

## **GUIDELINES ON INTERPRETATION OF 'NOT COMPLEX' FOR THE PURPOSES OF SCHEDULE 3 – ELIGIBILITY CRITERIA**

Schedule 3 – Eligibility Criteria requires eligible liabilities to be 'not complex'. The purpose of this note is to provide guidance on what the term 'not complex' means in that context.

Liabilities with one or more of the following features in their terms and conditions are likely to be regarded by the Guarantor as complex<sup>1</sup>:

- A. a liability where the principal amount of the liability is not a fixed sum but varies by reference to, or is derived from, the value of an asset, index or commodity or is linked to the credit standing of any person;
- B. a liability where the principal and interest payments are required to be made in different currencies;
- C. a liability where interest payable in respect of the liability is neither fixed nor determined by reference to a market interest rate with a fixed margin;
- D. a liability where amounts other than principal and interest are payable (other than additional amounts by way of a gross up for taxes, late fees, break fees and make-whole payments or similar amounts);
- E. a liability that may be converted to equity or may be subordinated (other than by operation of law);
- F. a liability that requires the Eligible Institution to grant security, other than where such a requirement is triggered only in the event that the Eligible Institution grants a security in respect of other liabilities;
- G. a liability that includes any cross-default or cross-acceleration event of default (however described); or
- H. a liability that includes any right to demand prepayment of principal or permits redemption prior to the maturity date, except where such rights become operative as a result of one or more of the following or substantially similar circumstances:
  - interest withholding taxes or other taxes that have, or will become, payable due to a change in laws relating to taxation or in the application, or interpretation, of laws relating to taxation;
  - the non-payment of principal or interest by the Eligible Institution;
  - the Eligible Institution entering into any arrangement or composition, suffering execution against its assets, having its undertaking or assets, in whole or in part, taken into possession by an encumbrancer, being placed under external administration, dissolved or becoming the subject of an application for those or similar procedures or otherwise being insolvent;
  - the liability becoming illegal;
  - the Eligible Institution ceasing to carry on a banking business or business generally;
  - a breach by the Eligible Institution of its obligations set out in the liability where the breach is not remedied or is unable to be remedied.

---

<sup>1</sup> The issue of an Eligibility Certificate is conclusive evidence that the liability the subject of an Eligibility Certificate has been accepted by the Guarantor as 'not complex'.