedge Counterparty may make requests to the Trustee in writing.
- 4.4 Prior to the delivery of an Enforcement Notice, the Trustee will, where the interests of the Holders conflict with those of the other Secured Creditors, prefer the interests of the Holders over those of other Secured Creditors (and shall not take into account the interests of such other Secured Creditors). On or following the delivery of an Enforcement Notice, the Trustee will, where the interests of the Instructing Creditor conflict with those of the other Secured Creditors, prefer the interests of the Instructing Creditor over those of other Secured Creditors (and shall not take into account the interests of such other Secured Creditors). For the avoidance of doubt, although the Trustee will consider the interests of the Holders for the purpose of exercising its discretion to deliver an Enforcement Notice pursuant to Condition 12.1 (*Occurrence of Event of Default*), if the Trustee is instructed by the Instructing Creditor to deliver an Enforcement

Notice the Trustee will act on such instruction without further consideration of the interests of the Holders.

- 4.5 If, following a request as aforesaid and unless the Trustee has already taken action pursuant to such request which (in its sole discretion it determines) it would not be practical to reverse, the identity of the Instructing Creditor changes to the other Instructing Creditor (as so provided in Condition 4.2 (*Instructing Creditor*) above), the Trustee shall in its absolute discretion and without liability therefor be entitled to take into account the request of such succeeding Instructing Creditor, but shall not be obliged to do so and shall not incur any liability for determining that it is impractical to take account of the change of identity of the Instructing Creditor.

5. Collateral and Priority of Payments

- 5.1 *Collateral:* In the Master Collateral Terms, the Issuer with full title guarantee and as continuing security for the Secured Obligations will create in favour of the Trustee for itself and as trustee for the Secured Creditors the following Security Interests:

- 5.1.1 a first fixed charge over the Underlying Commodity and all rights and sums derived therefrom;
- 5.1.2 a first fixed charge over all of the Issuer's rights, title and interest in and to the Retained Monies from time to time standing to the credit of the Issuer Account and all other Retained Monies and including any interest accrued or accruing thereon;
- 5.1.3 an assignment by way of first fixed security of the Issuer's rights, title and interest under the Constituting Instrument and any sums payable thereunder including the Issuer's rights to any sums held by any other party thereto to meet payments due in respect of the Commodity Securities;
- 5.1.4 in respect of FX Commodity Securities, an assignment by way of first fixed security of the Issuer's rights, title and interest in the relevant Hedge Agreement and all sums payable thereunder;
- 5.1.5 an assignment by way of first fixed security of the Issuer's rights, title and interest in and to the Commodity Purchase and Sale Agreement (insofar as it relates to the Commodity Securities) and all sums payable thereunder;
- 5.1.6 an assignment by way of first fixed security of the Issuer's rights, title and interest under any agreement replacing any of the foregoing agreements or entered into by the Issuer in relation to the Commodity Securities and any sums payable thereunder; and
- 5.1.7 a first fixed charge over all sums held by the Paying Agents and/or the Custodian to meet payments due in respect of the Commodity Securities.

- 5.2 *Floating charge:* In addition, in the Master Collateral Terms the Issuer will, in respect of the first Series of Commodity Securities, and without prejudice to any other security which may be created by the Issuer in respect of any Series of Commodity Securities, as continuing security for all the monies and other liabilities payable or owing by the Issuer in relation to all Series of Commodity Securities, with full title guarantee charges, in favour of the Trustee for itself and as trustee for the Secured Creditors, by way of first floating charge the whole of its undertaking and all its property, assets and rights whatsoever and wheresoever present and future (other than: (i) the monies representing paid up share capital of the Issuer; (ii) any transaction fees

payable to the Issuer in respect of each issue of Commodity Securities; (iii) any assets of the Issuer which are otherwise effectively subject to any effective fixed charge or assignment by way of security as described in Condition 5.1 (*Collateral*) above and, if applicable any Constituting Instrument and/or any Supplemental Collateral Document in respect of a particular Series of Commodity Securities; (iv) any monies available to the Issuer after application of the proceeds of the Collateral of any Series of Commodity Securities in accordance with the relevant order of priorities; and (v) any assets which are situated in Jersey).

- 5.3 Holders will have no proprietary interest in the Underlying Assets other than the Security Interests created by the Issuer in favour of the Trustee for itself and on behalf of the Secured Creditors as described in Conditions 5.1 (*Collateral*) and 5.2 (*Floating Charge*) above.
- 5.4 The Issuer will procure that the Underlying Commodity is delivered to the Custodian on the Issue Date. The Custodian (which expression shall include any additional or other Custodians from time to time appointed) will hold the Underlying Commodity on behalf of the Issuer in accordance with the Master Custody Terms and subject to the charge referred to above. The Issuer reserves the right at any time with the prior written approval of the Trustee to change the Custodian in respect of any series of Commodity Securities. Notice of such change shall be given to the Holders in accordance with Condition 20 (*Notices*).
- 5.5 *Priority of Payments:* Following the delivery of an Enforcement Notice by the Trustee or in connection with a Mandatory Redemption, all monies received by or on behalf of the Trustee or the Issuer, as the case may be, in connection with the Commodity Securities shall be applied in the manner specified in the Master Collateral Terms, which shall be:
- 5.5.1 first, in payment or satisfaction of any Taxes and statutory fees for which the Issuer is liable or will be liable to pay to any Tax Authority;
- 5.5.2 second, in payment or satisfaction of the fees, costs, charges, expenses and Liabilities incurred or to be incurred by the Trustee or any Receiver in preparing and executing the trusts created by the incorporation of these provisions into the Constituting Instrument (including any amounts representing or otherwise in respect of VAT, the costs of realising any Collateral, indemnity payments and the Trustee's remuneration);
- 5.5.3 third, (in no order of priority inter se, but pro rata to the respective amount then due) in payment or satisfaction of the fees, costs, charges, expenses and Liabilities (including any amounts representing or otherwise in respect of VAT) (other than the Liabilities referred to in Conditions 5.5.1 and 5.5.2 above) of the Arranger, the Principal Paying Agent, any other Paying Agent, the Selling Agent, the Administrator, the Corporate Services Provider, the Custodian, the Commodity Purchase and Sale Counterparty, the Calculation Agent and the Account Bank;
- 5.5.4 fourth, in meeting the claims (if any) of the relevant Hedge Counterparty under the relevant Hedge Agreement;
- 5.5.5 fifth, rateably in meeting the claims (if any) of the Holders; and
- 5.5.6 sixth, in payment of the balance (if any) to the Issuer.

6. Restrictions

So long as any of the Commodity Securities remain outstanding, the Issuer will not, save to the extent permitted by the Transaction Documents:

- 6.1.1 have any employees or premises;
- 6.1.2 issue any additional shares;
- 6.1.3 purchase, own, lease or otherwise acquire any real property (including office premises or like facilities) or any assets (whether tangible or intangible) which have a Jersey situs or acquire any rights or benefits (whether contractual or otherwise) which may be deemed to have a Jersey situs;
- 6.1.4 incur or permit to subsist any indebtedness or give any guarantee or indemnity in respect of any indebtedness other than issuing Commodity Securities, provided that the Trustee is satisfied that such Commodity Securities are:
 - (a) secured on assets of the Issuer other than:
 - (1) the Underlying Assets for any other Commodity Securities (save in the case of a fungible Tranche of such Commodity Securities forming a single Series with the Tranche of Commodity Securities already issued, subject to Condition 18 (*Further Issues*));
 - (2) any assets other than those described in (1) above on which any other obligations of the Issuer are secured; and
 - (3) the Issuer's share capital;
 - (b) issued on terms which provide for the extinguishment of all claims in respect of such Commodity Securities after application of the proceeds of sale or redemption of the Underlying Assets on which such Commodity Securities are secured; and
 - (c) in the case of a Commodity Security which is fungible with any Commodity Security previously issued, secured *pari passu* on the Underlying Assets for such previously issued Commodity Security and such further assets of the Issuer upon which such fungible Commodity Security and such previously issued Commodity Security are secured, subject to Condition 18 (*Further Issues*);
- 6.1.5 appoint any person who is not a member of the LBMA to act in the capacity of Custodian in connection with the Commodity Securities;
- 6.1.6 without the prior written consent of the Trustee, sell or otherwise dispose of the Underlying Assets or any interest therein or agree or purport to do so;
- 6.1.7 without the prior written consent of the Trustee, create or permit to exist upon or affect any of the Underlying Assets, any Security Interest or any other security interest whatsoever other than as contemplated by any Collateral Documents;
- 6.1.8 without the prior written consent of the Trustee, consolidate or merge with any other person or convey or transfer its properties or assets to any person;

- 6.1.9 without the prior written consent of the Trustee, make or consent to any amendment to any Transaction Document in respect of the Commodity Securities or any Underlying Assets nor permit any Transaction Document to be terminated, postponed or discharged, or permit any person whose obligations form part of the Commodity Security to be released from such obligations in respect of the Commodity Securities;
- 6.1.10 without the prior written consent of the Trustee, release any party to any Hedge Agreement from any executory obligation thereunder; or
- 6.1.11 have any subsidiaries.

The Trustee shall be entitled to rely absolutely on a certificate of a director of the Issuer in relation to any matter relating to such restrictions and to accept without liability any such certificate as sufficient evidence of the relevant fact or matter in question.

7. **Redemption and Purchase**

7.1 *Redemption of Term Commodity Securities:* Unless previously redeemed or purchased and cancelled, and unless otherwise specified in the relevant Final Terms, the Issuer shall redeem each outstanding Commodity Security which is a Term Commodity Security on the Maturity Date as follows: (i) if Cash Settlement applies, by payment of the relevant Cash Amount on the relevant Settlement Date, subject as provided in Condition 10 (*Payments*); and (ii) if Physical Settlement applies in accordance with Condition 8.3 (*Term Commodity Securities – Physical Settlement*), by delivery of the Delivery Amount and payment of the Fractional Cash Amount (if any) on the relevant Settlement Date, subject as provided in Condition 8 (*Holder Redemption*).

7.2 *Redemption of Non-Term Commodity Securities:* Unless previously redeemed or purchased and cancelled, and unless otherwise specified in the relevant Final Terms, on any Business Day a Holder may elect for any Commodity Security which is a Non-Term Commodity Security to be redeemed by the Issuer on an Eligible Redemption Day by delivery of a Redemption Notice in accordance with Conditions 8.1 (*Non-Term Commodity Securities*) and 8.2 (*Non-Term Commodity Securities – Additional requirement for Physical Settlement*).

7.3 *Mandatory Redemption*

7.3.1 *Termination of Hedge Agreement:* If a Hedge Agreement in relation to the Commodity Securities is terminated and is not replaced to the satisfaction, and with the prior written approval, of the Trustee, the Issuer shall forthwith give notice thereof to the Trustee, the Selling Agent and the Holders. Thereupon, the Selling Agent shall arrange for, and administer the sale of, all of the Collateral relating to the Commodity Securities in accordance with the Master Agency Terms (and subject to the relevant provisions of the Master Collateral Terms, the Commodity Security Terms and the Master Custody Terms). Upon receipt of the sale proceeds thereof by or on behalf of the Issuer, the Issuer shall give not more than 30 nor less than 15 days' notice (unless otherwise agreed by the Trustee) to the Secured Creditors (which notice shall be irrevocable) of the date on which the Commodity Securities shall be redeemed and: (x) the proceeds actually received by or on behalf of the Issuer in respect of such sale, less all expenses, fees and charges (including, without limitation, any Taxes) incurred or to be incurred by or on behalf of the Issuer in connection with such sale (the "**Net Sale Proceeds**") shall be applied in accordance with Condition 5.5 (*Priority of Payments*); and (y) the Issuer shall redeem each outstanding Commodity Security on such date by payment of an amount in the Specified Currency equal to the Cash

Amount that would have been determined if the Commodity Securities were being redeemed with an Eligible Redemption Day as specified in such notice or, if less, an amount in the Specified Currency equal to that part (if any) of the Net Sale Proceeds still available to Holders after being applied in accordance with Condition 5.5 (*Priority of Payments*) divided by the number of Commodity Securities outstanding.

7.3.2 *Redemption for taxation and other reasons:* If, in relation to the Commodity Securities, the Issuer satisfies the Trustee that:

- (a) it would, on the occasion of the next payment date in respect of the Commodity Securities, be required to withhold or account for tax above and beyond those taxes of which the Issuer was aware at the time of issue of the Commodity Securities; or
- (b) it would suffer tax above and beyond those taxes of which the Issuer was aware at the time of issue of the Commodity Securities in respect of payments made to it under a Hedge Agreement (if any), relating to the Commodity Securities so that it would be unable to make payment of the full amount due on the Commodity Securities; or
- (c) the cost to it of complying with its obligations under or in connection with the Master Collateral Terms and the Commodity Security Terms or meeting its operating or administrative expenses would be materially increased; or
- (d) in relation to any supply which will be made by or to the Issuer for VAT purposes arising from or otherwise in connection with any transfer of any Underlying Commodity, VAT will be chargeable at a positive rate on that supply in any jurisdiction, and such VAT is payable by the Issuer to the relevant Tax Authority in that jurisdiction, or an amount in respect of such VAT is payable by the Issuer to the person liable to account for or pay such VAT to the relevant Tax Authority in that jurisdiction, other than (1) where the supply which will be made by the Issuer is a supply arising from or otherwise in connection with a sale of any Underlying Commodity and the recipient of such supply (not being the Issuer) has agreed to make, before or at the same time as such supply, a payment to the Issuer of an amount in addition to the agreed purchase price equal to the amount of VAT chargeable on such supply and there are no reasonable grounds for the Issuer to believe that such person will not comply with such agreement, or (2) where the supply which will be made by the Issuer is delivery of the Delivery Amount upon Physical Settlement and the deduction of an amount of the relevant Underlying Commodity to satisfy Taxes in order to establish the Delivery Amount is sufficient to meet, amongst other applicable Taxes, the amount chargeable to VAT,

then, unless in the case of (a) or (b) above there is a substitution of the Issuer under Condition 17.2 (*Substitution*), the Issuer shall forthwith give notice thereof to the Trustee, the Selling Agent and the Holders. Thereupon, the Selling Agent shall arrange for, and administer the sale of, all of the Collateral relating to the Commodity Securities in accordance with the Master Agency Terms (and subject to the relevant provisions of the Master Collateral Terms, the Commodity Security Terms and the Master Custody Terms). Upon receipt of the sale proceeds thereof by or on behalf of the Issuer, the Issuer shall give not more than 30 nor less than 15 days' notice (unless

otherwise agreed by the Trustee) to the Secured Creditors (which notice shall be irrevocable) of the date on which the Commodity Securities shall be redeemed and: (x) the proceeds actually received by or on behalf of the Issuer in respect of such sale, less all expenses, fees and charges (including, without limitation, any Taxes) incurred or to be incurred by or on behalf of the Issuer in connection with such sale (the "**Net Sale Proceeds**") shall be applied in accordance with Condition 5.5 (*Priority of Payments*); and (y) the Issuer shall redeem each outstanding Commodity Security on such date by payment of an amount in the Specified Currency equal to the Cash Amount that would have been determined if the Commodity Securities were being redeemed with an Eligible Redemption Day as specified in such notice or, if less, an amount in the Specified Currency equal to that part (if any) of the Net Sale Proceeds still available to Holders after being applied in accordance with Condition 5.5 (*Priority of Payments*) divided by the number of Commodity Securities outstanding.

Prior to publication of any notice of redemption under this Condition 7.3.2, 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 so to redeem have occurred and, in the case of a redemption of Commodity Securities under (a) or (b) above, an opinion (in form and substance satisfactory to the Trustee) of legal advisers of recognised standing to the Issuer (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.

Notwithstanding the foregoing, if any of the taxes referred to in (a) above arise:

- (i) owing to the connection of any Holder, or any third party having a beneficial interest in the Commodity Securities with the Jurisdiction of Incorporation (or other place of incorporation or tax jurisdiction of the Issuer) otherwise than by reason only of the holding of any Commodity Security or receiving principal; or
- (ii) by reason of the failure by the relevant Holder to comply with any applicable procedures required to establish non-residence or other similar claim for exemption from such tax,

then to the extent it is able to do so, the Issuer shall deduct such taxes from the amounts payable to such Holder or any third party having a beneficial interest in the Commodity Securities, and shall not redeem the Commodity Securities but this shall not affect the rights of the other Holders hereunder. Any such deduction shall not constitute an Event of Default under Condition 12 (*Events of Default*).

7.3.3 *Resignation of Service Provider:* If either of the Trustee or the Custodian resign or their appointments are otherwise terminated, in either case in accordance with the Master Collateral Terms or Master Custody Terms, as applicable, and the Issuer is not able to find a replacement Trustee or Custodian, as the case may be (i) in the case of resignation, within 90 calendar days of notice of such resignation and (ii) in the case of termination, immediately upon termination of the appointment of the Trustee or Custodian, as the case may be, the Issuer shall forthwith give notice thereof to the Trustee, the Selling Agent and the Holders. Thereupon, the Selling Agent shall arrange for, and administer the sale of, all of the Collateral relating to the Commodity Securities in accordance with the Master Agency Terms (and subject to the relevant

provisions of the Master Collateral Terms, the Commodity Security Terms and the Master Custody Terms). Upon receipt of the sale proceeds thereof by or on behalf of the Issuer, the Issuer shall give not more than 30 nor less than 15 days' notice (unless otherwise agreed by the Trustee) to the Secured Creditors (which notice shall be irrevocable) of the date on which the Commodity Securities shall be redeemed and: (x) the proceeds actually received by or on behalf of the Issuer in respect of such sale, less all expenses, fees and charges (including, without limitation, any Taxes) incurred or to be incurred by or on behalf of the Issuer in connection with such sale (the "**Net Sale Proceeds**") shall be applied in accordance with Condition 5.5 (*Priority of Payments*); and (y) the Issuer shall redeem each outstanding Commodity Security on such date by payment of an amount in the Specified Currency equal to the Cash Amount that would have been determined if the Commodity Securities were being redeemed with an Eligible Redemption Day as specified in such notice or, if less, an amount in the Specified Currency equal to that part (if any) of the Net Sale Proceeds still available to Holders after being applied in accordance with Condition 5.5 (*Priority of Payments*) divided by the number of Commodity Securities outstanding.

- 7.4 *Redemption at the option of the Issuer:* If "Issuer Call Option" is specified in the relevant Final Terms as being applicable, the Commodity Securities may be redeemed at the option of the Issuer in whole on any Optional Issuer Redemption Date at the relevant Cash Amount on the Issuer giving, unless otherwise specified in the relevant Final Terms, not less than 30 nor more than 40 days' notice to the Holders (which notice shall be irrevocable) and shall oblige the Issuer to redeem all of the Commodity Securities on the relevant Settlement Date relating to the Optional Issuer Redemption Date at the Cash Amount.
- 7.5 *No Physical Settlement on Mandatory Redemption:* Cash Settlement shall be deemed to apply in respect of any Commodity Securities redeemed in accordance with Condition 7.3 (*Mandatory Redemption*) and no Physical Settlement shall be available in respect of such Commodity Securities.
- 7.6 *Cancellation:* All Commodity Securities so redeemed by the Issuer shall be cancelled and may not be reissued or resold.

8. **Holder Redemption**

- 8.1 *Non-Term Commodity Securities:* The Issuer shall at the option of the Holder of any Commodity Security which is a Non-Term Commodity Security redeem such Commodity Security on any Eligible Redemption Day as follows:
- 8.1.1 if Cash Settlement applies, by payment of the relevant Cash Amount on the relevant Settlement Date, subject to Condition 8.5 (*Cash Settlement payment obligation*) and Condition 10 (*Payments*); and
- 8.1.2 if Physical Settlement applies, by delivery of the relevant Delivery Amount and payment of the Fractional Cash Amount (if any) on the relevant Settlement Date, subject to Condition 8.6 (*Physical Settlement delivery obligation*),

provided, however, that this option may only be exercised in respect of the relevant Minimum Redemption Amount of Commodity Securities (each a "**Holder Optional Redemption**"); provided however that all Holder Optional Redemptions shall be suspended: (i) from the occurrence of any event or events which may result in a Mandatory Redemption, for as long as such Mandatory Redemption may still occur; or (ii) from the occurrence of an Event of Default

or a Potential Event of Default, for as long as such Event of Default or Potential Event of Default is continuing.

In order to exercise the option contained in this Condition 8.1, the Holder of the relevant Commodity Securities must deliver, on or before 4.00 p.m. (London time) on any Business Day which is no less than 5 Business Days or, in respect of Commodity Securities cleared through Clearstream, Luxembourg, no less than 15 Business Days, and, in respect of all Commodity Securities, no more than 20 Business Days (unless otherwise agreed with the Issuer) prior to such Eligible Redemption Day, to the Principal Paying Agent an irrevocable notice (a "**Redemption Notice**") in the form available from any Paying Agent which must:

- (i) specify the name and address of the Holder;
- (ii) specify the number of Commodity Securities being redeemed (such number being at least equal to or more than the Minimum Redemption Amount);
- (iii) specify the Eligible Redemption Day on which redemption is requested to occur;
- (iv) specify the number of the Holder's account at Euroclear, Clearstream, Luxembourg, Euroclear Nederland, CBF and/or any other clearing system, as the case may be, to be debited with such Commodity Securities;
- (v) irrevocably instruct and authorise Euroclear, Clearstream, Luxembourg, Euroclear Nederland, CBF and/or any other relevant clearing system, as the case may be, (i) to debit the Holder's account with such Commodity Securities on the Settlement Date and (ii) that no further transfers of the Commodity Securities specified in the Redemption Notice may be made from the date of such Redemption Notice;
- (vi) contain a representation and warranty from the Holder to the effect that the Commodity Securities to which the Redemption Notice relates are free from all liens, charges, Security Interests and other third party rights;
- (vii) include a certificate of non-U.S. beneficial ownership in the form required by the Issuer; and
- (viii) authorise the production of the Redemption Notice in any applicable administrative or legal proceedings.

8.2 *Non-Term Commodity Securities – Additional requirement for Physical Settlement:* In respect of any Non-Term Commodity Security, Physical Settlement will only be available in respect of a Holder Optional Redemption if:

- 8.2.1 the relevant Final Terms specify that Physical Settlement is applicable; and
- 8.2.2 the relevant Redemption Notice, in addition to satisfying the requirements set out in Condition 8.1 (*Non-Term Commodity Securities*) above:
 - (a) specifies that the Holder of the relevant Commodity Securities is electing for Physical Settlement to apply;
 - (b) specifies the number and account name of an unallocated account in London with a member of the LBMA where the relevant Delivery Amount shall be credited; and

- (c) contains a representation and warranty from the Holder of the relevant Commodity Securities to the effect that the request for Physical Settlement and the acceptance of the delivery of the relevant Delivery Amount and payment of any Fractional Cash Amount is and will be in accordance with all laws and regulations applicable to such Holder.

8.3 *Term Commodity Securities - Physical Settlement:* In respect of any Term Commodity Security, and provided the relevant Final Terms specify that Physical Settlement is applicable, if a Holder wishes to elect for Physical Settlement in lieu of redemption by Cash Settlement in accordance with Condition 7.1 (*Redemption of Term Commodity Securities*), the Holder must submit a Redemption Notice in accordance with Conditions 8.1 (*Non-Term Commodity Securities*) and 8.2 (*Non-Term Commodity Securities – Additional requirement for Physical Settlement*) as if such Term Commodity Security was a Non-Term Commodity Security and the Maturity Date was an Eligible Redemption Day and, in addition to fulfilling the requirements of those Conditions (including, without limitation, as to the Minimum Redemption Amount), submit such Redemption Notice, at his own expense, on or before 4:00 pm (London time) on any Business Day which is no less than 5 Business Days or, in respect of Commodity Securities cleared through Clearstream, Luxembourg, no less than 15 Business Days, and, in respect of all Commodity Securities, no more than 20 Business Days (unless otherwise agreed with the Issuer) prior to the Maturity Date (or such earlier date as the Issuer shall determine is necessary for the Issuer, any Agent(s), the Custodian, Euroclear, Clearstream, Luxembourg, Euroclear Nederland, CBF and/or any other relevant clearing system to perform their respective obligations hereunder and notify to the Agents, the Custodian and the Holders).

8.4 *Delivery of Redemption Notice:* A Redemption Notice once delivered to the Principal Paying Agent shall be irrevocable and may not be withdrawn without the consent in writing of the Issuer. A Holder may not transfer any Commodity Security which is the subject of a Redemption Notice following delivery of such Redemption Notice to the Principal Paying Agent. A Redemption Notice shall only be valid to the extent that the Principal Paying Agent has not received conflicting prior instructions in respect of the Commodity Securities which are the subject of the Redemption Notice.

8.4.1 Failure by a Holder to properly complete and deliver a Redemption Notice (including, without limitation, a failure to deliver a Redemption Notice within the period specified in Condition 8 (*Holder Redemption*)) shall result in such notice being treated as null and void by the Issuer and/or the Calculation Agent acting on its behalf with the consequences set out in (a) and (b) below. Any determination as to whether such notice has been properly completed and delivered as provided shall be made by the Principal Paying Agent and shall be conclusive and binding on the Issuer, the Holder and the beneficial owner of the Commodity Securities exercised.

- (a) *Term Commodity Security, default to Cash Settlement:* In relation to a Term Commodity Security where the Holder has attempted to elect for Physical Settlement to apply in accordance with Condition 8.3 (*Term Commodity Securities – Physical Settlement*) above, in the event that the relevant Redemption Notice is treated as null and void, Physical Settlement shall not apply and no Delivery Amount shall be deliverable (nor Fractional Cash Amount (if any) payable) in respect of such Term Commodity Security and, instead, Cash Settlement shall apply and the Issuer shall pay the relevant Cash

Amount in respect of the relevant Term Commodity Security on the relevant Settlement Date.

- (b) *Non-Term Commodity Security, no redemption*: In relation to a Non-Term Commodity Security where the Holder has attempted to elect for redemption in respect of an Eligible Redemption Day, in the event that the relevant Redemption Notice is treated as null and void, a new duly completed Redemption Notice must be resubmitted by the Holder (in accordance with this Condition 8) if the Holder still wishes to elect for redemption of such Non-Term Commodity Security.

8.4.2 The Principal Paying Agent shall promptly on the local banking day following receipt of a Redemption Notice send a copy thereof to the Custodian and the Issuer or such person as the Issuer may previously have specified.

8.5 *Cash Settlement payment obligation*: In respect of a redemption of any Commodity Security where Cash Settlement applies:

8.5.1 Following the relevant Commodity Sale Trigger Date, the Calculation Agent, acting on behalf of the Issuer, shall:

- (a) give notice to the Commodity Purchase and Sale Counterparty of the sale under the Commodity Purchase and Sale Agreement on the Commodity Sale Date of an amount of Underlying Commodity equal to the aggregate Commodity Security Entitlement (determined, in the case of non-FX Commodity Securities, as at the Valuation Date immediately preceding the scheduled Settlement Date, in the case of Quanto Commodity Securities, as at the Reset Date immediately preceding the scheduled Settlement Date or, in the case of Currency Overlay Commodity Securities, as at the Rebalancing Date immediately preceding the Settlement Date) in respect of the Commodity Securities subject to redemption;
- (b) use reasonable endeavours to sell such amount of Underlying Commodity at the Commodity Sale Price, provided, however, that neither the Issuer nor the Calculation Agent makes any representation or warranty as to the price at which the relevant Underlying Commodity will be sold or the amount of Commodity Sale Proceeds; and
- (c) on receipt of the Commodity Sale Proceeds, calculate the Per Commodity Security Commodity Sale Proceeds and, thereafter deduct any applicable Redemption Fees and Expenses from the Per Commodity Security Commodity Sale Proceeds in order to determine the Cash Amount.

8.5.2 The Issuer shall discharge its obligation to pay the Cash Amount in respect of such Commodity Securities by crediting, or procuring the credit of, the same on the Settlement Date to the account of the Holder in accordance with Condition 10 (*Payments*).

8.5.3 The following term has the following meaning:

"Cash Amount" means, in respect of a redemption of any Commodity Security where Cash Settlement applies, an amount in the Specified Currency equal to the relevant Per Commodity Security Commodity Sale Proceeds less any applicable Redemption

Fees and Expenses, converted into the Specified Currency at the FX Rate on the Valuation Date immediately preceding the relevant Settlement Date if the Specified Currency is not US dollars, or such other amount as may be specified in, or determined in accordance with, the relevant Final Terms, provided that the Cash Amount shall not be less than the Minimum Principal Amount.

8.6 *Physical Settlement delivery obligation:* In respect of a redemption of any Commodity Securities where Physical Settlement applies:

8.6.1 Following the relevant Commodity Sale Trigger Date, the Calculation Agent (acting on behalf of the Issuer) will:

- (a) give notice to the Commodity Purchase and Sale Counterparty of the sale under the Commodity Purchase and Sale Agreement on the Commodity Sale Date of an amount of Underlying Commodity equal to the aggregate Commodity Security Entitlement (determined, in the case of non-FX Commodity Securities, as at the Valuation Date immediately preceding the scheduled Settlement Date, in the case of Quanto Commodity Securities, as at the Reset Date immediately preceding the scheduled Settlement Date or, in the case of Currency Overlay Commodity Securities, as at the Rebalancing Date immediately preceding the Settlement Date) of the Commodity Securities being so redeemed less the Delivery Amount;
- (b) use reasonable endeavours to sell such amount of Underlying Commodity at the Commodity Sale Price, provided, however, that neither the Issuer nor the Calculation Agent makes any representation or warranty as to the price at which the relevant Underlying Commodity will be sold or the amount of Commodity Sale Proceeds; and
- (c) on receipt of the Commodity Sale Proceeds deduct the aggregate of any applicable Redemption Fees and Expenses in respect of all Commodity Securities being so redeemed from the Commodity Sale Proceeds to determine the Fractional Cash Amount.

8.6.2 The Issuer shall discharge its obligation (a) to deliver the Delivery Amount in respect of such Commodity Securities by crediting, or procuring the credit of, the same on the relevant Settlement Date to the unallocated account in London with a member of the LBMA specified by the relevant Holder in the relevant Redemption Notice and (b) to pay the Fractional Cash Amount (if any) in respect of such Commodity Securities by paying such amount to the relevant Holder on the relevant Settlement Date in accordance with Condition 10 (*Payments*).

8.6.3 The following terms have the following meanings:

"Delivery Amount" means, in respect of a redemption of any Commodity Securities where Physical Settlement applies, an amount of the Underlying Commodity equal to the Relevant Amount of Commodity rounded down to the nearest whole number of Standard Bars (which may be zero in cases where the Relevant Amount of Commodity is less than a single Standard Bar);

"Fractional Cash Amount" means, in respect of a redemption of any Commodity Securities where Physical Settlement applies, an amount in the Specified Currency

equal to (i) the relevant Commodity Sale Proceeds *less* (ii) the aggregate of any applicable Redemption Fees and Expenses in respect of all Commodity Securities being so redeemed *and* (iii) converted into the Specified Currency at the FX Rate on the Valuation Date immediately preceding the scheduled Settlement Date if the Specified Currency is not US dollars; provided that the Fractional Cash Amount shall not be less than zero or, if the Delivery Amount is zero, shall not be less than the aggregate of the Minimum Principal Amount in respect of such Commodity Securities; and

"Relevant Amount of Commodity" means, in respect of a redemption of any Commodity Securities where Physical Settlement applies, an amount of Commodity equal to the aggregate Commodity Security Entitlement (determined, in the case of non-FX Commodity Securities, as at the Valuation Date immediately preceding the scheduled Settlement Date, in the case of Quanto Commodity Securities, as at the Reset Date immediately preceding the scheduled Settlement Date or, in the case of Currency Overlay Commodity Securities, as at the Rebalancing Date immediately preceding the scheduled Settlement Date) less an amount of Commodity equal in value (calculated at the Reference Price as at the Valuation Date immediately preceding the scheduled Settlement Date) to the aggregate of any applicable Redemption Fees and Expenses in respect of all Commodity Securities being so redeemed (rounded down to the nearest 0.001 ounce).

8.7 *Settlement Disruption:*

8.7.1 In relation to any redemption of Commodity Securities, the Calculation Agent shall determine whether or not at any time a Settlement Disruption Event has occurred and where it determines such an event has occurred and has prevented a sale of Commodities or delivery of a Delivery Amount on the original day that but for such Settlement Disruption Event would have been the Commodity Sale Date or Settlement Date (the "**Original Settlement Date**"), then, unless otherwise specified in the Final Terms, the Commodity Sale Date or Settlement Date (as the case may be) will be the first succeeding day on which the relevant sale and/or delivery can take place unless a Settlement Disruption Event prevents such sale and/or delivery on each of the ten Business Days immediately following the Original Settlement Date. In that case:

- (a) if the relevant sale and/or delivery can be effected in good faith, then the Commodity Sale Date or Settlement Date, as applicable, will be that tenth Business Day with sale and/or delivery being effected in such manner; and
- (b) if such sale and/or delivery cannot be effected in good faith, then the Commodity Sale Date or Settlement Date, as applicable, will be postponed until sale and/or delivery can be effected in good faith.

8.7.2 During any period where a Settlement Disruption Event exists, the fees which are accrued daily and reflected in the calculations of the Commodity Security Value and the Commodity Security Entitlement (being the Management Fee Rate and, in respect of Quanto Commodity Securities, the Quanto Maintenance Fee Rate) will continue to accrue.

8.7.3 For the purposes hereof:

"Settlement Disruption Event" means, as determined by the Calculation Agent, an event (other than an event as described in Condition 8.8 (*Failure to sell Underlying Commodity*) below) which is beyond the control of the Issuer or the transferor of any Delivery Amount and as a result of which the Issuer or such transferor is unable to effect a relevant sale or delivery of the relevant Commodity.

8.8 *Failure to sell Underlying Commodity.* On the Commodity Sale Date, the Issuer will endeavour to sell an amount of the relevant Underlying Commodity to the Commodity Purchase and Sale Counterparty under the terms of the Commodity Purchase and Sale Agreement. In the event that the Issuer (or the Calculation Agent acting on its behalf) does not receive the relevant Commodity Sale Proceeds in full in respect of such sale due to the negligence or wilful misconduct of the Commodity Purchase and Sale Counterparty, the Issuer shall assign, without recourse or warranty, to the redeeming Holder the Issuer's claim and all related Rights to such Underlying Commodity in satisfaction of all claims of such Holder in respect of the relevant Commodity Securities and, upon such assignment, the Holder shall have no further claims against the Issuer or the Collateral and the non-payment by the Issuer of any amounts due to such Holder shall not constitute an Event of Default under Condition 12 (*Events of Default*). The Issuer shall have no obligation under this Condition 8.8 to make any assignment unless and until the relevant Holder pays, or undertakes to pay, of all of the costs and expenses (including, without limitation, any Taxes) of the Issuer or any of its agents in connection with such assignment. Under the Master Collateral Terms, the Trustee is deemed to consent to an assignment as described in this Condition 8.8 and to authorise the release of any Underlying Assets from the Collateral to the extent necessary to effect such assignment. None of the Issuer, any of its agents, or the Trustee makes any representation or warranty as to the existence or quality of a claim of the Issuer and related rights, or as to the effectiveness or quality of any assignment thereof.

9. **Suspension Events**

9.1 *Suspension of redemptions:* If the Calculation Agent determines that a Suspension Event has occurred and is continuing at any time, all redemptions shall be suspended until the Calculation Agent determines that such Suspension Event is no longer continuing and any Redemption Notices received will be deemed to be null and void with the consequence set out in Condition 8.4.1 unless such Suspension Event is not continuing on the Valuation Date immediately preceding the relevant Eligible Redemption Day.

9.2 *Suspension of calculations:* If the Calculation Agent determines that a Suspension Event has occurred and is continuing on any day as of which any of the following would otherwise be calculated:

9.2.1 the Commodity Security Entitlement;

9.2.2 the Commodity Security Value;

9.2.3 any components of the formulae in respect of the foregoing;

9.2.4 the Reference Price;

9.2.5 the FX Rate; and/or

9.2.6 any amounts (including, without limitation, any Cash Amount or Fractional Cash Amount (if any)) payable in connection with the Commodity Securities if the Specified Currency is not US dollars,

(each of such dates a "**Calculation Date**"), the occurrence of such Calculation Date will be postponed until the first succeeding Business Day on which such Suspension Event is no longer continuing, unless that Suspension Event is continuing on each of the 180 Business Days immediately following the original Business Day on which the Suspension Event occurred. In that case (regardless of the Suspension Event) the Calculation Agent shall make the calculations referred to in this Condition 9.2 and, in respect of the Commodity Security Value, make such determinations and provide such information to the Corporate Services Provider, in each case having regard to such factors as the Calculation Agent determines to be relevant.

9.3 *Notification of Suspension Event:* If the Calculation Agent determines that a Suspension Event has occurred and is continuing at any time, the Calculation Agent shall inform the Issuer and the Issuer (or an Agent on its behalf) will as soon as reasonably practicable notify the Holders.

9.4 *Duration of Suspension Event:* Any such Suspension Event shall continue until the Calculation Agent has determined in its absolute discretion that the event(s) that triggered such Suspension Event have been resolved to the Calculation Agent's satisfaction.

10. **Payments**

10.1 *Principal:* Payments of principal shall be made only against presentation and (provided that payment is made in full) surrender of Commodity Securities at the Specified Office of any Paying Agent outside the United States by cheque drawn in the currency in which the payment is due on, or by transfer to an account denominated in that currency (or, if that currency is euro, any other account to which euro may be credited or transferred) and maintained by the payee with, a bank in the Principal Financial Centre of that currency (in the case of a sterling cheque, a town clearing branch of a bank in the City of London).

10.2 *Payments in Specified Currency:* All payments in respect of Commodity Securities shall be made in the Specified Currency. In respect of non-FX Commodity Securities where the Specified Currency is not US dollars, the payments of any Cash Amount or any other amounts which may be due under these Conditions shall be converted by the Calculation Agent into the Specified Currency at the prevailing FX Rate on the relevant date, and rounded to the nearest two decimal places in the Specified Currency, with 0.005 being rounded downwards.

10.3 *Payments subject to fiscal laws:* All payments in respect of the Commodity Securities are subject in all cases to any applicable fiscal or other laws and regulations in the place of payment, but without prejudice to the provisions of Condition 11 (*Taxation*). No commissions or expenses shall be charged to the Holders in respect of such payments.

10.4 *Payments on business days:* If the due date for payment of any amount in respect of any Commodity Security is not a Payment Business Day in the place of presentation, the Holder shall not be entitled to payment in such place of the amount due until the next succeeding Payment Business Day in such place and shall not be entitled to any further payment in respect of any such delay.

10.5 *Partial payments:* If a Paying Agent makes a partial payment in respect of any Commodity Security presented to it for payment, such Paying Agent will endorse thereon a statement indicating the amount and date of such payment.

- 10.6 *Value Added Tax*: Any sum (or other consideration) payable (or provided) by the Issuer to a Holder of any Commodity Security shall be inclusive of any VAT which may be chargeable at any rate on any supply or supplies for which that sum (or other consideration) is the consideration (in whole or in part) for VAT purposes.

11. **Taxation**

All payments in respect of the Commodity Securities will be made without withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature unless the Issuer, or any Paying Agent, Custodian or, where applicable, the Trustee is required by applicable law to make any payment in respect of the Commodity Securities subject to any withholding or deduction for, or on account of, any present or future taxes, duties or charges of whatsoever nature. In that event, the Issuer, such Paying Agent, Custodian or the Trustee (as the case may be) shall make such payment after such withholding or deduction has been made and shall account to the relevant authorities for the amount so required to be withheld or deducted. Neither the Issuer, nor any Paying Agent, nor the Custodian nor the Trustee will be obliged to make any additional payments to the Holders, in respect of such withholding or deduction, but Condition 7.3.2 (*Redemption for taxation and other reasons*) will apply. The Issuer, or any Paying Agent, or the Custodian may require the Holders to provide such certifications and other documents as required by applicable law in order to qualify for exemptions from applicable tax laws.

12. **Events of Default**

12.1 *Occurrence of Event of Default*:

The Trustee at its discretion may, and if so requested by the Instructing Creditor shall (in each case, provided the Trustee is secured, indemnified, or both, to its satisfaction) give notice (an "**Enforcement Notice**") to the Issuer that the Commodity Securities are, and they shall accordingly immediately become, due and repayable without further action or formality, at their Cash Amount (with an Eligible Redemption Day as of the Business Day immediately following the date of delivery of such Enforcement Notice) or as otherwise specified in the Final Terms and the Collateral in respect of the Commodity Securities shall thereupon become enforceable (as provided in the Master Collateral Terms) on the occurrence of any of the following events (each an "**Event of Default**"):

- (a) *Non-payment/Non-delivery*: the Issuer fails to (i) pay any amount of principal or (ii) deliver or procure the delivery of any amount of the Underlying Commodity, in respect of the Commodity Securities on the due date for payment or delivery (as the case may be) thereof; or
- (b) *Breach of other obligations*: if the Issuer fails to perform or observe any of its other obligations under the Transaction Documents and, where the Trustee considers, acting solely upon the instructions of the Instructing Creditor, that such default (i) is incapable of remedy or (ii) can be remedied, such failure continues for a period of 30 days (or such longer period as the Trustee may permit) following the service by the Trustee on the Issuer of notice requiring the same to be remedied; or
- (c) *Collateral enforced*: a secured party takes possession, or a receiver, manager or other similar officer is appointed, of the whole or a substantial part of the undertaking, assets and revenues of the Issuer; or

- (d) *Insolvency etc:* (i) the Issuer becomes insolvent or is unable to pay its debts as they fall due, (ii) an administrator or liquidator of the Issuer or the whole or a substantial part of the undertaking, assets and revenues of the Issuer is appointed (or application for any such appointment is made), (iii) the Issuer takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its indebtedness or any guarantee of any indebtedness given by it or (iv) the Issuer ceases or threatens to cease to carry on all or any substantial part of its business; or
- (e) *Winding up etc:* an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Issuer; or
- (f) *Analogous event:* any event occurs which under the laws of Jersey has an analogous effect to any of the events referred to in (d) and (e) above; or
- (g) *Failure to take action etc:* any action, condition or thing at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under and in respect of the Commodity Securities, (ii) to ensure that those obligations are legal, valid, binding and enforceable and (iii) to make the Commodity Securities admissible in evidence in the courts of Jersey is not taken, fulfilled or done; or
- (h) *Unlawfulness:* it is or will become unlawful for the Issuer to perform or comply with any of its obligations under or in respect of the Commodity Securities.

12.2 The Events of Default may be varied or amended in respect of the Commodity Securities as set out in the Final Terms.

12.3 *Confirmation of No Event of Default*

The Issuer shall provide written confirmation signed by 2 directors of the Issuer to the Trustee, on request and (without the necessity for any request) on an annual basis, that no Event of Default or Potential Event of Default or other matter which is required to be brought to the Trustee's attention has occurred.

12.4 *Realisation of the Underlying Assets upon redemption*

In the event of the Collateral constituted under the Constituting Instrument and Master Collateral Terms, to the extent applicable, becoming enforceable following an acceleration of the Commodity Securities thereto as provided in this Condition 12, the Trustee shall, but in each case without any liability as to the consequence of such action and without having regard to the effect of, or being required to account for, such action to, the Secured Creditors in relation to the Commodity Securities, have the right to and may enforce its rights under the Collateral Documents, in relation to the relevant Underlying Assets in relation to such Commodity Securities only, provided that the Trustee shall not be bound to take any action unless so requested by the Instructing Creditor and, in any such case, previously indemnified and/or secured to its satisfaction against all liabilities which it may thereby become liable for or which it may incur by so doing.

The provisions of the Commodity Security Terms and the Master Collateral Terms are expressed to apply separately to each Series. Accordingly, the occurrence of an Event of

Default under one Series of Commodity Security does not per se constitute and nor does it trigger an Event of Default under any other Series of Commodity Securities.

13. **Proceedings, Action, Indemnification, Limited Recourse and Non-Petition**

13.1 The obligations of the Issuer in relation to the Commodity Securities will be equal to the lesser of the amount of such obligations and the actual amount received or recovered by or for the account of the Issuer in respect of the Underlying Assets relating to the Commodity Securities (net of any sums which the Issuer certifies to the Trustee that the Issuer is or may be obliged to pay to any party in respect of the Issuer's Liabilities to third parties in priority to the Secured Creditors in accordance with the application of proceeds provisions of the Master Collateral Terms) (the "**Available Amount**"), which may be zero. If the amount of such obligations exceeds the Available Amount, the right of the Trustee and the Secured Creditors (including the Holders) to claim payment of any amount exceeding the Available Amount shall be extinguished and the Trustee and the other Secured Creditors (including the Holders) will not have any recourse to the Issuer or its other assets in respect of the Issuer's obligations.

13.2 Only the Trustee may pursue the remedies available under general law or under these provisions to enforce the rights of the Secured Creditors in relation to the Underlying Commodity of the relevant Series. No Holder or other Secured Creditor (other than the Trustee) of such Series is entitled to proceed directly against the Issuer or the property or the assets of the Issuer to enforce their rights in relation to or under the Commodity Securities unless the Trustee, having become bound as aforesaid fails or neglects to do so within a reasonable period and such failure or neglect is continuing. However, the Trustee shall not be bound to take any action to enforce the Security Interest or pursue the remedies available under general law or under these provisions or otherwise take any action unless it is indemnified and/or secured to its satisfaction and has, if so required by the Conditions, been requested to do so by the Instructing Creditor in respect of the relevant Series.

13.3 After realisation of the Security Interest in respect of such Series which has become enforceable and distribution of the net proceeds thereof in accordance with Condition 5 (*Collateral and Priority of Payments*), neither the Trustee nor any Holder or other Secured Creditor in respect of such Series may take any further steps against the Issuer, or any of its assets to recover any sums due but unpaid in respect of the Commodity Securities or otherwise and all claims and all rights to claim against the Issuer in respect of each such sum unpaid shall be extinguished.

13.4 No Holder or Secured Creditor, nor the Trustee on its behalf, may institute against, or join any person in instituting against the Issuer any bankruptcy, suspension of payments, a moratorium of any indebtedness, winding-up, re-organisation, arrangement, insolvency or liquidation proceeding (except for the appointment of a receiver and manager pursuant to the terms of the Master Collateral Terms, if applicable) or other proceeding under any similar law for so long as any Commodity Securities issued by the Issuer are outstanding or for one year (or, if later, the longest suspension period, preference period or similar period (howsoever described) ending with the onset of insolvency in respect of which transactions entered into by the Issuer within such period may be subject to challenge under applicable insolvency or other proceedings) plus one day after the latest date on which all amounts payable under the last outstanding Commodity Security issued by the Issuer, as the case may be, are repaid. The Holders and other Secured Creditors accept and agree that the only remedy of the Trustee against the Issuer of any Series after any of the Commodity Securities in a Series have become due and payable pursuant to Condition 12 (*Events of Default*) is to enforce the Security Interest for the relevant Series pursuant to the provisions of the Collateral Documents executed in relation to such Series.

13.5 The net proceeds of the Underlying Assets for the relevant Series may be insufficient to pay all amounts due to the Secured Creditors in respect of such Series, in which event claims in respect of all such amounts will be extinguished.

14. **Prescription**

Claims for principal in respect of Commodity Securities shall become void unless the relevant Commodity Securities are presented for payment within ten years of the appropriate Relevant Date.

15. **Replacement of Commodity Securities**

If any Commodity Security is lost, stolen, mutilated, defaced or destroyed, it may be replaced at the Specified Office of the Principal Paying Agent (and, if the Commodity Securities are then admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system), subject to all applicable laws and competent authority, stock exchange and/or quotation system requirements, upon payment by the claimant of the expenses incurred or to be incurred in connection with such replacement and on such terms as to evidence, security, indemnity and otherwise as the Issuer may reasonably require. Mutilated or defaced Commodity Securities must be surrendered before replacements will be issued.

16. **Agents**

In acting pursuant to the Master Agency Terms and in connection with the Commodity Securities, each Agent acts solely as agent of the Issuer and does not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial Specified Offices are set out in the relevant Constituting Instrument. The Issuer reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor Agent and additional or successor paying agents; *provided, however*, that:

- (a) the Issuer shall at all times maintain a paying agent in a Member State that will not be obliged to withhold or deduct tax pursuant to European Council Directive 2003/48/EC;
- (b) the Issuer shall at all times maintain a Calculation Agent and a Selling Agent; and
- (c) if and for so long as the Commodity Securities are admitted to listing, trading and/or quotation by any competent authority, stock exchange and/or quotation system which requires the appointment of a Paying Agent in any particular place, the Issuer shall maintain a Paying Agent having its Specified Office in the place required by such competent authority, stock exchange and/or quotation system.

The Calculation Agent shall send a notice to the Holders of any change in any of the Agents or in their Specified Offices in accordance with Condition 20 (*Notices*).

Any calculations and/or determinations in respect of the Commodity Securities made by the Calculation Agent will be conclusive and binding on all parties, except in the case of manifest error.

17. Meetings of Holders, Modification, Waiver, Authorisation and Substitution

17.1 Meetings of Holders, Modifications and Waiver

The Commodity Security Terms contain provisions for convening meetings of Holders of a Series to consider matters affecting their interests, including the modification by Extraordinary Resolution of the Conditions, the provisions of the Master Collateral Terms or the Commodity Security Terms. Such a meeting may be convened by the Issuer or the Trustee and shall be convened upon the request in writing of Holders holding not less than one-tenth of the aggregate number of outstanding Commodity Securities. The quorum at any such meeting for passing an Extraordinary Resolution will be two or more persons holding or representing not less than one-quarter of the aggregate number of the Commodity Securities for the time being outstanding, or at any adjourned such meeting, two or more persons being or representing Holders of the Commodity Securities, whatever the proportion of the aggregate number of the outstanding Commodity Securities so held or represented, except that, *inter alia*, certain terms concerning the amount and currency and the postponement of the due dates of payment of the Commodity Securities may be modified only by resolutions passed at a meeting the quorum at which shall be two or more persons holding or representing three-quarters of the aggregate number of the outstanding Commodity Securities or at any such adjourned meeting, not less than one-quarter of the aggregate number of the Commodity Securities for the time being outstanding. An Extraordinary Resolution passed at any meeting of the Holders will be binding on all Holders of the Commodity Securities.

The Trustee may, without the consent or sanction of the Secured Creditors, at any time and from time to time concur with the Issuer and any other relevant parties in authorising or waiving any proposed breach or breach of any of the provisions of the Transaction Documents or Commodity Securities (including an Event of Default or Potential Event of Default) if and in so far as in its opinion the interests of the Holders shall not be materially prejudiced thereby. The Trustee shall not exercise any powers conferred on it by this Condition in contravention of any express request given by the Holders. Such request shall either be a request in writing by the Holders of not less than one quarter of the aggregate number of the outstanding Commodity Securities or an Extraordinary Resolution) and no such request shall affect any waiver, authorisation or determination previously given or made.

The Holder of a Global Commodity Security will be treated as being two persons for the purposes of any quorum requirements of a meeting of Holders.

17.1.1 The Trustee may, without the consent or sanction of the Secured Creditors, at any time and from time to time concur with the Issuer and any other relevant parties in making:

- (a) any modification to the Conditions or any provisions of any of the Transaction Documents if, in the opinion of the Trustee, such modification is of a formal, minor or technical nature or is made to correct a manifest error; and
- (b) any modification to the Conditions, the Commodity Security Terms (other than sub-paragraph (c) of the definition of "Relevant Fraction" and the definition of "Reserved Matter", in each case as defined in the Commodity Security Terms)) or any of the other Transaction Documents which, in the opinion of the Trustee, will not be materially prejudicial to the interests of the Holders.

- 17.1.2 Any such modification, authorisation or waiver shall be binding on the Secured Creditors of the Commodity Securities and, unless the Trustee agrees otherwise with the Issuer, such modification shall be notified to the Secured Creditors as soon as practicable thereafter.

17.2 *Substitution*

- 17.2.1 The Commodity Security Terms contain provisions permitting the Trustee to agree, without the consent of the Secured Creditors, to the substitution in place of the Issuer as principal debtor under the Commodity Security Terms and the Commodity Securities by another entity (incorporated in any jurisdiction) subject to the satisfaction of certain conditions as more fully specified in the Commodity Security Terms.

- 17.2.2 In the event that the Issuer becomes subject to any form of tax (including withholding tax) on its income or payments in respect of the Commodity Securities above and beyond those taxes of which the Issuer was aware at the time of issue of the Commodity Securities issued by the Issuer, the Issuer may attempt to procure:

- (a) the substitution of another company previously approved in writing by the Trustee and incorporated in some other jurisdiction in which the relevant tax does not apply; or
- (b) the establishment of a branch office in another jurisdiction in which the relevant tax does not apply, from which it may continue to carry out its functions under the Transaction Documents,

in each case subject to the satisfaction of certain conditions as more fully specified in the Commodity Security Terms.

- 17.2.3 In connection with any proposed substitution or change of jurisdiction of the Issuer, the Trustee may, without the consent of any Secured Creditor save for the relevant Hedge Counterparty (if any), agree to a change of the law governing the Master Collateral Terms, the Constituting Instrument, any Supplemental Collateral Document, any other relevant Transaction Document or security document and the Commodity Securities provided that such change would not in the opinion of the Trustee be materially prejudicial to the interests of the Holders.

- 17.2.4 References to the Issuer in this Condition 17.2 shall include any company substituted for the Issuer pursuant to this Condition 17.2 and the provisions of the Commodity Security Terms.

17.3 *Entitlement of the Trustee*

In connection with the exercise of its powers, trusts, authorities or discretions (including but not limited to those in relation to any proposed modification, waiver, authorisation or substitution as aforesaid) the Trustee shall not have regard to the consequences of such exercise for any individual Secured Creditor resulting from their being for any purpose domiciled or resident in, or otherwise connected with, or subject to the jurisdiction of, any particular territory and the Trustee shall not be entitled to require, nor shall any Secured Creditor be entitled to claim, from the Issuer any indemnification or payment in respect of any tax consequence of any such exercise upon individual Secured Creditors.

18. **Further Issues**

The Issuer may from time to time, without the consent of the Holders, create and issue further Commodity Securities having the same terms and conditions as the Commodity Securities in all respects (save for the Issue Date and Issue Price) so as to form a single series with the Commodity Securities. Commodity Securities of different Tranches of the same Series will be fungible. If a further Tranche (a "**Further Tranche**") is issued in respect of a Series under which a Tranche or Tranches of Commodity Securities have already been issued (an "**Original Tranche(s)**"), the pool of assets relating to such Further Tranche will be fungible with or otherwise equivalent to the Underlying Commodity for the Original Tranche(s) and the Hedge Agreement (if applicable) for the Original Tranche(s) will be amended, modified or otherwise supplemented to apply to both the Original Tranche(s) and such Further Tranche.

19. **Purchases**

The Issuer may at any time purchase Commodity Securities in the open market or otherwise and at any price and such Commodity Securities may be held, resold or, at the option of the Issuer, surrendered to a Paying Agent for cancellation. Each purchase will be at the sole and absolute discretion of the Issuer and such purchases will not constitute any form of agreement to make further purchases.

20. **Notices**

20.1 *Notices to the Holders:* Notices to Holders shall be valid if delivered to Euroclear, Clearstream, Luxembourg, Euroclear Nederland, CBF or any other relevant clearing system for communication by them to the Holders and, in addition, for so long as any Commodity Securities are listed on a stock exchange, if published in the manner required by the rules of that stock exchange (or any other relevant authority). Any such notice shall be deemed to have been given to the Holders on the second day after the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and/or CBF and/or any other relevant clearing system. If any such delivery or publication is not practicable, a notice will be given in such other manner, and will be deemed to be given on such date, as the Trustee shall approve.

20.2 *Notices from the Holders:* Notices to be given by any Holder shall be in writing and given to the Principal Paying Agent in such manner as the Principal Paying Agent may approve for this purpose.

21. **Determination or Calculation by Trustee**

If at any time for any reason the (a) Corporate Services Provider does not determine the Commodity Security Value or (b) the Calculation Agent does not determine the Commodity Security Entitlement, the Commodity Security Value, any Cash Amount or any Delivery Amount and Fractional Cash Amount (if any) or any other amount to be determined or calculated by it, the Trustee shall make arrangements to determine such amount as aforesaid at such rate or in such amount as in its absolute discretion (having regard to the procedures described in these Conditions) it shall deem fair and reasonable in all the circumstances or to apply the foregoing provisions of these Conditions, with any consequential amendments, to the extent that, in its sole opinion, it can do so and in all other respects it shall do so in such manner as it shall, in its absolute discretion, deem fair and reasonable in the circumstances. Each such determination or calculation shall be deemed to have been made by the Corporate

Services Provider or Calculation Agent (as the case may be) and the Trustee shall have no liability therefor.

22. Indemnification and Liability of the Trustee

22.1 *Indemnification/Transactions with the Issuer:* The Master Collateral Terms contain provisions for indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking any actions (including the giving of an Enforcement Notice pursuant to Condition 12.1 (*Occurrence of Event of Default*)) and the taking of proceedings to enforce repayment) unless indemnified and/or secured to its satisfaction. The Trustee or any of its Affiliates is entitled to enter into business transactions with the Issuer, any issuer or guarantor of (or other obligor in respect of) any of the securities or other assets, rights and/or benefits comprising the Underlying Assets, or the Secured Creditors or any of their respective Affiliates, subsidiaries or associated companies without accounting to the Secured Creditors for any profit resulting therefrom.

22.2 *Exclusion of Liability:* The Trustee shall not be responsible for insuring all or any part of the Underlying Commodity (and it shall not have any liability with respect to any loss, diminution in value or theft of all or any part of the Underlying Commodity) (including, in either such case, any documents evidencing, constituting or representing the Underlying Commodity or transferring any rights, benefits and/or obligations thereunder) or procuring the same to be insured or monitoring the adequacy of any insurance arrangements; and the Trustee will not be liable for any claim arising in either case if all or any part of the Underlying Commodity (or any such document aforesaid) is held in the relevant allocated or unallocated account with the Custodian in accordance with the Master Custody Terms. The Trustee does not have any responsibility for monitoring the actions of the Custodian or any other party to any of the Transaction Documents and, in particular, the Trustee will incur no liability, vicarious or otherwise, for any action or inactivity of the Custodian or any other party to any of the Transaction Documents.

23. Rounding

For the purposes of any calculations referred to in these Conditions (unless otherwise specified in these Conditions or the relevant Final Terms): (a) all percentages resulting from such calculations will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005 per cent. being rounded up to 0.00001 per cent.); (b) all United States dollar amounts used in or resulting from such calculations will be rounded to the nearest cent (with one half cent being rounded up); and (c) all amounts denominated in any other currency used in or resulting from such calculations will be rounded to the nearest two decimal places in such currency, with 0.005 being rounded upwards.

24. Governing Law and Jurisdiction

24.1 *Governing law:* The Commodity Securities and all non-contractual obligations arising out of or in connection with the Commodity Securities are governed by English law.

24.2 *English courts:* The courts of England have exclusive jurisdiction to hear and determine any suit, action or proceedings and to settle any dispute (including a dispute relating to non-contractual obligations or a dispute regarding the existence, validity or termination of the Commodity Securities or the consequences of their nullity) (a "**Dispute**") arising from or connected with the Commodity Securities.

- 24.3 *Appropriate forum:* The Issuer agrees that the courts of England and Wales are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary.
- 24.4 *Rights of the Trustee to take proceedings outside England:* Condition 24.2 (*English courts*) is for the benefit of the Trustee only. As a result, nothing in this Condition 24 (*Governing Law and Jurisdiction*) prevents the Trustee from taking proceedings relating to a Dispute ("**Proceedings**") in any other courts with jurisdiction. To the extent allowed by law, the Trustee may take concurrent Proceedings in any number of jurisdictions.
- 24.5 *Service of process:* The Issuer agrees that the documents which start any Proceedings and any other documents required to be served in relation to those Proceedings may be served on it by being delivered to TMF Corporate Services Limited at Pellipar House, 1st Floor, 9 Cloak Lane, London EC4R 2RU or at any address of the Issuer in England and Wales at which service of process may be served on it in accordance with Part 25 of the Companies Act 2006. Nothing in this paragraph shall affect the right of any Holder to serve process in any other manner permitted by law. This Condition applies to Proceedings in England and Wales and to Proceedings elsewhere.

FORM OF FINAL TERMS

The Final Terms in respect of each Tranche of Commodity Securities will be substantially in the following form, duly supplemented (if necessary), amended (if necessary) and completed to reflect the particular terms of the relevant Commodity Securities and their issue. Text in this section appearing in italics does not form part of the form of the Final Terms but the Commodity Securities directions for completing the Final Terms.

Final Terms dated •

Standard Commodities Limited

Issue of [aggregate nominal amount] [non-FX]/[Quanto]/[Currency Overlay] Commodity Securities
under the **US\$1,000,000,000 Commodities Programme**

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that, except as provided in sub-paragraph (ii) below, any offer of Commodity Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Commodity Securities. Accordingly any person making or intending to make an offer of the Commodity Securities may only do so:

- (i) in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case in relation to such offer; or
- (ii) in those Public Offer Jurisdictions mentioned in Paragraph 35 of Part A below, provided that such person is one of the persons mentioned in Paragraph 35 of Part A below and that such offer is made during the Offer Period specified for such purpose therein.

Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Commodity Securities in any other circumstances].

[The Base Prospectus referred to below (as completed by these Final Terms) has been prepared on the basis that any offer of Commodity Securities in any Member State of the European Economic Area which has implemented the Prospectus Directive (2003/71/EC) (each, a "**Relevant Member State**") will be made pursuant to an exemption under the Prospectus Directive, as implemented in that Relevant Member State, from the requirement to publish a prospectus for offers of the Commodity Securities. Accordingly, any person making or intending to make an offer in that Relevant Member State of the Commodity Securities may only do so in circumstances in which no obligation arises for the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive, in each case in relation to such offer. Neither the Issuer nor any Dealer has authorised, nor do they authorise, the making of any offer of Commodity Securities in any other circumstances].

PART A – CONTRACTUAL TERMS

THE COMMODITY SECURITIES DESCRIBED HEREIN HAVE NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE IN THE UNITED STATES, AND ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS. THE COMMODITY SECURITIES DESCRIBED HEREIN MAY NOT BE OFFERED, SOLD OR DELIVERED AT ANY TIME, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS (AS DEFINED IN EITHER REGULATION S UNDER THE SECURITIES ACT OR THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED). SEE "*SUBSCRIPTION AND SALE*" IN THE BASE PROSPECTUS DATED [•] 2010 AS SUPPLEMENTED FROM TIME TO TIME. IN PURCHASING THE COMMODITY SECURITIES, PURCHASERS WILL BE DEEMED TO REPRESENT AND WARRANT THAT THEY ARE NEITHER LOCATED IN THE UNITED STATES NOR A U.S. PERSON AND THAT THEY ARE NOT PURCHASING FOR, OR FOR THE ACCOUNT OR BENEFIT OF, ANY SUCH PERSON. THE COMMODITY SECURITIES ARE NOT RATED.

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Base Prospectus dated 3 November 2010 [and the supplemental Base Prospectus dated [•] which [together] constitute[s] a base prospectus (the "**Base Prospectus**") for the purposes of the Prospectus Directive (Directive 2003/71/EC) (the "**Prospectus Directive**"). This document constitutes the Final Terms of the Commodity Securities described herein for the purposes of Article 5.4 of the Prospectus Directive. These Final Terms contain the final terms of the Commodity Securities and must be read in conjunction with such Base Prospectus [as so supplemented].

Full information on the Issuer and the offer of the Commodity Securities described herein is only available on the basis of the combination of these Final Terms and the Base Prospectus [as so supplemented]. The Base Prospectus [and the supplemental Base Prospectus] [is] [are] available for viewing during normal business hours at The Royal Bank of Scotland N.V., London Branch, 250 Bishopsgate, London EC2M 4AA [and copies may be obtained from [*address*]].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote guidance for completing the Final Terms.]

[When completing any final terms, or adding any other final terms or information, consideration should be given as to whether such terms or information constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive].

1. Issuer: Standard Commodities Limited
2. [(i) Series Number:] []
 [(ii) Tranche Number:] []
 (If fungible with an existing Series, details of that Series, including the date on which the Commodity Securities become fungible).]
3. Specified Currency or Currencies: []
4. Issue Price: []
5. Issue Date: []
6. Commodity: [Gold][Silver]
7. Initial Commodity Security Entitlement: [*specify amount*] [fine] troy ounces
8. Initial Commodity Security Value: []
9. Initial Commodity Security Value Participation: []
10. Maturity Date: [[]/Not Applicable]
(Term Commodity Securities only)
11. Physical Settlement: [Applicable/Not Applicable¹]
12. Management Fee Rate: []
13. (i) Initial Quanto Maintenance Fee Rate: [[]/Not Applicable]
 (ii) [*Additional Fees*] [*specify*]
14. Fixed Fee: []
15. Method of distribution: [Syndicated/Non-syndicated]

¹ Physical Settlement is always 'Not Applicable' in respect of Commodity Securities cleared through Euroclear Nederland.

16. Trustee: []
17. Principal Paying Agent: []
18. Calculation Agent: []
19. Custodian: []
20. Account Bank []
21. Selling Agent: []
22. Hedge Counterparty: [[]/Not Applicable]

PROVISIONS RELATING TO REDEMPTION

23. Minimum Redemption Amount: [As per the Conditions][]
24. Redemption Fees and Expenses: [As per the Conditions][]
25. Commodity Disruption Events: [Price Source Disruption]
[Trading Disruption]
[Disappearance of Commodity Reference Price]
[Material Change in Formula]
[Material Change in Content]
[other]
26. Settlement Disruption: [As per the Conditions][]

REDEMPTION AT THE OPTION OF THE ISSUER

27. Issuer Call Option: [Applicable/Not Applicable]
(If not applicable, delete the remaining sub-paragraphs of this paragraph)
28. Minimum and maximum notice period: [[As set out in Condition 7.4]/[Not less than [] nor more than [] days' notice]]

GENERAL PROVISIONS APPLICABLE TO THE COMMODITY SECURITIES

29. **Form of Commodity Securities:**

[Temporary Global Commodity Security exchangeable for a Permanent Global Commodity Security]

[Permanent Global Commodity Security]

Commodity Securities in definitive form will not be issued.
30. Additional Financial Centre(s) or other special provisions relating to [Not Applicable/*give details.*
Note that this paragraph relates to the date and place

- payment dates: *of payment*
31. Other final terms: [Not Applicable/*give details*]
- [(When adding any other final terms consideration should be given as to whether such terms constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]*

DISTRIBUTION

32. (i) If syndicated, names [and addresses]² of Managers [and underwriting commitments]³ [and names and address of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers]: [Not Applicable/*give names, addresses and underwriting commitments*]
- (ii) [Date of subscription agreement]^{4 5}: *(Include names and addresses of entities agreeing to underwrite the issue on a firm commitment basis and names and addresses of the entities agreeing to place the issue without a firm commitment or on a "best efforts" basis if such entities are not the same as the Managers.)*
- (iii) Stabilising Manager(s) (if any): [Not Applicable/*give name*]
33. If non-syndicated, name [and address]⁶ of Dealer: [Not Applicable/*give name [and address]*⁷]
34. [Total commission and concession: []⁸
35. U.S. Selling Restrictions: Regulation S Category 2
36. Non-exempt Offer: [Not Applicable] [An offer of the Commodity Securities may be made by the Managers [and *specify, if applicable*]] other than pursuant to Article 3(2) of the Prospectus Directive in [*specify relevant Member State(s) – which must be jurisdictions where the Prospectus and any supplements have been passported*] (**Public Offer Jurisdictions**) during the

² Delete for Commodity Securities with a denomination per Commodity Security of EUR [100,000] or more.

³ Delete for Commodity Securities with a denomination per Commodity Security of EUR [100,000] or more.

⁴ Insert date of relevant Constituting Instrument.

⁵ Delete for Commodity Securities with a denomination per Commodity Security of EUR [100,000] or more.

⁶ Delete for Commodity Securities with a denomination per Commodity Security of EUR [100,000] or more.

⁷ Delete for Commodity Securities with a denomination per Commodity Security of EUR [100,000] or more.

⁸ Delete for Commodity Securities with a denomination per Commodity Security of EUR [100,000] or more.

period from [*specify date*] until [*specify date*] (**Offer Period**). See further Paragraph 10 of Part B below.⁹

37. Additional selling restrictions: [Not Applicable/*give details*]

⁹ Paragraph not necessary if no wholesale Commodity Securities to be offered.

PURPOSE OF FINAL TERMS

These Final Terms comprise the final terms required for issue [and] [public offer in the Public Offer Jurisdictions] [and] [admission to trading on [*specify relevant regulated market*]] of the Commodity Securities described herein] pursuant to the US\$1,000,000,000 Commodities Programme of Standard Commodities Limited.

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in these Final Terms. The Issuer confirms that such information has been accurately reproduced and that, so far as it is aware, no facts have been omitted which would render the reproduced information inaccurate or misleading.

Signed on behalf of Standard Commodities Limited:

By:
Duly authorised

PART B – OTHER INFORMATION

1. LISTING

Listing and admission to trading

[Not Applicable.]

(Where documenting a fungible issue, need to indicate that original Commodity Securities are already admitted to trading.)

[Estimate of total expenses related to admission to trading: ¹⁰

2. RATINGS

Ratings: The Commodity Securities to be issued have not been rated.

3. [INTERESTS OF NATURAL AND LEGAL PERSONS INVOLVED IN THE ISSUE/OFFER]

Need to include a description of any interest, including conflicting ones, that is material to the issue/offer, detailing the persons involved and the nature of the interest. May be satisfied by the inclusion of the following statement:

"Save as discussed in ["*Subscription and Sale*"], so far as the Issuer is aware, no person involved in the offer of the Commodity Securities has an interest material to the offer."

[(When adding any other description, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

4. REASONS FOR THE OFFER

Reasons for the offer: See "Use of Proceeds" wording in Base Prospectus

5. [PERFORMANCE OF COMMODITY, [EXPLANATION OF EFFECT ON VALUE OF INVESTMENT AND ASSOCIATED RISKS]¹¹ AND OTHER INFORMATION CONCERNING THE UNDERLYING COMMODITY

Need to include details of where past and future performance and volatility of the Commodity can be obtained and a clear and comprehensive explanation of how the value of the investment is affected by the Commodity and the circumstances when the risks are most evident.¹² [Include other information concerning the underlying required by Paragraph 4.2 of Annex XII of the Prospectus Directive.]

¹⁰ Delete for Commodity Securities with a denomination per Commodity Security of less than EUR [100,000].

¹¹ Delete for Commodity Securities with a denomination per Commodity Security of EUR [100,000] or more.

¹² Delete for Commodity Securities with a denomination per Commodity Security of EUR [100,000] or more.

[(When completing this paragraph, consideration should be given as to whether such matters described constitute "significant new factors" and consequently trigger the need for a supplement to the Prospectus under Article 16 of the Prospectus Directive.)]

The Issuer [intends to provide the following post-issuance information: the Commodity Security Entitlement will be published [[on]/[as soon as reasonably practicable after]] the Issue Date and each [Valuation Date¹³/Business Day¹⁴] thereafter on [insert publication details]] [intends to provide post-issuance information [specify what information will be reported and where it can be obtained]] [does not intend to provide post-issuance information].

6. OPERATIONAL INFORMATION

- (i) ISIN Code: []
- (ii) Common Code: []
- (iii) Clearing system(s): [Euroclear Bank S.A./N.V.]
[Clearstream Banking, *société anonyme*]
[Euroclear Nederland (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*)]
[Clearstream Banking AG, Frankfurt am Main]
[Other clearing system(s) – give name(s) and identification number(s)]
- (iv) Delivery: Delivery against payment
- (v) Names and addresses of initial []
Paying Agent(s):
- (vi) Names and addresses of []
additional Paying Agent(s) (if any):

7. TERMS AND CONDITIONS OF THE OFFER

- (i) Offer Price: [Issue Price][specify]
- (ii) Offer Period: [Not Applicable/give details]
- (iii) Conditions to which the offer [Not Applicable/give details]
is subject:
- (iv) Description of the application [Not Applicable/give details]
process:
- (v) Description of possibility to [Not Applicable/give details]
reduce subscriptions and
manner for refunding excess
amount paid by applicants:

¹³ Select for non- Borsa Italiana listings

¹⁴ Select for Borsa Italiana listings only.

- (vi) Details of the minimum and/ or maximum amount of application: [Not Applicable/*give details*]
- (vii) Details of the method and time limits for paying up and delivering the Commodity Securities: [Not Applicable/*give details*]
- (viii) Manner in and date on which results of the offer are to be made public: [Not Applicable/*give details*]
- (ix) Procedure for exercise of any right of pre-emption, negotiability of subscription rights and treatment of subscription rights not exercised: [Not Applicable/*give details*]
- (x) Categories of potential investors to which the Commodity Securities are offered and whether tranche(s) have been reserved for certain countries: [Not Applicable/*give details*]
- (xi) Process for notification to applicants of the amount allotted and the indication whether dealing may begin before notification is made: [Not Applicable/*give details*]
- (xii) Amount of any expenses and taxes specifically charged to the subscriber or purchaser: [Not Applicable/*give details*]
- (xiii) Name(s) and address(es), to the extent known to the Issuer, of the placers in the various countries where the offer takes place. [None/*give details*]

USE OF PROCEEDS

The net proceeds from each Series will be used by the Issuer to purchase the Underlying Commodity applicable to such Series, to make any initial payments in respect of any Hedge Agreement (if any) and to meet certain expenses and fees payable in connection with the operations of the Issuer and the issue of the Commodity Securities as set out in the relevant Final Terms relating to any Series or as may be otherwise specified in the relevant Final Terms.

FORMS OF THE COMMODITY SECURITIES

Commodity Securities

Each Tranche of Commodity Securities will initially be in the form of either a temporary global note in bearer form (the "**Temporary Global Commodity Security**"), or a permanent global note in bearer form (the "**Permanent Global Commodity Security**"), in each case as specified in the relevant Final Terms. Each Temporary Global Commodity Security or, as the case may be, Permanent Global Commodity Security (each a "**Global Commodity Security**") will be deposited on or around the issue date of the relevant Tranche of the Commodity Securities with Euroclear Nederland (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*) ("**Euroclear Nederland**") and/or a depository or a common depository for Euroclear Bank SA/NV as operator of the Euroclear System ("**Euroclear**") and/or Clearstream Banking, *société anonyme*, Luxembourg ("**Clearstream, Luxembourg**") and/or and/or Clearstream Banking AG, Frankfurt am Main ("**CBF**") and/or any other relevant clearing system.

Temporary Global Commodity Security exchangeable for a Permanent Global Commodity Security

If the relevant Final Terms specify the form of Commodity Securities as being "Temporary Global Commodity Security exchangeable for a Permanent Global Commodity Security", then the Commodity Securities will initially be in the form of a Temporary Global Commodity Security which will be exchangeable, in whole or in part, for interests in a Permanent Global Commodity Security not earlier than 40 days after the issue date of the relevant Tranche of the Commodity Securities upon certification as to non-U.S. beneficial ownership. No payments will be made under the Temporary Global Commodity Security unless exchange for interests in the Permanent Global Commodity Security is improperly withheld or refused.

Whenever any interest in a Temporary Global Commodity Security is to be exchanged for an interest in a Permanent Global Commodity Security, the Issuer shall procure (in the case of first exchange) the prompt delivery (free of charge to the bearer) of such Permanent Global Commodity Security to the bearer of the Temporary Global Commodity Security or (in the case of any subsequent exchange) an increase in the principal amount of the Permanent Global Commodity Security in accordance with its terms against:

- (a) presentation and (in the case of final exchange) surrender of the Temporary Global Commodity Security to or to the order of the Principal Paying Agent; and
- (b) receipt by the Principal Paying Agent of a certificate or certificates of non-U.S. beneficial ownership,

within seven days of the bearer requesting such exchange.

The principal amount of the Permanent Global Commodity Security shall be equal to the aggregate of the principal amounts specified in the certificates of non-U.S. beneficial ownership; *provided, however, that* in no circumstances shall the principal amount of the Permanent Global Commodity Security exceed the initial principal amount of the Temporary Global Commodity Security.

Commodity Securities in definitive form will not be issued.

Permanent Global Commodity Security

If the relevant Final Terms specify the form of Commodity Securities as being "Permanent Global Commodity Security", then the Commodity Securities will be in the form of a Permanent Global Commodity Security.

Commodity Securities in definitive form will not be issued.

Legend concerning United States persons

Commodity Securities in global form will bear a legend to the following effect:

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

Legend in relation to Euroclear Nederland

Commodity Securities in global form held through Euroclear Nederland will bear a legend to the following effect:

"NOTICE: THIS GLOBAL COMMODITY SECURITY IS ISSUED FOR DEPOSIT WITH NEDERLANDS CENTRAAL INSTITUUT VOOR GIRAAL EFFECTENVERKEER B.V. ("EUROCLEAR NEDERLAND") AT AMSTERDAM, THE NETHERLANDS. ANY PERSON BEING OFFERED THIS GLOBAL COMMODITY SECURITY FOR TRANSFER OR ANY OTHER PURPOSE SHOULD BE AWARE THAT THEFT OR FRAUD IS ALMOST CERTAIN TO BE INVOLVED.

THE ISSUER ACKNOWLEDGES THAT THE ADMISSION OF COMMODITY SECURITIES IN THE EUROCLEAR NEDERLAND'S CSD SYSTEM DOES NOT ENTAIL ANY OTHER OBLIGATIONS FOR EUROCLEAR NEDERLAND THAN THE OBLIGATIONS SET OUT IN THE EUROCLEAR NEDERLAND TERMS AND CONDITIONS OR THE OPERATIONAL DOCUMENTS, UNLESS OTHERWISE AGREED IN WRITING."

SUMMARY OF PROVISIONS RELATING TO THE COMMODITY SECURITIES WHILE IN GLOBAL FORM

Clearing System Accountholders

In relation to any Tranche of Commodity Securities represented by a Global Commodity Security in bearer form, references in the Terms and Conditions of the Commodity Securities to "Holder" are references to the bearer of the relevant Global Commodity Security which, for so long as the Global Commodity Security is held by a depositary or a common depositary for Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and/or CBF and/or any other relevant clearing system, will be that depositary or common depositary.

Each of the persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and/or CBF and/or any other relevant clearing system as being entitled to an interest in a Global Commodity Security (each an "**Accountholder**") must look solely to Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and/or CBF and/or such other relevant clearing system (as the case may be) for such Accountholder's share of each payment made by the Issuer to the holder of such Global Commodity Security and in relation to all other rights arising under such Global Commodity Security. The extent to which, and the manner in which, Accountholders may exercise any rights arising under the Global Commodity Security will be determined by the respective rules and procedures of Euroclear and Clearstream, Luxembourg, Euroclear Nederland, CBF and any other relevant clearing system from time to time. For so long as the relevant Commodity Securities are represented by a Global Commodity Security, Accountholders shall have no claim directly against the Issuer in respect of payments due under the Commodity Securities and such obligations of the Issuer will be discharged by payment to the holder of such Global Commodity Security.

Temporary Global Commodity Securities

Whenever any interest in a Temporary Global Commodity Security is to be exchanged for an interest in a Permanent Global Commodity Security, the Issuer shall procure:

- (a) in the case of first exchange, the prompt delivery (free of charge to the bearer) of such Permanent Global Commodity Security, duly authenticated, to the bearer of the Temporary Global Commodity Security; or
- (b) in the case of any subsequent exchange, an increase in the principal amount of such Permanent Global Commodity Security in accordance with its terms,

in each case in an aggregate number equal to the aggregate of the number of Commodity Securities specified in the certificates issued by Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and/or CBF and/or any other relevant clearing system and received by the Principal Paying Agent against presentation and (in the case of final exchange) surrender of the Temporary Global Commodity Security to or to the order of the Principal Paying Agent within seven days of the bearer requesting such exchange.

If:

- (a) a Permanent Global Commodity Security has not been delivered or the principal amount thereof increased by 5.00 p.m. (London time) on the seventh day after the bearer of a Temporary Global Commodity Security has requested exchange of an interest in the Temporary Global Commodity Security for an interest in a Permanent Global Commodity Security; or

- (b) a Temporary Global Commodity Security (or any part thereof) has become due and payable in accordance with the Terms and Conditions of the Commodity Securities or the date for final redemption of a Temporary Global Commodity Security has occurred and, in either case, payment in full of the amount of principal falling due has not been made to the bearer of the Temporary Global Commodity Security in accordance with the terms of the Temporary Global Commodity Security on the due date for payment,

then the Temporary Global Commodity Security (including the obligation to deliver a Permanent Global Commodity Security or increase the principal amount thereof) will become void at 5.00 p.m. (London time) on such seventh day (in the case of (a) above) or at 5.00 p.m. (London time) on such thirtieth day (in the case of (b) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Temporary Global Commodity Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Temporary Global Commodity Security or others may have under the Constituting Instrument). Under the Constituting Instrument, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and/or CBF and/or any other relevant clearing system as being entitled to an interest in a Temporary Global Commodity Security will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Temporary Global Commodity Security became void, they had been the holders of Commodity Securities in definitive form in a number equal to the number of Commodity Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and/or CBF and/or any other relevant clearing system.

Permanent Global Commodity Securities

If a Permanent Global Commodity Security (or any part of it) has become due and payable in accordance with the Terms and Conditions of the Commodity Securities or the date for final redemption of the Commodity Securities has occurred and, in either case, payment in full of the amount of principal falling due has not been made to the bearer of the Permanent Global Commodity Security in accordance with the terms of the Permanent Global Commodity Security on the due date for payment, then the Permanent Global Commodity Security will become void at 5.00 p.m. (London time) on such thirtieth day (in the case of (a) above) or at 5.00 p.m. (London time) on such due date (in the case of (b) above) and the bearer of the Permanent Global Commodity Security will have no further rights thereunder (but without prejudice to the rights which the bearer of the Permanent Global Commodity Security or others may have under the Constituting Instrument). Under the Constituting Instrument, persons shown in the records of Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and/or CBF and/or any other relevant clearing system as being entitled to an interest in a Permanent Global Commodity Security will acquire directly against the Issuer all those rights to which they would have been entitled if, immediately before the Permanent Global Commodity Security became void, they had been the holders of Commodity Securities in definitive form in a number equal to the number of Commodity Securities they were shown as holding in the records of Euroclear and/or Clearstream, Luxembourg and/or Euroclear Nederland and/or CBF and/or any other relevant clearing system.

Conditions applicable to Global Commodity Securities

Each Global Commodity Security will contain provisions which modify the Terms and Conditions of the Commodity Securities as they apply to the Global Commodity Security. The following is a summary of certain of those provisions:

Payments: All payments in respect of a Global Commodity Security which, according to the Terms and Conditions of the Commodity Securities, require presentation and/or surrender of a Commodity

Security will be made against presentation and (in the case of payment of principal in full) surrender of the Global Commodity Security to or to the order of any Paying Agent and will be effective to satisfy and discharge the corresponding liabilities of the Issuer in respect of the Commodity Securities. On each occasion on which a payment of principal is made in respect of the Global Commodity Security, the Issuer shall procure that the payment is noted in a schedule thereto.

Exercise of redemption option: In order to exercise the options contained in Condition 8 (*Holder Redemption*) the bearer of the Permanent Global Commodity Security must, within the period specified in the Conditions for the deposit of the relevant Commodity Security and redemption notice, give written notice of such exercise to the Principal Paying Agent specifying the principal amount of Commodity Securities in respect of which such option is being exercised. Any such notice will be irrevocable.

Settlement and delivery on the ETF plus market of Borsa Italiana s.p.a.

In respect of any Commodity Securities traded on Borsa Italiana s.p.a., the Accountholder at Euroclear and/or Clearstream, Luxembourg and/or any other relevant clearing system will be Monte Titoli s.p.a., who will hold the interest in such Commodity Securities beneficially for the persons who have bought through Borsa Italiana s.p.a.. For those persons, Monte Titoli s.p.a. will maintain its own record of holders. All Commodity Securities traded on Borsa Italiana s.p.a. are eligible for settlement through the normal Monte Titoli s.p.a. settlement systems on the deposit accounts opened with Monte Titoli s.p.a.

DESCRIPTION OF THE ISSUER¹⁵

Introduction

The Issuer was incorporated in Jersey on 8 December 2008 as a special purpose vehicle for the issue of Commodity Securities. The Issuer was incorporated under the Companies (Jersey) Law 1991 as a public company of unlimited duration and with limited liability. Its registered number is 102257.

The Issuer's registered office is at 22 Grenville Street, St. Helier, Jersey J64 8PX Channel Islands, where the Issuer's register of members is kept. The memorandum and articles of association of the Issuer may be inspected at the registered office of the Issuer.

The issuer may issue an unlimited number of shares with no par value. As at the date of this Base Prospectus two shares have been issued at the price of £1.00 each. The entire issued share capital of the Issuer (the "**Shares**") is held by nominees of Maurant & Co. Trustees Limited as share trustee (the "**Share Trustee**") pursuant to the terms of an instrument of trust (the "**Instrument of Trust**") dated 5 December 2008. Any income or capital held by Maurant & Co. Trustees Limited under the Instrument of Trust is to be applied to or for the benefit of various institutions established for charitable purposes. The Share Trustee has no beneficial interest in and derives no benefit (other than any fees for acting as Share Trustee) from its holding of the Shares.

Under the Income Tax (Jersey) Law 1961 (the "**Jersey Income Tax Law**"), the Issuer will be regarded as resident in Jersey under Article 123C of the Jersey Income Tax Law and, accordingly, the Issuer (being neither a financial services company nor a specified utility company under the Jersey Income Tax Law at the date hereof) will be subject to Jersey income tax at a rate of 0%.

Principal Activities

Under Jersey law, the Issuer is not required to include in its memorandum of association an objects clause and its principal objects are therefore not limited. The Issuer is a limited liability company established specifically for its purpose as a special purpose vehicle.

The Issuer's sole activities will be the issuance of the Commodity Securities, entry into the Constituting Instrument and the other Transaction Documents to which it is a party and the exercise of related rights and powers and other activities reasonably incidental thereto.

The Issuer will covenant to observe certain restrictions on its activities in the Commodity Security Terms.

The Issuer has no subsidiaries, employees or non-executive directors.

Directors and Company Secretary

The Issuer's Articles of Association provide that the Board of Directors of the Issuer will consist of at least two Directors.

¹⁵ Issuer to review and update as necessary.

The Directors of the Issuer and their respective business addresses and principal activities as of the date hereof are as follows:

Name	Business Address	Principal Activities
Dean Godwin	22 Grenville Street St Helier Jersey JE4 8PX Channel Islands	Company Director
Chris Ruark	22 Grenville Street St Helier Jersey JE4 8PX Channel Islands	Company Director
Helen Grant	22 Grenville Street St Helier Jersey JE4 8PX Channel Islands	Company Director
Gareth Essex-Cater	22 Grenville Street St Helier Jersey JE4 8PX Channel Islands	Company Director

The Company Secretary of the Issuer is State Street Secretaries (Jersey) Limited whose business address is 22 Grenville Street St Helier Jersey JE4 8PX, Channel Islands.

Administration Agreement

State Street (Jersey) Limited (the "**Administrator**") will act as the administration services provider for the Issuer. The office of the Administrator serves as the general business office of the Issuer.

The Issuer and the Administrator entered into an administration agreement (the "**Administration Agreement**") on 6 November 2009 under which the Administrator provides directors and certain other corporate services to the Issuer, including the provision of certain clerical, reporting, administrative and other services until termination of the Administration Agreement. The Administrator is entitled to receive an annual fee from the Issuer at rates agreed upon from time to time, plus expenses, for the provision of such services.

The terms of the Administration Agreement provide that either party may terminate the Administration Agreement upon the occurrence of certain stated events, including any breach by the other party of its obligations under the Administration Agreement which is either incapable of remedy or which is not cured within 30 days from the date on which the non-defaulting party requires such breach to be remedied. In addition, either party may terminate the Administration Agreement at any time by giving at least three months' prior written notice to the other party.

Regardless of the reason, the termination of the appointment of the Administrator will not take effect until a successor services provider has been appointed in its place.

On and after termination or resignation of its appointment, the Administrator is required to deliver all books of account, records, registers, correspondence and all documents relating to the affairs of, or belonging to, the Issuer and held by the Administrator in relation to its appointment to the successor services provider.

The Administrator's principal office is 22 Grenville Street, St. Helier, Jersey JE4 8PX, Channel Islands

The Administration Agreement is governed by Jersey law.

Corporate Services Provider

Citi Fund Services (Ireland), Limited (the "**Corporate Services Provider**") will act as the corporate services provider for the Issuer.

The Issuer and the Corporate Services Provider will enter into a corporate services agreement (the "**Corporate Services Agreement**") on or about the date of this Base Prospectus under which the Corporate Services Provider will provide certain corporate services to the Issuer, including the provision of certain reporting, accounting and other services until termination of the Corporate Services Agreement. The Corporate Services Provider will be entitled to receive an annual fee from the Issuer at rates agreed upon from time to time, plus expenses, for the provision of such services.

The terms of the Corporate Services Agreement provide that either party may terminate the Corporate Services Agreement with or without cause by giving the other party 90 days' advance written notice. If a party has materially breached its obligations under the Corporate Services Agreement, and such breach has not been reasonably cured with a specified time, the other party may terminate the Corporate Services Agreement upon 30 days written notice to the defaulting party. The Corporate Services Agreement may also be terminated in the case of illegality or insolvency of a party.

On and after termination or resignation of its appointment, the Corporate Services Provider is required to deliver all books of account, records, registers, correspondence and all documents relating to the affairs of, or belonging to, the Issuer and held by the Corporate Services Provider in relation to its appointment to the successor services provider, subject to payment by the Issuer of the expenses (including any liquidated damages) of the Corporate Services Provider.

The Corporate Services Provider's principal office is at 1 North Wall Quay, Dublin 1, Ireland.

The Corporate Services Agreement will be governed by the laws of Ireland.

Financial Statements¹⁶

Save as disclosed herein, at the date of this Base Prospectus, the Issuer has no borrowings or indebtedness in the nature of borrowings (including loan capital issued, or created but unissued), liabilities under acceptances or acceptance credits, mortgages, charges or guarantees or other contingent liabilities.

Since its date of incorporation, the Issuer has not carried on any business apart from the establishment and update of the Programme and the issue of Commodity Securities thereunder. The audited financial statements were prepared in respect of the period ending on 31 December 2009 and are incorporated by reference herein. The Issuer will not prepare interim financial statements. The financial year of the Issuer ends on 31 December in each year.

¹⁶ Issuer to review and update as necessary

Each year, a copy of the audited profit and loss account and balance sheet of the Issuer, together with the report of the Directors and the auditors thereon is required to be filed with the registrar of companies in Jersey. The profit and loss account and balance sheet can be obtained free of charge from the registered office of the Issuer.

The auditors of the Issuer are KPMG Channel Islands Limited, acting through their office at 5 St Andrews Place, Charing Cross, St Helier, Jersey JE4 8WQ who are chartered accountants and registered auditors qualified to practise in Jersey. KPMG Channel Islands Limited is a member of the Institute of Chartered Accountants in England and Wales.

TAXATION¹⁷

The following is a general description of certain tax considerations relating to the Commodity Securities in relations to Jersey, the United Kingdom, Germany, Italy, The Netherlands and Austria. It does not purport to be a complete analysis of all tax considerations relating to the Commodity Securities, whether in those countries or elsewhere. Prospective purchasers of Commodity Securities should consult their own tax advisers as to which countries' tax laws could be relevant to acquiring, holding and disposing of Commodity Securities and receiving payments of principal and/or other amounts under the Commodity Securities and the consequences of such actions under the tax laws of those countries. This summary is based upon the law as in effect on the date of this Base Prospectus and is subject to any change in law that may take effect after such date.

Jersey Taxation

Income tax

Under the Income Tax (Jersey) Law 1961 (the "**Jersey Income Tax Law**"), the Issuer will be regarded as resident in Jersey under Article 123C of the Jersey Income Tax Law and, accordingly, the Issuer (being neither a financial services company nor a specified utility company under the Jersey Income Tax Law at the date hereof) will be subject to Jersey income tax at a rate of 0%.

The Issuer will be entitled to make payments to holders of Commodity Securities without any withholding or deduction for or on account of Jersey tax. Holders of Commodity Securities (other than residents of Jersey) will not be subject to any tax in Jersey in respect of the holding, sale or other disposition of such Commodity Securities.

Goods and Services Tax

The Issuer is an "international services entity" for the purposes of the Goods and Services Tax (Jersey) Law 2007 (the "**GST Law**"). Consequently, the Issuer is not required to:

- (a) register as a taxable person pursuant to the GST Law;
- (b) charge goods and services tax in Jersey in respect of any supply made by it; or
- (c) (subject to limited exceptions that are not expected to apply to the Issuer) pay goods and services tax in Jersey in respect of any supply made to it.

United Kingdom Taxation

Withholding Tax

No payments made by the Issuer to Holders in respect of the Commodity Securities are required to be made under deduction or withholding for or on account of United Kingdom tax.

UK tax treatment of profits from Commodity Securities

Holdes should be aware that the Commodity Securities may be treated for UK tax purposes as "deeply discounted securities" within the meaning of section 430 of the Income Tax (Trading and Other Income) Act 2005 ("**ITTOIA**"). If the Commodity Securities are so treated, they are unlikely to fall within the definition of "excluded indexed securities" in section 433 ITTOIA. If the Commodity Securities are treated as "deeply discounted securities" and do not qualify as "excluded indexed

¹⁷ To be updated by lead tax counsel

securities" and no other exemption is applicable, any profit arising on transfer or redemption of a Commodity Security to a Holder who is subject to UK income tax will be subject to UK income tax (not capital gains tax) on such profits (in the case of a redemption, whether such redemption is by way of payment of the Cash Amount or delivery of the Delivery Amount (and payment of the Fractional Cash Amount (if any)).

German Taxation

The following is a general description of certain withholding tax consequences under the tax laws of the Federal Republic of Germany as regards the acquisition and ownership of Commodity Securities. This description does not purport to be a comprehensive description of all tax considerations which may be relevant to a decision to purchase Commodity Securities. In particular, this description does not consider any specific facts or circumstances that may apply to a particular purchaser. This summary is based on the laws of the Federal Republic of Germany currently in force and as applied on the date of this Base Prospectus, which are subject to change, possibly with retroactive or retrospective effect.

German tax-resident Holders

In principle, only persons (individuals and incorporated entities) who are tax-resident in Germany (particularly, persons having a residence, habitual abode, seat or place of management in Germany) are subject to German withholding tax. As regards non-German tax-resident Holders, please see "*Non-German tax-resident Holders*" below.

German withholding tax will be levied at a flat withholding tax rate of 26.375% (including solidarity surcharge) plus, if applicable, church tax on proceeds from the redemption, sale or assignment of the Commodity Securities if the Commodity Securities are held in a custodial account which the relevant Holder maintains with a German branch of a German or non-German credit or financial services institution or with a German securities trading business or German securities trading bank (a "**German Disbursing Agent**"). The tax base is, in principle, the difference between the acquisition costs and the proceeds from the redemption, sale or assignment of the Commodity Securities reduced by expenses directly and factually related to the redemption, sale or assignment. If the acquisition costs of the Commodity Securities are not proven to the German Disbursing Agent, withholding tax is applied to 30% of the proceeds from the redemption, sale or assignment of the Commodity Securities. When computing the tax base for withholding tax purposes, the German Disbursing Agent may deduct any negative income from capital investments in the same calendar year or unused negative income from capital investments in previous calendar years.

In the case of a Physical Settlement, the above applies *mutatis mutandis*. In such a case, the value of the Delivery Amount should qualify as proceeds from the redemption of the Commodity Securities. As there will be no payment, the relevant Holder will be obliged to make the funds available to the German Disbursing Agent that are required in order to pay the German withholding tax to the tax authorities. If the relevant Holder does not comply, the German Disbursing Agent is obliged to notify the competent tax office.

With regard to individuals holding the Commodity Securities as private assets, any withholding tax levied shall, in principle, become definitive and replace the income taxation of the relevant Holder; if no withholding tax has been levied other than by virtue of a withholding tax exemption certificate (*Freistellungsauftrag*) and in certain other cases, the relevant Holder is nevertheless obliged to file a tax return, and the income from capital investments will then be taxed within the tax assessment procedure. With regard to other Holders, German withholding tax is a prepayment of (corporate) income tax and will be credited or refunded within the tax assessment procedure.

No German withholding tax will be levied if an individual holding the Commodity Securities as private assets has filed a withholding tax exemption certificate (*Freistellungsauftrag*) with the German Disbursing Agent, but only to the extent that the income from capital investments does not exceed the maximum exemption amount shown on the withholding tax exemption certificate. Currently, the maximum exemption amount is EUR 801 (EUR 1,602 in the case of jointly assessed husband and wife). Similarly, no withholding tax will be levied if the relevant Holder has submitted to the German Disbursing Agent a certificate of non-assessment (*Nichtveranlagungsbescheinigung*) issued by the relevant local tax office. Further, with regard to Holders holding the Commodity Securities as business assets, no withholding tax will be levied on capital gains from the redemption, sale or assignment of the Commodity Securities if (a) the Commodity Securities are held by a company in terms of section 43 para 2 sentence 3 no 1 of the German Income Tax Act (*Einkommensteuergesetz*) or (b) the proceeds from the Commodity Securities qualify as income of a domestic business and the Holder has notified this to the German Disbursing Agent by use of the officially required form.

Non-German tax-resident Holders

Non-resident persons generally do not suffer German withholding tax. If, however, the income is subject to German tax, i.e. if (i) the Commodity Securities are held as business assets (*Betriebsvermögen*) of a German permanent establishment (including a permanent representative) which is maintained by the relevant Holder or (ii) the income from the Commodity Securities qualifies for other reasons as taxable German source income (e.g. as income from the letting and leasing of property located in Germany), German withholding tax is applied as in the case of a German tax-resident Holder.

Italian Taxation

The following is a general summary of current Italian law and practice relating to certain Italian tax considerations concerning the purchase, ownership and disposal of the Commodity Securities by Italian resident holders. It does not purport to be a complete analysis of all tax considerations that may be relevant to a decision to purchase, own or dispose of the Commodity Securities and does not purport to deal with the tax consequences applicable to all categories of prospective beneficial owners of Commodity Securities, some of which may be subject to special rules. This summary is based upon Italian tax laws and practice in effect as at the date of this Base Prospectus, which may be subject to change, potentially with retroactive effect. In this respect, a general reform of the tax treatment of financial income, which may impact the tax regime of the Commodity Securities, as described under this section, is under evaluation by the Italian Government.

Prospective Holders should consult their tax advisers as to the consequences under Italian tax law, under the tax laws of the country in which they are resident for tax purposes and of any other potentially relevant jurisdiction of acquiring, holding and disposing of Commodity Securities and receiving payments of interest, principal and/or other amounts under the Commodity Securities, including in particular the effect of any state, regional or local tax laws.

Tax treatment of the Commodity Securities

Provided that the Commodity Securities generally represent, for the purposes of Italian tax law, derivative financial instruments or bundles of derivative financial instruments, through which the Holders purchase indirectly underlying commodities, the following tax treatment applies.

Commodity Securities representing derivative financial instruments or bundles of derivative financial instruments

Payments in respect of Commodity Securities qualifying as securitised derivative financial instruments received by Italian Holders as well as capital gains realised by Italian Holders (not engaged in entrepreneurial activities to which the Commodity Securities are connected) who are Italian resident individuals on any sale or transfer for consideration of the Commodity Securities or redemption thereof are subject to a 12.5% capital gain tax, which applies under the "tax declaration regime", the "*Risparmio Amministrato*" tax regime or the "*Risparmio Gestito*" tax regime.

Under the so called "tax declaration regime", which is the standard regime for taxation of capital gains realised by Italian resident individuals not engaged in entrepreneurial activities, the 12.5% *imposta sostitutiva* on capital gains will be chargeable, on a cumulative basis, on all capital gains net of any relevant incurred capital losses realised by Italian resident individuals not engaged in entrepreneurial activities pursuant to all investment transactions carried out during any given fiscal year. The capital gains realised in a year net of any relevant incurred capital losses must be detailed in the relevant annual tax return to be filed with the Italian tax authorities and *imposta sostitutiva* must be paid on such capital gains by Italian resident individuals together with any balance of income tax due for the relevant tax year. Capital losses in excess of capital gains may be carried forward against capital gains of the same kind for up to the fourth subsequent fiscal year.

Alternatively to the tax declaration regime, holders of the Commodity Securities who are Italian resident individuals not engaged in entrepreneurial activities to which the Commodity Securities are connected, may elect to pay *imposta sostitutiva* separately on capital gains realised on each sale or transfer or redemption of the Commodity Securities (*Risparmio Amministrato* tax regime). Such separate taxation of capital gains is allowed subject to (i) the Commodity Securities being deposited with banks, SIMs (stock brokerage companies – *Società di Intermediazione Mobiliare*) and any other Italian qualified intermediary (or any permanent establishment in Italy of a foreign intermediary) and (ii) an express election for the *Risparmio Amministrato* tax regime being timely made in writing by the relevant holder of the Commodity Securities. The intermediary is responsible for accounting for *imposta sostitutiva* in respect of capital gains realised on each sale or transfer or redemption of the Commodity Securities, as well as on capital gains realised as at revocation of its mandate, net of any relevant incurred capital losses, and is required to pay the relevant amount to the Italian fiscal authorities on behalf of the holder of the Commodity Securities, deducting a corresponding amount from proceeds to be credited to the holder of the Commodity Securities. Where a sale or transfer or redemption of the Commodity Securities results in a capital loss, the intermediary is entitled to deduct such loss from gains of the same kind subsequently realised on assets held by the holder of the Commodity Securities within the same relationship of deposit in the same tax year or in the following tax years up to the fourth tax year. Under the *Risparmio Amministrato* tax regime, the realised capital gain is not required to be included in the annual income tax return of the Holder and the Holder remains anonymous.

Special rules apply if the Commodity Securities are part of a portfolio managed in the "*Risparmio Gestito*" regime according to article 7 of Legislative Decree number 461 of 21 November 1997 (the "**Asset Management Option**") by an Italian asset management company or an authorised intermediary. In such case, the capital gains realised upon sale, transfer or redemption of the Commodity Securities will not be subject to 12.5% *imposta sostitutiva* on capital gains, but will contribute to the determination of the taxable base of the Asset Management Tax.

In particular, under the Asset Management Option, capital gains accrued on the Commodity Securities, even if not realised, will contribute to the determination of the annual accrued appreciation of the managed portfolio, subject to the Asset Management Tax. Any depreciation of the managed portfolio accrued at year-end may be carried forward against appreciation accrued in each of the following years

up to the fourth year. Also under the Asset Management Option, the realised capital gain is not requested to be included in the annual income tax return of the Holder and the Holder remains anonymous.

Under a different interpretation, the Commodity Securities could represent a debt instrument implying a "use of capital" (*impiego di capitale*), through which the Holders transfer to the Issuer a certain amount of capital, for the economic exploitation of the same, subject to the right to obtain a (partial or entire) reimbursement of such amount at maturity. The following tax regime applies to the above-described debt instrument.

Commodity Securities representing debt instruments implying a "use of capital": instruments not having 100% capital protection guaranteed by the Issuer

In case Commodity Securities representing debt instruments implying a "use of capital" do not guarantee the total reimbursement of the principal, under Italian tax law they should qualify as "atypical Instruments" and payments in respect of such Commodity Securities received by Italian Holders would be subject to the following regime:

- if the Commodity Securities are placed (*collocati*) in Italy, payments made to individuals holding Commodity Securities not in connection with entrepreneurial activities will be subject to a 27% final "entrance" withholding tax. This withholding tax is required to be levied by the entrusted Italian resident bank or financial intermediary, if any, that intervenes in the collection of payments on the Commodity Securities, or in the repurchase or transfer of the Commodity Securities;
- if the Commodity Securities are not placed (*collocati*) in Italy, even though sold to Italian resident Holders and even though an Italian resident entrusted subject in the collection of payments on the Commodity Securities, in the repurchase or in the transfer of the Commodity Securities, or in any case payments on the Commodity Securities are not received through an entrusted Italian resident bank or financial intermediary that intervenes in the collection of payments on the Commodity Securities, in the repurchase or in the transfer thereof, and no "entrance" withholding tax is required to be levied, and the individual beneficial owners will be required to declare the payments in their income tax return and subject them to a final substitute tax at a rate of 27%. The Italian individual Holders may elect instead to pay ordinary personal income tax at the progressive rates applicable to them in respect of the payments; if so, the Italian Holders should generally benefit from a tax credit for withholding taxes applied outside Italy, if any.

Capital gains

Pursuant to Legislative Decree 21 November 1997, No. 461 ("Decree No. 461"), a 12.5% capital gain tax (referred to as *imposta sostitutiva*) is applicable to capital gains realised by Italian resident individuals not engaged in entrepreneurial activities to which the Commodity Securities are connected, on any sale or transfer for consideration of the Commodity Securities or redemption thereof. The capital gain tax applies under the tax declaration regime, the *Risparmio Amministrato* tax regime or the *Risparmio Gestito* tax regime according to the same rules described above under "Commodity Securities representing derivative financial instruments or bundles of derivative financial instruments".

Tax Monitoring Obligations

Italian resident individuals will be required to report in their yearly income tax return, according to Law Decree 28 June 1990, No. 167 converted into law by Law 4 August 1990, No. 227 for tax monitoring purposes:

- the amount of Commodity Securities held at the end of each tax year, if exceeding in the aggregate EUR 10,000;
- the amount of any transfers received from or sent abroad, and wholly occurring abroad, related to the Commodity Securities, occurring during each tax year, if these transfers exceed in the aggregate EUR 10,000. This also applies if at the end of the tax year, Commodity Securities are no longer held by Italian individuals.

Italian individuals will not, however, be required to comply with the above reporting requirements with respect to Commodity Securities deposited for management with qualified Italian financial intermediaries and with respect to contracts entered into through their intervention, upon condition that the items of income derived from the Commodity Securities are received through the intervention of the same intermediaries.

Inheritance and gift tax

Transfers of any valuable assets (including Commodity Securities) as a result of death or donation (or other transfers for no consideration) and the creation of liens on such assets for a specific purpose are taxed as follows:

- 4% if the transfer is made to spouses and direct descendants or ancestors; in this case, the transfer is subject to tax on the value exceeding EUR 1,000,000. (per beneficiary);
- 6% if the transfer is made to brothers and sisters; in this case, the transfer is subject to the tax on the value exceeding EUR 100,000 (per beneficiary);
- 6% if the transfer is made to relatives up to the fourth degree, to persons related by direct affinity as well as to persons related by collateral affinity up to the third degree; and
- 8% in all other cases.

If the transfer is made in favour of persons with severe disabilities, the tax applies on the value exceeding EUR 1,500,000.

Transfer tax

Transfer tax previously payable on generally the transfer of Commodity Securities, has been abolished. A EUR 168 registration tax may be applicable to the transfer of Commodity Securities under certain circumstances.

European Withholding tax directive

Italy has implemented EU Directive No. 2003/48/EC regarding the taxation of savings income through Legislative Decree No. 84 of 18 April 2005.

Netherlands Taxation

The following summary of certain Dutch taxation matters is based on the laws and practice in force as of the date of this Base Prospectus and is subject to any changes in law and the interpretation and application thereof, which changes could be made with retroactive effect. The following summary does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a decision to acquire, hold or dispose of a Commodity Security, and does not purport to deal with the tax consequences applicable to all categories of investors, some of which may be subject to special rules.

Withholding Tax

Where the Issuer is not, and is not deemed to be, resident (*gevestigd*) in The Netherlands for the relevant tax purposes, all payments by the Issuer under the Commodity Securities can be made free of withholding or deduction of any taxes of whatsoever nature imposed, levied, withheld or assessed by The Netherlands or any political subdivision or taxing authority thereof.

Austrian Taxation

The below summary is not exhaustive. It does not take into account special considerations that may apply in a particular situation. Investors and other interested parties should obtain individual tax advice in connection with the acquisition and holding as well as the sale or repayment of the Commodity Securities.

Austrian Residents

Payments derived from the Commodity Securities by individuals with a domicile (*Wohnsitz*) or their habitual abode (*gewöhnlicher Aufenthalt*) in Austria or by corporate investors with their corporate seat or place of management in Austria (“residents”) is taxable pursuant to the Austrian Income Tax Act (*Einkommensteuergesetz*) or the Austrian Corporate Income Tax Act (*Körperschaftsteuergesetz*).

Generally, based on current administrative practice an income in relation to the Commodity Securities is expected to qualify as capital income from debt-securities (*Kapitalerträge aus Forderungswertpapieren*). Such income arising from the Commodity Securities include payments realised upon redemption (being the difference between the issue price and the redemption amount or realised upon a disposal of the Commodity Securities).

If such payments are paid out by a paying agent (*kuponauszahlende Stelle*) located in Austria (where the paying agent is the bank, including an Austrian branch of a non-Austrian bank, or the Austrian Company paying out such funds to a holder of the Commodity Securities), it is subject to 25% Austrian withholding tax (*Kapitalertragsteuer*).

In case of a physical settlement, the above applies *mutatis mutandis*. In such a case, the value of the delivery amount should qualify as proceeds from the redemption of the Commodity Securities. As there will be no cash payment, the relevant holder will be obliged to make the required funds available to the paying agent (*kuponauszahlende Stelle*) in order to pay the Austrian withholding tax to the tax authorities.

Provided that the Commodity Securities have been offered to the public for the purpose of section 97 of the Austrian Income Tax Act, the 25% withholding tax constitutes a final taxation (*Endbesteuerung*) for all individuals, no matter whether they act as private investors or hold the Commodity Securities as business property. Final taxation means that no further income tax will be assessed and the capital income is not to be included in the investor’s income tax return. If the individual’s rate of income tax is lower than the 25% withholding tax, the withholding tax will, if requested, be credited against the income tax liability and the excess amount shall be refunded. As a consequence of the final taxation, expenses in connection with the Commodity Securities are not deductible.

For corporate investors holding the Commodity Securities as business property, the 25% withholding tax is not treated as a final taxation and the income from the Commodity Securities is taxed as ordinary income subject to the corporate income tax rate of 25%. However, such corporate investors may avoid the application of withholding tax by filing a declaration of exemption (*Befreiungserklärung*), provided certain requirements are fulfilled.

For corporate investors who receive payments in relation to the Commodity Securities as income from capital investment (*Einkünfte aus Kapitalvermögen*), the 25% withholding tax constitutes a final taxation.

Private Trusts established pursuant to Austrian law (*Privatstiftung*) are exempt from the 25% withholding tax on specific income. Income from capital investment derived from the Commodity Securities by Private Trusts is subject to 12.5% interim corporate income tax if the Commodity Securities have been offered to the public. This 12.5% interim corporate income tax may be credited against withholding tax at the rate of 25% due on distributions of the Private Trust under certain conditions. If the recipient of the distribution is a non-Austrian tax resident, credit of the 12.5% interim corporate income tax is granted only, if the recipient does not take advantage of relief from withholding tax on the distribution under an applicable Double Taxation Agreement.

The change of residence of a holder of the Commodity Securities from Austria to a destination outside Austria triggers interest income subject to withholding tax. The law furthermore provides that in this case as well as where continuing residents of Austria transfer the Commodity Securities to a deposit account outside Austria, but within the European Union or within certain states that are party to the European Economic Area, such withholding tax on interest may be refunded, upon which Austrian-related interest income shall be declared to the Austrian tax authorities in the course of a regular income tax return of a holder of the Commodity Securities. On application, the tax liability associated with such interest income may be deferred up to such point in time when the capital income will be actually received.

Where there is no deduction of Austrian withholding tax because the payments in relation to the Commodity Securities are not received in Austria (not paid out by a paying agent located in Austria) Austrian investors will have to include the income in relation to the Commodity Securities in their income tax returns pursuant to the Income Tax Act. For individuals, no matter whether they act as private investors or hold the Commodity Securities as business property, as well as for corporate investors with other income than business income, a special 25% flat tax rate is available. As a consequence, expenses in connection with the Commodity Securities are not deductible.

Belgium

Belgian withholding tax

The Commodity Securities do not give rise to the payment of periodic interest payments. From a Belgian tax point of view, however, the following amounts will be treated as interest for Belgian withholding tax purposes: (i) any gain arising on the repurchase or redemption of the Commodity Securities by the Issuer and (ii) if the Commodity Securities qualify as fixed income securities in the meaning of article 2, §1, 8° Belgian Income Tax Code, in case of a realisation of the Commodity Securities prior to redemption by the Issuer, the income equal to the *pro rata* of accrued interest corresponding to the detention period (a Commodity Security will generally be considered as a fixed income security if there is a causal link between the amount of interest income and the detention period of the security, on the basis of which it is possible to calculate the amount of pro rata interest income at the moment of the sale of the Commodity Securities during their lifetime).

Payments of interest on the Commodity Securities made through a paying agent in Belgium will in principle be subject to a 15 per cent. withholding tax in Belgium (calculated on the interest received after deduction of any non-Belgian withholding taxes).

Interest payments on the Commodity Securities made through a paying agent in Belgium to Belgian companies which are subject to Belgian Corporate Income Tax (*Vennootschapsbelasting / Impôt des sociétés*) can under certain circumstances be exempt from withholding tax.

Interest payments on the Commodity Securities made through a paying agent in Belgium to persons who are resident in a country with which Belgium has concluded a double taxation agreement can under certain circumstances be exempt from withholding tax. Non-resident investors can also obtain an exemption of Belgian withholding tax on interest from the Commodity Securities if they are the owners or usufructors of the Commodity Securities and they deliver an affidavit confirming that they have not allocated the Commodity Securities to business activities in Belgium and that they are non-residents, provided that (i) the interest is paid through a Belgian credit institution, stock market company or clearing or settlement institution and that (ii) the Commodity Securities are not used by the Issuer for carrying on a business in Belgium.

The deduction of withholding tax does not constitute the final Belgian tax liability for residents of Belgium and Belgian branches of non-residents, unless specified otherwise hereinafter.

If Belgian withholding tax has been withheld, the withholding tax constitutes the final tax for individuals who are subject to Belgian Income Tax (*Personenbelasting / Impôt des personnes physiques*) and who hold the Commodity Securities as a private investment. In case the individual collects the interest abroad without Belgian withholding tax, he is required to mention this interest income in its tax return and will be taxed at 15 per cent. plus local surcharges. If Belgian withholding tax has been withheld, the withholding tax also constitutes the final tax for legal entities which are subject to the Belgian tax on legal entities (*Rechtspersonenbelasting / impôt des personnes morales*). In case the legal entity collects the payment abroad without Belgian withholding tax it is required to declare this income and to pay the withholding tax on its own initiative.

EU Savings Tax Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), each Member State is required to provide to the tax authorities of another Member State details of payments of interest or other similar income paid by a person within its jurisdiction to, or collected by such a person for, an individual resident or certain limited types of entity established in that other Member State; however, for a transitional period, Austria and Luxembourg may instead apply a withholding system in relation to such payments, deducting tax at rates rising over time to 35%. The transitional period is to terminate at the end of the first full fiscal year following agreement by certain non-EU countries to the exchange of information relating to such payments. Belgium has replaced this withholding tax with a regime of exchange of information to the Member State of residence as from 1 January 2010.

A number of non-EU countries and certain dependent or associated territories of certain Member States, including Jersey, have adopted similar measures (either provision of information or transitional withholding) in relation to payments made by a person within their jurisdiction to, or collected by such a person for, an individual resident in a Member State. In addition, the Member States have entered into provision of information or transitional withholding arrangements with certain of those dependent or associated territories in relation to payments made by a person in a Member State to, or collected by

such a person for, an individual resident or certain limited types of entity established in one of those territories.

On 13 November 2008 the European Commission published a proposal for amendments to the Directive, which included a number of suggested changes which, if implemented, would broaden the scope of the requirements described above. The European Parliament has approved an amended version of this proposal on 24 April 2009. Holders who are in any doubt as to their position should consult their professional advisers.

In Austria, under the EU-Withholding Tax Act (*EU-Quellensteuergesetz*) which transforms the Directive into Austrian national law, interest payments (including the difference between the issue price and the redemption price) made by a paying agent in Austria to beneficial owners who are individuals resident for tax purposes in another EU member state and certain dependent or associated territories are subject to EU-withholding tax. The applicable tax rates are 20 per cent during the period from 1 July 2008 to 30 June 2011 and 35 per cent thereafter (from 1 July 2011 onwards). Due to guidelines issued by Austrian tax authorities the term "interest" may have a different meaning for the purpose of the EU-Withholding Tax Act than in other domestic income taxation laws. No EU-withholding tax will be levied if the beneficial owner presents to his paying institution a certificate as provided for under Article 10 EU-Withholding Tax Act drawn up in this name by the competent authority of his EU member state of residence for tax purposes. According to current administrative practice of the Austrian tax authorities, payments in relation to commodity linked debt-securities such as the Commodity Securities are not considered as interest for EU-withholding tax purposes.

SUBSCRIPTION AND SALE

Commodity Securities may be sold from time to time by the Issuer to The Royal Bank of Scotland N.V., acting through its London Branch and/or The Royal Bank of Scotland plc (the "**Dealers**"). The arrangements under which Commodity Securities of a particular Service may from time to time be agreed to be sold by the Issuer to, and purchased by, a Dealer are set out in the master subscription terms (the "**Master Subscription Terms**") applicable between the Issuer and the Dealer which will be incorporated by reference into the Constituting Instrument in respect of each Series. Any such agreement will, *inter alia*, make provision for the form and terms and conditions of the relevant Commodity Securities, the price at which such Commodity Securities will be purchased by the Dealer and the commissions or other agreed deductibles (if any) payable or allowable by the Issuer in respect of such purchase. The Master Subscription Terms make provision for the resignation or termination of appointment of the Dealer in respect of a particular Series. and for the appointment of additional or other Dealers.

United States of America: *Regulation S Category 2.*

The Commodity Securities have not been and will not be registered under the Securities Act and Commodity Securities are subject to U.S. tax law requirements. Subject to certain exceptions, Commodity Securities may not be offered or sold within the United States or to U.S. persons. The Dealer has agreed that, except as permitted by the relevant Subscription Agreement, it will not offer, sell or deliver the Commodity Securities within the United States or to U.S. persons. In addition, until 40 days after the commencement of any offering, an offer or sale of Commodity Securities from that offering within the United States by any dealer, whether or not participating in the offering, may violate the registration requirements of the Securities Act.

Public Offer Selling Restriction Under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer will represent, warrant and agree that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Commodity Securities which are the subject of the offering contemplated by this Base Prospectus as completed by the Final Terms in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Commodity Securities to the public in that Relevant Member State:

- (a) if the Final Terms in relation to the Commodity Securities specify that an offer of those Commodity Securities may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Commodity Securities which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the Final Terms contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or Final Terms, as applicable;
- (b) at any time to legal entities which are authorised or regulated to operate in the financial markets or, if not so authorised or regulated, whose corporate purpose is solely to invest in securities;

- (c) at any time to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year; (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, all as shown in its last annual or consolidated accounts; or
- (d) at any time to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or
- (e) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Commodity Securities referred to in (b) to (e) above shall require the Issuer or any Dealer to publish a prospectus pursuant to Article 3 of the Prospectus Directive or to supplement a prospectus pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Commodity Securities to the public**" in relation to any Commodity Securities in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Commodity Securities to be offered so as to enable an investor to decide to purchase or subscribe the Commodity Securities, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State, and the expression "**Prospectus Directive**" means Directive 2003/71/EC and includes any relevant implementing measure in each Relevant Member State.

United Kingdom

The Dealer has represented, warranted and agreed that:

- (a) **Financial promotion:** it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Commodity Securities in circumstances in which section 21(1) of the FSMA does not apply to the Issuer; and
- (b) **General compliance:** it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Commodity Securities in, from or otherwise involving the United Kingdom.

Jersey

The Dealer has represented to, and agreed with, the Issuer that:

- (a) it will not take any action on behalf of the Issuer that would result in the Issuer being required to become registered under the Financial Services (Jersey) Law 1998, as amended; and
- (b) it has not offered or sold and will not offer or sell any Commodity Securities in any jurisdiction in a manner that would cause the Issuer to be in breach of the consents granted to it by the Jersey Financial Services Commission.

General

Under each Constituting Instrument, each Dealer will agree that it will (to the best of its knowledge and belief) comply with all applicable securities laws and regulations in force in any jurisdiction in which it purchases, offers, sells or delivers Commodity Securities or possesses or distributes this Base Prospectus, and will obtain any consent, approval or permission required of it, for the purchase, offer,

sale or delivery by it of Commodity Securities under the laws and regulations in force in any jurisdiction to which it is subject or in which it makes such purchases, offers, sales or deliveries and none of the Issuer, the Trustee and any other Dealer shall have any responsibility therefor.

None of the Issuer, the Trustee or the Dealer has represented that Commodity Securities may at any time lawfully be sold in compliance with any applicable registration or other requirements in any jurisdiction, or pursuant to any exemption available thereunder, or assumes any responsibility for facilitating any such sale.

With regard to each Tranche, the relevant Dealer will be required to comply with any additional restrictions agreed between the Issuer and the relevant Dealer and set out in the relevant Final Terms.

GENERAL INFORMATION

1. **Authorisation**

The establishment of the Programme was authorised by a resolution of the Board of Directors of the Issuer dated 25 September 2009. The update of the Programme was authorised by, and the issue of Commodity Securities have been authorised by, a resolution of the Board of Directors of the Issuer dated 2 November 2010. The Issuer has obtained or will obtain from time to time all necessary consents, approvals and authorisations in connection with the issue and performance of the Commodity Securities and the giving of the guarantee relating to them.

2. **Legal and Arbitration Proceedings**

There are no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened, of which the Issuer is aware) which may have, or have had during the 12 months prior to the date of this Base Prospectus, a significant effect on the financial position or profitability of the Issuer.

3. **Significant or Material Change**

There has been no material adverse change in the prospects of the Issuer nor any significant change in the financial or trading position of the Issuer since 31 December 2009.

4. **Documents on Display**

Copies of the following documents may be inspected during normal business hours at the offices of The Royal Bank of Scotland N.V., acting through its London Branch at 250 Bishopsgate, London EC2M 4AA for 12 months from the date of this Base Prospectus:

- (a) the memorandum and articles of association of the Issuer;
- (b) any document incorporated by reference herein;
- (c) each Constituting Instrument;
- (d) the Commodity Security Terms;
- (e) the Master Collateral Terms;
- (f) the Master Secured Unallocated Terms;
- (g) the Master Secured Allocated Terms;
- (h) the Master Agency Terms;
- (i) the Master Subscription Terms;
- (j) the Master Account Bank Terms;
- (k) the Master Hedge Terms;
- (l) the Master Definitions;
- (m) the Proposals and Advice Agreement;
- (n) the Fees and Expenses Agreement;

- (o) the Administration Agreement;
- (p) the Corporate Services Agreement;
- (q) the Commodity Purchase and Sale Agreement; and
- (r) each Hedge Agreement (if any).

5. **Clearing of the Commodity Securities**

The Commodity Securities have been accepted for clearance through Euroclear and Clearstream, Luxembourg. The appropriate common code and the International Securities Identification Number in relation to the Commodity Securities of each Tranche will be specified in the relevant Final Terms. The Issuer intends to make applications for the Commodity Securities to be accepted for clearance through Euroclear Nederland (*Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V.*) and Clearstream Banking AG, Frankfurt am Main. The relevant Final Terms shall specify any other clearing system as shall have accepted the relevant Commodity Securities for clearance together with any further appropriate information.

6. **Investments in the Commodity Securities**

The Issuer confirms that the assets backing the issue of the Commodity Securities have characteristics that demonstrate capacity to produce funds to service any payments due and payable on the Commodity Securities. However, investors are advised that this confirmation is based on the information available to the Issuer at the date of this Base Prospectus and may be affected by future performance of such assets. Consequently, investors are advised to review carefully the disclosure in this Base Prospectus together with any amendments or supplements thereto and other documents which may be incorporated by reference in this Base Prospectus.

An investment in the Commodity Securities is only suitable for financially sophisticated investors who are capable of evaluating the merits and risks of such investment and who have sufficient resources to be able to bear any losses which may result from such investment.

7. **Jersey Law consents**

The Issuer has obtained or will obtain all necessary consents, approvals and authorisations in connection with the issue and performance of Commodity Securities. In particular, the Jersey Financial Services Commission (the "**Commission**") has given, and has not withdrawn, its consent under Article 4 of the Control of Borrowing (Jersey) Order 1958 to the issue of Commodity Securities under the Programme by the Issuer. The Commission is protected by the Control of Borrowing (Jersey) Law 1947 against liability arising from the discharge of its functions under that law.

A copy of this document has been delivered to the registrar of companies in accordance with Article 5 of the Companies (General Provisions) (Jersey) Order 2002, and the registrar has given, and has not withdrawn, consent to its circulation.

It must be distinctly understood that, in giving these consents, neither the registrar of companies nor the Commission takes any responsibility for the financial soundness of the Issuer or for the correctness of any statements made, or opinions expressed, with regard to it.

If you are in any doubt about the contents of this Base Prospectus, you should consult your stockbroker, bank manager, solicitor, accountant or other financial advisor. It should be remembered that the price of securities and in the income from them can go down as well as up.

Financial Services (Jersey) Law 1998

Nothing in this Base Prospectus, any Final Terms, or anything communicated to the Holders of Commodity Securities issued by the Issuer or potential holders of such securities by or on behalf of the Issuer is intended to constitute, or should be construed as advice on the merits of the purchase of or subscription for such securities or the exercise of any rights attached thereto for the purpose of the Financial Services (Jersey) Law 1998, as amended.

The Commodity Securities may only be issued or allotted exclusively to a person who has received and acknowledged a warning to the effect that: (a) the Commodity Securities are only suitable for acquisition by a person who (i) has a significantly substantial asset base that would enable the person to sustain any loss that might be incurred as a result of acquiring the Commodity Securities and (ii) is sufficiently financially sophisticated to be reasonably expected to know the risks involved in acquiring the Commodity Securities; and (b) neither the Issuer, the Programme nor the activities of any functionary with regard to the foregoing are subject to all the provisions of the Financial Services (Jersey) Law 1998.

Each investor who acquires Commodity Securities will be deemed, by such acquisition, to have represented that such investor is one of the foregoing persons.

Collective Investment Funds (Restriction of Scope) (Jersey) Order 2000

The investments described in this Base Prospectus do not constitute a collective investment fund for the purpose of the Collective Investment Funds (Jersey) Law 1988, as amended, on the basis that they are investment products designed for financially sophisticated investors with specialist knowledge of, and experience of investing in, such investments, who are capable of fully evaluating the risks involved in making such investments and who have an asset base sufficiently substantial as to enable them to sustain any loss that they might suffer as a result of making such investments. These investments are not regarded by the Jersey Financial Services Commission as suitable investments for any other type of investor.

Any individual intending to invest in any investment described in this document should consult his or her professional adviser and ensure that (s)he fully understands all the risks associated with making such an investment and has sufficient financial resources to sustain any loss that may arise from it.

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