
STATUTORY INSTRUMENTS

2008 No. 432

The Northern Rock plc Transfer Order 2008

PART 2

**TRANSFER AND REGISTRATION OF SHARES
AND EXTINGUISHMENT OF RIGHTS ETC**

Interest payments in relation to Tier 1 notes

5.—(1) This article applies if, while Northern Rock is wholly owned by the Treasury, Northern Rock would, but for this article, be obliged under the terms of any Tier 1 notes or arrangements relating to Tier 1 notes to issue ordinary shares in Northern Rock to satisfy entitlements to interest payments.

(2) The Treasury may give notice to Northern Rock and the trustee for the holders of Tier 1 notes (“the trustee”) that they—

- (a) intend to settle interest payments in respect of any Tier 1 notes in cash pursuant to paragraph (3); or
- (b) require Northern Rock to settle interest payments in respect of any Tier 1 notes by Northern Rock issuing further Tier 1 notes to the trustee pursuant to paragraph (4).

(3) Upon the giving of the notice referred to in paragraph (2)(a), unless and until the Treasury specify otherwise—

- (a) any obligation of Northern Rock to issue ordinary shares to the trustee is replaced by an obligation of Northern Rock to issue ordinary shares or, if so specified in the notice, further Tier 1 notes, to the Treasury Solicitor;
- (b) on each date when, but for this article, Northern Rock would be required to satisfy an entitlement referred to in paragraph (1) the Treasury shall pay an amount equal to the interest payments to or to the order of the trustee; and
- (c) Northern Rock shall have no further obligation in respect of the interest payments.

(4) Upon the giving of the notice referred to in paragraph (2)(b), unless and until the Treasury specify otherwise—

- (a) any obligation of Northern Rock to issue ordinary shares to the trustee shall be replaced by an obligation of Northern Rock to issue further Tier 1 notes to the trustee;
- (b) Northern Rock shall issue that number of further Tier 1 notes which is necessary to cover the entitlement of the holders of relevant Tier 1 notes in respect of the interest payments; and
- (c) Northern Rock shall have no further obligation in respect of the interest payments.

(5) In this article—

“further Tier 1 notes” means further Tier 1 notes which are on the same terms as the Tier 1 notes, subject to any modifications specified in the notice given by the Treasury under paragraph (2)

(b) which the Treasury may consider appropriate, whether to ensure the inclusion of such notes in Northern Rock's innovative tier one capital resources or otherwise;

“Tier 1 notes” means—

- (a) the £200,000,000 7.053 per cent callable perpetual core tier one notes of Northern Rock constituted by a trust deed dated 21st August 2002, and
- (b) the £300,000,000 8.399 per cent, step-up callable perpetual reserve capital instruments of Northern Rock constituted by a trust deed dated 21 September 2000 as supplemented by a supplemental trust deed dated 24th May 2001;

“innovative tier one capital resources” has the meaning given in the Glossary to the Authority's Handbook;

“Handbook” means the handbook containing provisions made by the Authority under Part 10 of FSMA 2000.