

# Derivatives Variation Margin Module

This Module supplements, forms part of and amends the Customer Agreement entered into between you and Morgan Stanley from time to time and contains certain authorisations by and instructions from, in each case you to Morgan Stanley. If you require a further copy of the Customer Agreement, please contact your MSWM financial adviser.

This Module sets out the agreed arrangements regarding the transfer of variation margin in respect of Covered Transactions (as defined herein) between MSIP and you as required pursuant to certain Applicable Regulations (which, for the avoidance of doubt, include the United States Commodity Futures Trading Commission's "Margin Requirements for Uncleared Swaps for Swap Dealers and Major Swap Participants" (81 Fed. Reg. 636 (Jan. 6, 2016))). Terms used but not otherwise defined herein will have the meanings given thereto in the VM CTA (as defined herein) or the General Terms as applicable. To the extent there are any inconsistencies in respect of the matters set out herein between the terms of this Module and any other terms of the Customer Agreement, the terms of this Module will prevail.

## 1. Collateral Transfer Agreement

**1.1** Pursuant to this Module, you and MSIP will be deemed to have entered into a Collateral Transfer Agreement (the "**VM CTA**") in the form set out in Appendix I hereto. The VM CTA will constitute a Credit Support Document as defined in the General Terms.

## 2. Creation of VM Client Account

**2.1** You hereby direct MSIP (and MSIP hereby agrees) to create an Account (the "**VM Client Account**") in your name (i) to which you hereby instruct MSIP to transfer Delivery Amounts (VM) and Return Amounts (VM) and (ii) from which you hereby direct MSIP to transfer Delivery Amounts (VM) and Return Amounts (VM) to MSIP (which, for the avoidance of doubt, may result in a debit balance therein) pursuant to the terms hereof, unless otherwise agreed between you and Morgan Stanley.

**2.2** The positive balance of the VM Client Account (if any) will constitute Client Money and will be held in accordance with the FCA Rules and subject to Clause 17 (*Client Money held with MSIP*) of the General Terms and the General Terms will be interpreted accordingly.

**2.3** Each Account Statement will set out the balance of the VM Client Amount at the end of the relevant period and at the end of each business day during such period. In addition, daily end of day balances on the VM Client Account will be available on the *Matrix* website or upon request to your MSWM financial adviser.

**2.4** You acknowledge that any Eligible Credit Support (VM) or Equivalent Credit Support (VM), as applicable, transferred by MSIP into the VM Client Account will be subject to the security interest granted by you over your Accounts to Morgan Stanley in accordance with the terms of the Customer Agreement (including Annex A (*Security Provisions*)).

## 3. Provisions in Relation to Termination of Transactions and Netting

**3.1** Notwithstanding anything to the contrary in Clause 24 (*Total Close-Out and Netting*) of the General Terms or otherwise in the Customer Agreement, upon the giving of a Close-Out Notice under Clause 24.1 (*Early Termination*) of the General Terms or the occurrence of an Event of Default described in Clause 26.3 (*Act of Insolvency*) in the General Terms:

(a) no further transfers or payments will be made pursuant to the VM CTA;

(b) MSIP will determine the Credit Support Balance (VM) (plus any accrued but unpaid Interest Payment (VM)) as of the Early Termination Date as the amounts owing from each party to the other in respect of the VM CTA under Clause 24.4 (*Amounts Determined*) of the General Terms, where (i) any Credit Support Balance (VM) or accrued but unpaid Interest Payment (VM) with respect to MSIP as Transferor will be deemed to constitute an amount owing from you to MSIP and (ii) any Credit Support Balance (VM) or accrued but unpaid Interest Payment (VM) with respect to you as Transferor, will be deemed to constitute an amount owing from MSIP to you, in each case on the Early Termination Date; and

(c) MSIP will determine as at the Early Termination Date (i) the Close-Out Loss of each party in accordance with Clause 22.2 (*Definition of Close-Out Loss*) of the General Terms in respect of each Covered Transaction as if the only transactions that had been entered into between you and MSIP were the Covered Transactions and (ii) the amounts owing from each party to the other in respect of such Covered Transactions based on such Close-Out Losses. The amounts owing from each party to the other as determined in (ii), together with the amounts owing from each party to the other as determined in connection with the VM CTA in (b) above, will be set off against each other and only the balance (if positive, an amount due to Morgan Stanley and if negative, an amount due to you) (the “**Balance**”) will be deemed to be the amount owing from one party to another in respect of the Covered Transactions for the purposes of calculating the Termination Amount under Clause 24.5 (*Netting*) of the General Terms. For the avoidance of doubt:

- (1) to avoid double counting, Covered Transactions and amounts determined in respect thereof pursuant to (i) and (ii) above will not be taken into account for purposes of Clause 24.4 (*Amounts Determined*) of the General Terms, other than in connection with taking into account the Balance for purposes of Clause 24.5 (*Netting*) of the General Terms as set out above; and
- (2) where a Close-Out Loss is to be determined in respect of Transactions governed by an agreement the terms of which provide for the calculation of an amount payable upon the termination of such Transactions, the Close-Out Loss shall be determined separately (I) for purposes of this Clause 3.1(c) as if the only Transactions governed by such agreement were Covered Transactions and (II) for purposes of Clause 24.4 (*Amounts Determined*) as if the only Transactions governed by the agreement were Transactions that are not Covered Transactions.

**3.2** (a) The occurrence of an MSIP Insolvency Event will, without prejudice to the terms hereof, constitute an event of default in respect of MSIP under each Covered Transaction and (1) you will be entitled to terminate such Covered Transactions (or agreements relating thereto) in accordance with their terms, and in the absence of any such terms such Covered Transactions will to the extent possible, be terminated immediately, and (2) no further payments or deliveries under the Covered Transactions or the VM CTA will be required to be made (but without prejudice, in each case to the other provisions of the General Dealing Terms including, without limitation, this Module).

(b) For the purposes of Clause 3.2(a), “MSIP Insolvency Event” means MSIP: (i) has a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding up or liquidation made against it; (ii) has a resolution passed for its winding up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); or (iii) becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets.

(c) Upon the termination of all Covered Transactions pursuant to (a) above (the date of such termination the “**Client Early Termination Date**”), Clause 24 (*Total Close-Out and Netting*) of the General Terms will apply in respect of Designated Agreements to which MSIP is a party as if an Event of Default had occurred with references to the Early Termination Date being deemed to

be references to the Client Early Termination Date, provided that if Morgan Stanley does not satisfy its obligations under Clause 24 (*Total Close-Out and Netting*) pursuant to this subclause (c) within ten business days of the Client Early Termination Date, you will be entitled to make all relevant calculations with references to MSIP’s loss or gain being deemed to be references to your loss or gain, as applicable.

## 4. Transfers of Variation Margin and Withdrawals from the VM Client Account

**4.1** You hereby acknowledge that MSIP’s transfer obligations under Paragraph 2 of the VM CTA will:

- (a) not be contingent on a demand from you; and
- (b) be satisfied by the transfer of Eligible Credit Support (VM) or Equivalent Credit Support (VM), as applicable, into the VM Client Account.

**4.2** Until such authorisation is revoked by your reasonable prior written notice, you hereby authorise and instruct MSIP to take any of the following actions:

(a) on any Valuation Date, to debit an amount from the VM Client Account no greater than any Delivery Amount (VM) or Return Amount (VM) due from you to MSIP under the VM CTA on such Valuation Date and apply such amount to discharge (in whole or in part) your obligation to transfer such Delivery Amount (VM) or Return Amount (VM) and the relevant cash will be released from the Security; or

(b) on any Valuation Date, if the balance of the VM Client Account is less than any Delivery Amount (VM) or Return Amount (VM) due from you to MSIP under the VM CTA in respect of such Valuation Date, to provide cash financing (which will result in a debit balance to the VM Client Account; for the avoidance of doubt any debit balance to the VM Client Account will represent an amount drawn down under the Credit Facility (as defined in the Credit Module)) in order to enable you to satisfy your obligation to transfer such Delivery Amount (VM) or Return Amount (VM) in the manner provided in (a) above. For the avoidance of doubt, all such decisions by MSIP to provide the afore-contemplated cash financing will be made pursuant to the terms of the Credit Module in MSIP’s sole and absolute discretion.

(c) In the event that, on any Valuation Date, there is a debit balance in the VM Client Account, any amounts transferred to such Account, including without limitation a Delivery Amount (VM) or Return Amount (VM) due to you from MSIP under the VM CTA in respect of such Valuation Date, will first be used to offset the debit balance in the VM Client Account. Only after such debit balance has been eliminated will any remaining amounts transferred to the VM Client Account be credited to the VM Client Account, where any resulting credit balance will constitute Client Money.

**4.3** You acknowledge and agree that if on any Valuation Date an obligation to transfer to MSIP a Delivery Amount (VM) or Return Amount (VM) is not satisfied in full after the actions taken pursuant to Clause 4.2 of this Module (if applicable), you will, without prejudice to your obligations under the General Terms, provide to Morgan Stanley the margin that it requires under and in accordance with Clause 21.3 (*Undertaking to Pay Margin*) of the General Terms. Failure to satisfy your obligation in full to transfer a Delivery Amount (VM) or Return Amount (VM) or to provide the margin required under Clause 21.3, will

constitute an Event of Default (as defined in the General Terms) and Morgan Stanley will be entitled to exercise its rights set out in the Customer Agreement.

**4.4** Notwithstanding any provision to the contrary in the General Terms, on any day you may provide a written Instruction for Morgan Stanley to transfer an amount up to the credit balance of the VM Client Account (if any) to an Account as agreed between you and Morgan Stanley or, subject to Clause 3.3 (*Withdrawals from your Account*) of the General Terms, an External Account, and Morgan Stanley will procure the corresponding transfer of such credit balance to the extent such transfer would not trigger a margin call under the General Terms.

## 5. Termination of Application of Clause 4

You or Morgan Stanley may terminate application of Clause 4 above by reasonable prior written notice to the other, subject to any amendments to the VM CTA to be agreed between you and MSIP, without terminating this Module or the Customer Agreement as a whole. For the avoidance of doubt, Clauses 1, 2 and 3 above will continue to apply.

# Appendix I – Collateral Transfer Agreement

## Paragraph 1. Interpretation

**(A) DEFINITIONS AND INCONSISTENCY.** Capitalised terms not otherwise defined in this Agreement have the meanings given to such terms pursuant to the Derivatives Variation Margin Module supplementing the Customer Agreement entered into between MSIP and you, and all references in this Agreement to Paragraphs are to Paragraphs of this Agreement. For the avoidance of doubt, references to “transfer” in this Agreement mean payment of cash. (b) Scope of this Agreement and the Other Credit Support Documents. The only Transactions which will be relevant for the purposes of determining “Exposure” under this Agreement will be the Covered Transactions specified in Paragraph 9. Nothing in this Agreement will affect the rights and obligations, if any, of either party with respect to margin under each Other Credit Support Document, if any, or any other obligation in respect of margin pursuant to Clause 21.3 (*Undertaking to Pay Margin*) of the General Terms, with respect to transactions that are Covered Transactions or otherwise.

## Paragraph 2. Credit Support Obligations

**(A) DELIVERY AMOUNT (VM).** Subject to Paragraphs 3 and 4, upon a demand made by the Transferee on or promptly following a Valuation Date, if the Delivery Amount (VM) for that Valuation Date equals or exceeds the Transferor’s Minimum Transfer Amount, then the Transferor will transfer to the Transferee Eligible Credit Support (VM) having a Value equal to the applicable Delivery Amount (VM). The “*Delivery Amount (VM)*” applicable to the Transferor for any Valuation Date will equal the amount by which:

(i) the Transferee’s Exposure exceeds

(ii) the Value as of that Valuation Date of the Transferor’s Credit Support Balance (VM) (adjusted to include any prior Delivery Amount (VM) and to exclude any prior Return Amount (VM), the transfer of which, in either case, has not yet been completed and for which the relevant Regular Settlement Day falls on or after such Valuation Date).

**(B) RETURN AMOUNT (VM).** Subject to Paragraphs 3 and 4, upon a demand made by the Transferor on or promptly following a Valuation Date, if the Return Amount (VM) for that Valuation Date equals or exceeds the Transferee's Minimum Transfer Amount, then the Transferee will transfer to the Transferor Equivalent Credit Support (VM) specified by the Transferor in that demand having a Value equal to the applicable Return Amount (VM) and the Credit Support Balance (VM) will, upon such transfer, be reduced accordingly. The "**Return Amount (VM)**" applicable to the Transferee for any Valuation Date will equal the amount by which:

- (i) the Value as of that Valuation Date of the Transferor's Credit Support Balance (VM) (adjusted to include any prior Delivery Amount (VM) and to exclude any prior Return Amount (VM), the transfer of which, in either case, has not yet been completed and for which the relevant Regular Settlement Day falls on or after such Valuation Date) exceeds
- (ii) the Transferee's Exposure.

### Paragraph 3. Transfers, Calculations and Exchanges

**(A) TRANSFERS.** All transfers under this Agreement of any Eligible Credit Support (VM), Equivalent Credit Support (VM) or Interest Payment (VM) will be made in accordance with the instructions of the Transferee or Transferor, as applicable, and will be made by transfer into one or more bank accounts as set out in Clause 4 of the Derivatives Variation Margin Module or otherwise specified by the recipient in accordance with Clause 5 thereof.

Subject to Paragraph 4, if a demand for the transfer of Eligible Credit Support (VM) or Equivalent Credit Support (VM) is received by the Notification Time, then the relevant transfer will be made not later than the close of business on the Regular Settlement Day relating to the date such demand is received; if a demand is received after the Notification Time, then the relevant transfer will be made not later than the close of business on the Regular Settlement Day relating to the day after the date such demand is received.

**(B) CALCULATIONS.** All calculations of Value and Exposure for purposes of Paragraph 2 and Paragraph 4(a) will be made by the Valuation Agent as of the Valuation Time, *provided* that, the Valuation Agent may use, in the case of any calculation of Exposure, relevant information or data most recently reasonably available for close of business in the relevant market(s) as of the Valuation Time. The Valuation Agent will notify you of its calculations as soon as practicable upon receipt of a written request from you.

### Paragraph 4. Dispute Resolution

**(A) DISPUTED CALCULATIONS OR VALUATIONS.** If a party (a "**Disputing Party**") reasonably disputes (I) the Valuation Agent's calculation of a Delivery Amount (VM) or a Return Amount (VM) or (II) the Value of any transfer of Eligible Credit Support (VM) or Equivalent Credit Support (VM), then:

- (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the date that the transfer is due in respect of such Delivery

Amount (VM) or Return Amount (VM) in the case of (I) above, or, in the case of (II) above, the Local Business Day following the date of transfer;

(2) in the case of (I) above, the appropriate party will transfer the undisputed amount to the other party not later than the close of business on the date that the transfer is due in respect of such Delivery Amount (VM) or Return Amount (VM);

(3) the parties will consult with each other in an attempt to resolve the dispute; and

(4) if they fail to resolve the dispute by the Resolution Time, then:

(i) in the case of a dispute involving a Delivery Amount (VM) or Return Amount (VM), the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilising any calculations of that

part of the Exposure attributable to the

Covered Transactions that the

parties have agreed are not in dispute;

(B) calculating the Exposure for the

Covered Transactions in dispute

by seeking four actual quotations at

mid-market from third parties, and

taking the arithmetic average of those

obtained; *provided* that, in either case,

if four quotations are not available

for a particular Covered Transaction,

then fewer than four quotations may

be used for that Covered Transaction,

and if no quotations are available for

a particular Covered Transaction,

then the Valuation Agent's original

calculations will be used for the Covered

Transaction; and

(C) utilising the procedures specified

below for calculating the Value, if

disputed, of the outstanding Credit

Support Balance (VM);

(ii) in the case of a dispute involving the Value of

any transfer of Eligible Credit Support (VM) or

Equivalent Credit Support (VM), the Valuation

Agent will recalculate the Value as follows: the

value of cash in an Eligible Currency will be

the face amount thereof.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) as soon as possible but in any event not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following such notice given by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraph 3(a), make the appropriate transfer.

**(B) NO EVENT OF DEFAULT.** The failure by a party to make a transfer of any amount which is the subject of a dispute to which Paragraph 4(a) applies will not constitute an Event of Default for as long as the procedures set out in this Paragraph 4 are being carried out. For the avoidance of doubt, upon completion of those procedures, Clause 26.1 (*Failure to Pay or Deliver*) of the General Terms will apply to any failure by a party to make a

transfer required under the final sentence of Paragraph 4(a) on the relevant due date.

## Paragraph 5. Transfer of Title, No Security Interest and Interest Payment (VM)

**(A) TRANSFER OF TITLE.** Each party agrees that, other than in respect of any security interest granted by you in accordance with the terms of the Customer Agreement (including Annex A (*Security Provisions*)), all right, title and interest in and to any Eligible Credit Support (VM), Equivalent Credit Support (VM) or Interest Payment (VM) which it transfers to the other party under the terms of this Agreement will vest in the recipient free and clear of any liens, claims, charges or encumbrances or any other interest of the transferring party or of any third person.

**(B) NO SECURITY INTEREST.** Nothing in this Agreement is intended to create or does create in favour of either party any mortgage, charge, lien, pledge, encumbrance or other security interest in any cash or other property transferred by one party to the other party under the terms of this Agreement.

**(C) INTEREST PAYMENT (VM).** The Interest Payer (VM) will transfer to the Interest Payee (VM), at the times specified in writing by MSIP from time to time, the relevant Interest Payment (VM) to such accounts and pursuant to such terms as may be agreed between the parties.

## Paragraph 6. Representation

Each party represents to the other party (which representation will be deemed to be repeated as of each date on which it transfers Eligible Credit Support (VM) or Equivalent Credit Support (VM)) that it is the sole owner of or otherwise has the right to transfer all Eligible Credit Support (VM) or Equivalent Credit Support (VM) it transfers to the other party under this Agreement, free and clear of any security interest, lien, encumbrance or other restriction (other than a lien routinely imposed on all securities in a relevant clearance system or any security interest granted by you in accordance with the terms of the Customer Agreement (including Annex A (*Security Provisions*))).

## Paragraph 7. Expenses

Each party will pay its own costs and expenses (including any stamp, transfer or similar transaction tax or duty payable on any transfer it is required to make under this Agreement) in connection with performing its obligations under this Agreement, and neither party will be liable for any such costs and expenses incurred by the other party.

## Paragraph 8. Miscellaneous

**(A) DEFAULT INTEREST.** Other than in the case of an amount which is the subject of a dispute under Paragraph 4, if a Transferee fails to make, when due, any transfer of Equivalent Credit Support (VM), it will be obliged to pay the Transferor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the amount that was required to be transferred, from (and including) the date that the Equivalent Credit Support (VM) was required to be transferred to (but excluding) the date of transfer of the Equivalent Credit Support (VM). This interest will be calculated on the basis of daily compounding and the actual number of days elapsed. Other than in the case of an amount which is the subject of a dispute under Paragraph 4, if an Interest

Payer (VM) fails to make, when due, any transfer of an Interest Payment (VM), it will be obliged to pay the Interest Payee (VM) (to the extent permitted under applicable law) an amount equal to interest at the Default Rate (and for such purposes, if the Default Rate is less than zero, it will be deemed to be zero) multiplied by that Interest Payment (VM), from (and including) the date that Interest Payment (VM) was required to be transferred to (but excluding) the date of transfer of that Interest Payment (VM). This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

**(B) GOOD FAITH AND COMMERCIALLY REASONABLE MANNER.** Performance of all obligations under this Agreement, including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

**(C) DEMANDS AND NOTICES.** All demands and notices given by a party under this Agreement will be given as specified in Clause 28 (*Notices and Communications*) of the General Terms.

**(D) GOVERNING LAW.** This Agreement and any non-contractual obligations arising out of or in relation to it, will be governed by and construed in accordance with English law.

## Paragraph 9. Definitions

As used in this Agreement:

“**Agreement**” means this Collateral Transfer Agreement.

“**Base Currency**” means U.S. dollars.

“**Covered Transaction**” means any transaction between MSIP and you that is entered into in connection with the Customer Agreement on or after 7 November 2017, except as otherwise provided in the confirmation of such transaction, that is: (a) a “swap” as defined in Section 1a(47) of the U.S. Commodity Exchange Act, as amended (“CEA”), the regulations adopted thereunder (excluding, for the avoidance of doubt, a swap that has been cleared by a “derivatives clearing organization” as such term is defined in Section 1a(5) of the CEA and the regulations adopted thereunder); and (b) such additional transactions as may be notified by MSIP to you from time to time. For the purposes of the foregoing, a transaction will be deemed to be entered into on or after 7 November 2017 if an amendment, novation or other lifecycle event with respect to such transaction would cause such transaction to be entered into after such date under the margin rules adopted by the U.S. Commodity Futures Trading Commission pursuant to § 4s(e)(2)(B) of the CEA.

“**Credit Support Balance (VM)**” means, with respect to a Transferor on a Valuation Date, the aggregate of all Eligible Credit Support (VM) that has been transferred to or received by the Transferee under this Agreement, as reduced pursuant to Paragraph 2(b).

“**Default Rate**” means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

“**Delivery Amount (VM)**” has the meaning specified in Paragraph 2(a).

“**Disputing Party**” has the meaning specified in Paragraph 4.

“**Eligible Credit Support (VM)**” means, with respect to a party, cash in an Eligible Currency.

“**Eligible Currency**” means the Base Currency only.

“**Equivalent Credit Support (VM)**” means, in relation to any Eligible Credit Support (VM) comprised in the Credit Support

Balance (VM), Eligible Credit Support (VM) of the same type and amount as that Eligible Credit Support (VM).

“**Exposure**” means, for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 4 in the case of a dispute, the amount, if any, that would be payable to that party by the other party (expressed as a positive number) or by that party to the other party (expressed as a negative number) pursuant to Clause 24.4 (*Amounts Determined*) of the General Terms (i) if all Covered Transactions (other than the transaction constituted by this Agreement) were being terminated as of the relevant Valuation Time on the basis that the relevant amount owing will be determined by the Valuation Agent on behalf of that party using its estimates at mid-market of the amounts that would be paid for transactions providing the economic equivalent of (X) the material terms of the Covered Transactions, including the payments and deliveries by the parties in respect of the Covered Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date (assuming satisfaction of any relevant conditions precedent under the terms of such Covered Transactions); and (Y) the option rights of the parties in respect of the Covered Transactions.

“**Interest Payee (VM)**” means, in relation to an Interest Payer (VM), the other party.

“**Interest Payer (VM)**” means the Transferee.

“**Interest Payment (VM)**” means such amount of interest as may be payable by the Interest Payer (VM) to the Interest Payee (VM) as specified by MSIP in writing from time to time.

“**Local Business Day**” means a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) in New South Wales, Australia.

“**Minimum Transfer Amount**” means, with respect to a party, zero.

“**Notification Time**” means 12:00 p.m., New South Wales, Australia time on a Local Business Day.

“**Other Credit Support Document**” means any other Credit Support Document in relation to the Customer Agreement between MSIP and you.

“**Recalculation Date**” means the Valuation Date that gives rise to the dispute under Paragraph 4; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 2 prior to the resolution of the dispute, then the “**Recalculation Date**” means the most recent Valuation Date under Paragraph 2.

“**Regular Settlement Day**” means the same Local Business Day on which a demand for the transfer of Eligible Credit Support (VM) or Equivalent Credit Support (VM) is made.

“**Resolution Time**” means 2:00 p.m., New South Wales, Australia time, on the Local Business Day following the date on which the notice is given that gives rise to a dispute under Paragraph 4.

“**Return Amount (VM)**” has the meaning specified in Paragraph 2(b).

“**Transferee**” means, in relation to each Valuation Date, the party in respect of which Exposure is a positive number and, in relation to a Credit Support Balance (VM), the party which, subject to this Agreement, owes such Credit Support Balance (VM).

“**Transferor**” means, in relation to a Transferee, the other party.

“**Valuation Agent**” means, for all purposes, MSIP.

“**Valuation Date**” means each day from, and including, the date of this Agreement, that is a day on which commercial banks

are open for business (including dealings in foreign exchange and foreign currency deposits) in New South Wales, Australia.

“**Valuation Time**” means the time as of which the Valuation Agent computes its end of day valuations of derivatives transactions in the ordinary course of its business (or such other commercially reasonable convenient time on the relevant day as the Valuation Agent may determine).

“**Value**” means, for any Valuation Date or other date for which Value is calculated, and subject to Paragraph 4 in the case of a dispute, with respect to Eligible Credit Support (VM) comprised in a Credit Support Balance (VM) or Equivalent Credit Support (VM), face amount thereof.

# Appendix II – Disclosures concerning money transferred on a title transfer basis to MSIP

Any cash that is transferred to, or held by, MSIP on a title transfer basis under the terms of the VM CTA is not Client Money as defined by the Client Money Rules and is not treated as such by MSIP.

This means that:

1) any transfer of cash as part of Delivery Amounts (VM) or Return Amounts (VM) due from you to MSIP in respect of Covered Transactions under the VM CTA will take effect as an outright payment of cash and your right in relation to such cash will be replaced by an obligation of MSIP to return that cash in accordance with the VM CTA;

2) upon a transfer of money under the VM CTA to MSIP, the cash will not be held by MSIP in accordance with the Client Money Rules; even if the money had previously benefited from protection under the Client Money Rules, that protection will no longer apply (for example, the money will not be required to be held in an account at an approved bank or in a qualifying money market fund (as defined in the Client Money Rules));

3) in the event of MSIP's insolvency or default under the relevant agreement(s) governing the Covered Transactions, your claim against MSIP will not be secured and will be subject to the terms of the VM CTA and the Customer Agreement and applicable law and, accordingly, you may not recover the full amount of the money transferred to, or held by, MSIP on a title transfer basis (although your exposure may be reduced to the extent that you have liabilities to MSIP which can be set off or netted against or discharged by reference to any amount(s) owing from MSIP to you);

4) in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to MSIP, any rights you may have to take any action against MSIP, such as to terminate the relevant agreement, may be subject to a stay by the relevant resolution authority;

5) your debt claim may be reduced (in part or in full);

6) a transfer of assets or liabilities may result in your claim on MSIP, or MSIP's claim on you, being transferred to different entities;

7) although you may be protected to the extent that the exercise of resolution powers is restricted by the availability of set-off or netting rights;

8) a transfer of money on a title transfer basis from you to MSIP and a debt repayment by MSIP to you may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by you, or by MSIP for your account, of such money.

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