

Series. 59
No.1

Registered Covered Bond

benefiting from the *privilège* (priority right of payment) created
by Article L.515-19 of the French *Code monétaire et financier*

dated as of 15 July 2011

of

CIF EUROMORTGAGE

(the "Issuer")

A company incorporated as *société de crédit foncier* under the laws of France
whose registered office is 26/28, rue de Madrid, Paris (France)



in the nominal amount of Euro 20,000,000 (the "Nominal Amount")
(in words: twenty million Euro)
due: 17 July 2023

This certificate shall constitute a security instrument (*Wertpapier*) in the form of a registered covered bond (*gedeckte Namensschuldverschreibung*) governed by German law (the "Bond"), except as stated otherwise in the attached terms and conditions (the "Conditions"), which shall govern the Bond. The Issuer owes the Bondholder the amounts due and payable under the Bond in accordance with these Conditions.

The Bondholder is R+V Lebensversicherung AG or such other holder to which the Bond has been assigned and who appears as such in the Register.

EACH OF THE ISSUER AND ANY BONDHOLDER ACKNOWLEDGES THAT (I) THE BOND HAS NOT BEEN OFFERED OR SOLD, AND MUST NOT BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, IN THE REPUBLIC OF FRANCE (II) NOBODY HAS DISTRIBUTED OR CAUSED TO BE DISTRIBUTED, AND (III) NOBODY MUST DISTRIBUTE OR CAUSE TO BE DISTRIBUTED IN THE REPUBLIC OF FRANCE, THE BOND OR ANY OTHER OFFERING MATERIAL RELATING TO THE BOND.

IN ADDITION, EACH OF THE ISSUER AND ANY BONDHOLDER ACKNOWLEDGES THAT EACH BONDHOLDER (I) MUST BE DOMICILED OR RESIDENT FOR TAX PURPOSES OUTSIDE THE REPUBLIC OF FRANCE (II) DOES NOT ACT THROUGH A PERMANENT ESTABLISHMENT OR FIXED BASE IN THE REPUBLIC OF FRANCE AND (III) MUST BE THE ACTUAL BENEFICIARY OF THE INTERESTS ON THE BOND.

THE BOND HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES OR TO OR FOR THE ACCOUNT OR BENEFIT OF U.S. PERSONS.

Paris, 15 July 2011

The Issuer

.....
CIF EUROMORTGAGE

The Registrar

.....
LANDESBANK BADEN-WÜRTTEMBERG

Michael Specht

Annette Frowerk

i. Transfers will be effected without charge by or on behalf of the Issuer or the Registrar, but upon payment by the Bondholder (or the giving of such indemnity as may be required from the Issuer or the Registrar) in respect of any tax or other duties which may be imposed in relation to it.

j. For the purpose of these Conditions:

“**Register**” means the register to be maintained by the Registrar in relation to the Bond;

“**Registrar**” means the register-keeper of the Register.

k. Any reference herein to “Bond” includes, where the context requires, and unless the context otherwise requires, any certificate issued in relation to the Bond (including any certificate issued upon any transfer of the Bond or part thereof). Any reference herein to “Bonds” in plural form shall constitute a reference to “Bond” in singular form. All grammatical and other changes required by the use of the word “Bond” in singular form shall be deemed to have been made herein and the provisions hereof shall be applied accordingly.

2. STATUS

The obligations of the Issuer under the Bond in respect of principal and interest constitute direct, unconditional and, pursuant to the *Privilège* created by Article L. 515-19 of the Code, privileged obligations of the Issuer and rank and will rank *pari passu* and without any preference among themselves and equally and rateably with all other present or future resources raised by the Issuer and all of its other debt secured by the *Privilège* referred to in Article L. 515-19 of the Code.

3. PRIVILEGE

a. The Bond is secured by the *Privilège* (priority right of payment) created by Article L. 515-19 of the French *Code monétaire et financier*.

Pursuant to Article L. 515-19 of the French *Code monétaire et financier*, all amounts payable to the Issuer in respect of loans or assimilated receivables and securities referred to in Articles L. 515-14 to L. 515-17 of the French *Code monétaire et financier* and the forward financial instruments referred to in Article L. 515-18 of the French *Code monétaire et financier* (in each case after any applicable netting), together with the claims in respect of deposits made by the Issuer with credit institutions, are allocated in priority to the payment of any sums due in respect of *obligations foncières* issued by the Issuer, other resources raised by the Issuer pursuant to issue or subscription contracts referring to the *Privilège* (including the Bond) and derivative transactions for hedging these obligations foncières and these resources.

b. Article L. 515-19 of the French *Code monétaire et financier* provides that, notwithstanding any legislative provisions to the contrary and in particular those contained in the French *Code de commerce* relating to the prevention and amicable settlement of business difficulties and the judicial administration and liquidation of companies, the amounts due regularly under *obligations foncières* and other resources benefiting from the *Privilège* (including the Bond), are paid on their contractual due date, and in priority to all other debts, whether or not preferred or secured, including interest resulting from agreements whatever their duration. Accordingly, until all creditors benefiting from the *Privilège* have been fully paid, no other creditor of the Issuer may exercise any right over the assets and rights of the Issuer.

If any Interest Payment Date falls on a day which is not a Business Day, the Interest Payment Date shall be the immediately succeeding Business Day, provided however that the calculations of the interest referred to the Interest Periods will not be adjusted according to any applicable Business Day Convention. Interest shall be calculated on an 30/360 basis.¹ "**Business Day**" means any day (other than a Saturday or Sunday) on which commercial banks in London are open to for business and all relevant parts of the Trans-European Automated Real-Time Gross-settlement Express Transfer (TARGET2) system are operational to effect the relevant payment.

- c. **Underlying Index Disruption.** If the Underlying Index is permanently cancelled or the Index Sponsor makes material changes in the formula for or the method of calculating the Underlying Index, or the Index Sponsor fails to calculate and announce the level of the Underlying Index, the Determination Agent shall either: (i) make determination on the level of Underlying Index in lieu of a published level for the purpose of calculating the Average Performance; or (ii) determine a Replacement Rate that will replace the future Interest.

The "**Replacement Rate**" means a fixed rate based on an annual 30/360 following unadjusted basis. The Replacement Rate will be determined in a commercially reasonable manner taking into account (i) the present value of outstanding future payments, and (ii) any potential unwind costs of hedging transactions at the time. All determinations or decisions by the Determination Agent will be made in its sole discretion.

- d. **Restructuring Option.** With effect from and including the Issue Date, the Bondholders have the right to request (the "**Right to Request**") from the Determination Agent a quotation for a fixed rate payable on the Nominal Amount calculated on an annual 30/360 following unadjusted basis ("**Fixed Rate**").

The Determination Agent will provide and determine such Fixed Rate in a commercially reasonable manner taking into consideration amongst other things, (1) the present value of any interest amount outstanding, provided however, that where the Right to Request is exercised after the Cut-off Date (as defined below) but prior to the next Interest Payment Date, the Interest due on the immediately following Interest Payment Date shall not be taken into account, and (2) any potential unwind costs of hedging transactions, each determined at the time of the request.

The Right to Request can be exercised by 100% of the Bondholders serving notice to the Determination Agent no later than 11.00 am Frankfurt time on the tenth London, TARGET and New York Business Day prior to the next Interest Payment Date (the "**Cut-off Date**"). The Fixed Rate can be accepted by 100% of the Bondholders immediately after receiving the quotation from the Determination Agent (the "**Restructuring Option**"). If the Fixed Rate is not accepted, the quotation shall become invalid. In such case, the Bondholders have the right to exercise the Right to Request under the foregoing provisions again. If the Bondholders exercise the Right to Request and the Restructuring Option in accordance with the foregoing provisions, such Fixed Rate shall replace the Interest payable on all Interest Payment Dates occurring after the Cut-off Date, provided however, that where the Right to Request and Restructuring Option are exercised after the Cut-off Date but prior to the next Interest Payment Date, such Fixed Rate shall replace the Interest payable on all Interest Payment Dates immediately following the next Interest Payment Date. Upon the exercise of the Restructuring Option, all further rights to exercise the Right to Request and the Restructuring Option shall cease to exist.

¹30/360 basis means in respect of the calculation of an amount of interest on the Bond for any period of time (the "**Calculation Period**") the number of days in the Calculation Period divided by 360, the number of days to be calculated on the basis of a year of 360 days with twelve 30-day months. Except this does not apply where (a) the last day of the Calculation Period is the 31st day of a month but the first day of the Calculation Period is a day other than the 30th or 31st day of a month. In such case, the month that includes that last day shall not be considered to be shortened to a 30-day month. Furthermore, this does not apply where (b) the last day of the Calculation Period is the last day of the month of February. In such case, the month of February shall not be considered to be lengthened to a 30-day month.

5. REDEMPTION

- a. To the extent not previously redeemed in whole, the Bond shall be repaid at its full Nominal Amount on 17 July 2023 (the "**Maturity Date**") provided however that if such day is not a Business Day, payment will be due on the next following Business Day.
- b. The Bondholder is not entitled to put all or any part of the Bond for redemption prior to its stated Maturity Date.
- c. The Issuer may at any time purchase the Bond in the open market or otherwise and at any price.

6. PAYMENTS

- a. All payments under the Bond shall be made in Euros free of charge. All payments due to be made by the Issuer hereunder shall be made on the due date for payment thereof to the person shown on the Register as the Bondholder at the close of business on the 15th day before such due date (the "**Record Date**") unless a holder of a certificate shows to the satisfaction of the Issuer by presenting the certificate and a valid declaration of assignment at the latest five Business Days prior to the due date for such payment, that the Bond has been assigned by the person shown in the Register to such holder of such certificate. If the due date for any payment of principal, interest or other amounts under the Bond falls on a day which is not a Business Day, the Bondholder shall not be entitled to payment of the amount due until the next following Business Day and will not be entitled to any interest or other payment in respect of such postponed payment.
- b. In the case of repayment of principal due to be made by the Issuer, the person shown in the Register as the Bondholder on the Record Date shall not be entitled to the repayment of principal plus accrued interest, unless he surrenders the certificate representing the Bond. The repayment of principal plus accrued interest by the Issuer to the person shown in the Register as the Bondholder on the Record Date, who has surrendered the certificate representing the Bond, shall have discharging effect in accordance with §§ 407 et seq. of the BGB.
- c. In the case of other payments due to be made by the Issuer, the payment of such amounts by the Issuer to the person shown in the Register as the Bondholder on the Record Date, subject as further set out in these Conditions, shall have discharging effect in accordance with §§ 407 et seq. of the BGB.
- d. The Issuer may deposit with the lower court (*Amtsgericht*) in Frankfurt am Main principal or interest not claimed by Bondholders within 12 months after the relevant due date or in the case of § 372 sentence 2 of the BGB, even though such Bondholders may not be in default of acceptance of payment. If and to the extent that the deposit is effected and the right of withdrawal is waived, the respective claims of such Bondholders against the Issuer shall cease.

7. TAXATION

The Bond being issued outside of France on or after 1 March 2010 fall under the new French withholding tax regime pursuant to the French loi de finances rectificative pour 2009 no. 3 (n°2009-1674 dated 30 December 2009), applicable as from 1 March 2010 (the "Law").

Payments of interest and other revenues made by the Issuer in respect of the Bond to non-French tax residents benefit under present French law from the exemption from the withholding tax set out under Article 125 A III of the *Code général des impôts* unless such payments are made outside France in a non-cooperative State or territory (Etat ou territoire non coopératif) within the meaning of Article 238-0 A of the French Code general des impôts (a "Non-Cooperative State"). If such payments in respect of the Bond are made in a Non-

For the purposes of Condition 4 only:
Attn: Morgan Stanley Bank AG
German Sales and Trading for Insurance Companies & Pension Funds
Telefon: +49 (0)69 2166 1323
Telefax: +49 (0)69 2166 1298

With a copy to LNTRADEPROCESS@morganstanley.com referencing EJU62

Paying Agent:

Landesbank Baden-Württemberg
Department 4042 H / Back Office Schuldscheine/Namenspapiere
Am Hauptbahnhof 2
70173 Stuttgart
Germany
Tel.: +49 711 127 79127
Fax: +49 711 127 750 68

Registrar:

Landesbank Baden-Württemberg
Department 4042 H / Back Office Schuldscheine/Namenspapiere
Am Hauptbahnhof 2
70173 Stuttgart
Germany
Tel.: +49 711 127 79127
Fax: +49 711 127 750 68

- b. The Issuer reserves the right at any time to vary or terminate the appointment of the Calculation Agent, the Paying Agent and the Registrar and to appoint another Calculation Agent, Paying Agent or Registrar provided that it will at all time maintain a Calculation Agent, a Paying Agent and a Registrar. The Calculation Agent, the Determination Agent, the Paying Agent and the Registrar reserve the right at any time to change their respective specified offices to some other specified office in the same city. Notice of all changes in the identities or specified offices of the Calculation Agent, the Determination Agent, the Paying Agent and the Registrar will be given promptly by the Issuer to the Bondholders in accordance with Condition 12.
- c. The Calculation Agent, the Determination Agent, the Paying Agent and the Registrar act solely as agents of the Issuer and do not assume any obligations towards or relationship of agency or trust for the Bondholder.

11. REPRESENTATION

The Issuer represents to the Bondholder that:

- a. it is a *société de crédit foncier* duly organised and validly existing and carrying on business as a financial institution under the laws of France with power to own its property and assets and carry on its business as it is now being conducted; it has power to issue the Bond and to exercise its rights and perform its obligations hereunder and all corporate and other action required to authorise its execution of the Bond and its performance of its obligations hereunder has been duly taken;
- b. the obligations expressed to be assumed by it under the Bond are legal and valid obligations binding on it and are enforceable in accordance with the terms hereof;
- c. in his relevant report relating to the quarterly issuance programme of the Issuer, the specific controller (*contrôleur spécifique*) of the Issuer has certified that the rule providing that the amount of eligible assets of the Issuer is greater than the amount of liabilities benefiting from the *Privilège* is satisfied.

**Annex I
FORM OF ASSIGNMENT**

[Name and address of Transferor]

ASSIGNMENT CERTIFICATE

Reference is made to the documentation of the Registered Covered Bond issued by CIF Euromortgage S.A., France, dated as of 15 July 2011, Series 59 n° 1.

Terms and definitions used and not defined in this Assignment Certificate shall have the meaning given in the documentation of the Registered Covered Bond.

The current Bondholder of the Bond in the Nominal Amount of *[insert currency and Nominal Amount]* (the "Transferor") assigns *[insert currency and assigned nominal amount]* of the Nominal Amount evidenced by the Bond certificate attached hereto as well as all rights as from *[date of transfer]* ("Transfer Date") in respect thereof to

.....
.....
.....

[insert name and address of transferee]

(the "Transferee").

I / We, the Transferor, represent and warrant that the Bond to which this assignment certificate (the "Assignment Certificate") relates is free from all liens, charges, encumbrances and other third party rights.

I / We, the Transferee, hereby request that I / we will be registered in the Register held by the Registrar as Bondholder(s) of the Bond corresponding to this Assignment Certificate [and a corresponding number of new Bond certificates will be issued and delivered to me / us or to the nominee(s) as stated below, respectively,] according to the following instructions:

Details of the Transferee:

(Company's legal name)

(Address)

(Place of incorporation)

(account details for the payment of interest and/or principal)

The Transferee agrees and acknowledges that the Issuer and/or the Registrar may, prior to the registration, request, to the extent it considers necessary, the delivery of further information and/or documents (including a certified copy of a current extract from the commercial register) with respect to the identity of the Transferee.

This assignment and transfer will become valid upon registration thereof in the Register with economic effect from the Transfer Date.

[The Transferor hereby asks the Registrar to mail the Bond *[certificate][certificates]* representing the new Bond[s] to the Transferee *[in case of a partly transfer insert: and to the Transferor]* to *[its][their]* respective] address[es] specified above at the risk of the *[respective]* addressee.]

Annex II
Index Description

Description of
Morgan Stanley Enhanced Forward Rate Bias USD Index

This document sets out the current methodology and rules used to construct, calculate and maintain the Morgan Stanley Enhanced Forward Rate Bias USD Index. The summary provides an overview of the methodology of the Index but prospective investors should read the entire Index description before making any investment decisions. Defined terms used in the summary are defined in sections 2 and 3 below. Index information is available under the symbol MSQTEFBU <INDEX> on Bloomberg.

1. Introduction

Summary

The Morgan Stanley Enhanced Forward Rate Bias USD Index (the "**Index**") is a proprietary, quantitative rules-based index aiming to exploit forward rate bias. Forward rate bias is a theoretical and historically observable phenomenon: forward rates are not accurate predictors of future interest rates.

The Index seeks to exploit this bias by replicating the performance of leveraged synthetic long or short positions in a series of 3 month forward rates based on the USD yield curve:

On the Index Base Date, the Index takes a synthetic position in a 3-month forward rate, to commence in 12 months time (a 12x15 forward rate)²

At the first Rebalancing Date, one month later, this position is closed and replaced by a new forward rate, for a 3-month rate starting in 11 months' time (11x14)¹

At the second Rebalancing Date, a further month later, this position is closed and replaced by a new forward rate for a 3-month rate starting in 10 months' time (10x13)¹

This cycle repeats every three months: every third Rebalancing Date, the Index re-enters a 12x15 forward rate.

The direction of these synthetic positions (long or short) and the amount of leverage are determined each month using two quantitative signals. Specifically, the Index uses a statistical test on the trend in the 3m USD Libor over the previous 42 business days as a market indicator to determine if the position should be long or short (the Position Sign). A statistically significant upward trend in 3m USD Libor signals a short position; otherwise, the position is long. To determine the amount of leverage, the market indicator is used in conjunction with a fundamental economic indicator - the direction of the last observed significant change in the 1w USD Libor (i.e. a proxy for monetary policy, which is used to set the Rate Environment). When both the market indicator and fundamental economic indicator are aligned, a higher leverage of 125% is used. When they are not aligned, 75% leverage is used. There are therefore four possible "Strategy Signals" given by the indicators: long 125%, long 75%, short 75%, short 125%.

The Index Level is calculated daily. On each Index Calculation Day, the change in Index Level since the last Rebalancing Date reflects the difference between the 3m forward rate at the start of the rebalancing period in which the Index has a simulated position (the Fixing Rate), and the prevailing forward rate for a 3m forward rate with a start date equal to the start date of the Fixing Rate (the Calculated Forward Rate). The impact of this difference on the Index Level will be determined by the direction and leverage of the simulated positions:

² Tenors given are approximate - the forward tenor may not always correspond exactly with 12, 11, or 10 months. Please refer to section 2.2 for more detail.

The Strategy Signal is determined monthly on each Rebalancing Date and is the signal used to determine the direction and leverage of the simulated forward rate positions – see section 2.3 for more details.

The “**Forward Rate Change Factor**” is the difference between the Fixing Rate on the preceding Rebalancing Date and the current Calculated Forward Rate and is calculated as the difference between a) and b),

where

- a) equals the Fixing Rate observed on the preceding Rebalancing Date; and
- b) equals Calculated Forward Rate on the current Index Calculation Day.

As a formula:

Forward Rate Change Factor_t = Fixing Rate_{PrecedingRebalancingDate} – Calculated Forward Rate,

where

“**Calculated Forward Rate**” is the forward rate from D1 to D2 on any given day using Act/360 day count, as determined by the Calculation Agent at or around 11.00am New York time on each Index Calculation Day, provided that the Calculation Agent may determine the forward rate at a different time on such Index Calculation Day if, acting in good faith, the Calculation Agent determines that the rates obtainable at 11.00am New York time (if any) are not indicative of the prevailing market rates

“**D1**” means the IMM Date in the month that is twelve months from the Roll Rebalancing Date

“**D2**” means a date three months from D1, provided that if that date is not a London or New York Business Day, D2 shall be the next following date which is a London and New York Business Day

“**Fixing Rate**” is set on each Rebalancing Date equal to the Calculated Forward Rate

2.3 Monthly Review

Every month a new Strategy Signal is calculated on the Rebalancing Date, which becomes effective on the Rebalancing Effective Date.

Every 3 months, D1 and D2 - the dates used for determining the Calculated Forward Rate – are reset on the Roll Rebalancing Date.

The Selection Date is the last Index Calculation Day on which the rates are observed that are used in the calculation of the Strategy Signal

Rebalancing Date (RD)	The fifth Index Calculation Day prior to the next IMM Date (“ IMM Date ” is defined as the third Wednesday of every month) Initial Date (Index Base Date): 12-Sep-1990
Roll Rebalancing Date	The Rebalancing Dates in months of March, June, September and December
Rebalancing Effective Date	The first Index Calculation Day succeeding the Rebalancing Date Initial Date: 13-Sep-1990 New Strategy Signal becomes effective

"Rate Environment" is calculated on each Rebalancing Date and determined by the Fundamental Indicator Change. If the Fundamental Indicator Change is

- greater than or equal to 12.5bp then the Rate Environment is set to -1
- less than or equal to -12.5bp then the Rate Environment is set to 1.
- greater than -12.5bp and less than 12.5bp, the Rate Environment remains unchanged.

On the Index Base Date the Rate Environment is set equal to 1

"Fundamental Indicator Change" is defined as the change in Rate1w between the current and preceding Selection Date and is calculated on each Selection Date.

As a formula:

$$\text{Fundamental Indicator Change}_{\text{Selection Date}} = \text{Rate1w}_{\text{Selection Date}} - \text{Rate1w}_{\text{Preceding Selection Date}}$$

2.4 Calculation Precision

The Index Level is rounded to 3 decimal places.

2.5 Price Source Disruption and Hedging Disruption

A Price Source Disruption occurs when the source data required to calculate the Index is not available from the sources outlined in this document.

A Hedging Disruption occurs, if the Index Sponsor determines that Morgan Stanley and/or any of its affiliates would be unable, after using commercially reasonable efforts, to

- acquire, establish, re-establish, substitute, maintain, unwind or dispose of any transactions or instruments it deems necessary to hedge its position in relation to any securities issue or other relevant transactions relating to or calculated by reference to such Index; or
- realise, recover or remit the proceeds of any such transactions or instruments

In the event of a Price Source Disruption or Hedging Disruption, the Index Sponsor may in its discretion:

- make such determinations and/or adjustments to the terms of the Index methodology as it deems necessary
- defer the availability of the Index Level until the next Index Calculation Day on which there is no Hedging Disruption or Price Source Disruption
- permanently cease to calculate and make available the Index Level

If any of the source data is not available on an Index Calculation Day, the Calculation Agent may use alternate sources including Reuters, Bloomberg and/or Morgan Stanley data to determine the relevant values in a commercially reasonable manner.

3. Additional Definitions

"Business Day" means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealings in foreign exchange and foreign currency deposits) in the places specified and on the days specified.

"Index Calculation Day" means a day (other than a Saturday or Sunday) on which it is a New York Business Day and a London Business Day

5. Risk Factors

The risk factors set out below are not exhaustive. There may be other risks that a prospective investor should consider depending on the trading strategy or instrument and the specific index to which such trading strategy or instrument relates. Prospective investors must review the prospectus, prospectus supplement, offering circular or information memorandum describing such instrument or trading strategy, including the relevant risk factors, before making any investment decision.

Strategy

The Index is a quantitative, rules-based index and may not yield future positive performance. The methodology is designed to exploit forward rate bias – however, there can be no assurances that the methodology can yield positive performance in all economic conditions and past performance of the strategy is no indication of future performance. The Index is only rebalanced monthly and accordingly the Strategy Signal for any month applies throughout that month and will not be adjusted during that month to take account of changes in market indications or economic conditions.

Interest Rate Risk

Investments in financial instruments linked to the Index involve interest rate risk. Interest rates are determined by factors of supply and demand in the international money markets which are influenced by factors such as macro economic, governmental speculative, market sentiment factors or other political factors. Such fluctuations may have an impact on the value of the Index at any time prior to valuation of the financial instruments linked to the Index.

Index

When considering any investment, the return on which is linked to the performance of an Index, prospective investors should be aware that the level of that Index can go down as well as up and that the performance of the Index in any future period may not mirror its past performance. Any investment linked or related to an Index may not necessarily be the same as an investment in the constituents of that Index at that time and may not reflect the return that could have been realized by an investor who entered into the simulated long and short positions.

The application of the methodology described herein by the Index Sponsor shall be conclusive and binding. However, the Index Sponsor may supplement, amend (in whole or in part), revise or withdraw these rules at any time. Such a supplement, amendment, revision or withdrawal may lead to a change in the way the Index is calculated or constructed and may affect the Index in other ways. Without prejudice to the generality of the foregoing, the Index Sponsor may determine that a change to the rules is required or desirable in order to update the rules or to address an error, ambiguity or omission. The rules may change without prior notice. All of the above may affect the value of the Index level. The Index Sponsor and Calculation Agent have no obligation to inform any person about such modification or change.

The Index Sponsor shall have the right, in its sole discretion, to cease compiling, calculating and publishing values of the Index if at any time the Index Sponsor determines that the Index no longer meets or will not be capable of meeting the criteria established by the Index Sponsor or otherwise determines that the Index shall no longer be calculated.

Leverage

The Index reflects the performance of leveraged long and short positions in forward rates. The leveraged nature of the Index will magnify the adverse impact of adverse performance in these underlying positions.

No Active Management

The Index is quantitative and is not actively managed by Morgan Stanley or its affiliates or any third party. Morgan Stanley group is not acting as a fiduciary for, or an advisor to, any investor in respect of the Index.