

**DILIGENCE LETTER FROM EXTERNAL LEGAL COUNSEL ADDRESSING CERTAIN  
DILIGENCE ISSUES AS A PRECONDITION TO THE MOBILISATION OF SYNDICATED  
LOANS GOVERNED BY ENGLISH LAW AS COLLATERAL IN EUROSYSTEM CREDIT  
OPERATIONS**

[Date]

[National central bank]

Dear Sirs

**English law governed syndicated loans – due diligence**

We have acted as English legal advisers to [counterparty] in connection with the mobilisation by [counterparty] of certain English law governed syndicated loan agreements (the "**Loan Agreements**") tendered as collateral for its obligations to [national central bank] (the "**NCB**").

**1. Scope and purpose**

- 1.1 We have reviewed the Loan Agreements set out in schedule 2 and schedule 3 from an English law perspective only and for the purpose of confirming that the Loan Agreements satisfy the criteria set out in schedule 1.
- 1.2 We have not reviewed the Loan Agreements for any other purpose nor have we reviewed any other documents and we do not comment on or take into account any laws other than English law.

**2. Assumptions**

We have assumed that each Loan Agreement is in full force and effect and has not been terminated, superseded or amended (whether or not in writing).

**3. Confirmations**

- 3.1 We confirm that each Loan Agreement listed in schedule 2 satisfies all the criteria set out in schedule 1.
- 3.2 We confirm that each Loan Agreement listed in schedule 3 does not satisfy all the criteria set out in schedule 1.

- 3.3 We further confirm that notification, in the form set out in schedule 4, has been sent to the relevant facility agent under each Loan Agreement listed in schedule 2.
- 3.4 We note that, where identified against a particular Loan Agreement in schedule 2, that Loan Agreement contains provisions that may, in certain circumstances, permit a debtor to replace the counterparty with another lender.
- 3.5 In connection with your review of the long-term ratings of the facility agent, we note that the facility agent under the Loan Agreement is [*legal name of facility agent*].

4. **Addressees and Purpose**

This letter is addressed to [national central bank]. It may not, without our prior written consent, be relied on for any other purpose or be disclosed to or relied upon by any other person save that it may be disclosed without such consent to:

- (a) the European Central Bank;
- (b) a national central bank in the euro area or the Bank of England;
- (c) any person to whom disclosure is required to be made by applicable law or court order or pursuant to the rules or regulations of any supervisory or regulatory body or in connection with any judicial proceedings;
- (d) the officers, employees, auditors and professional advisers of any addressee or authorised recipient,

on the basis that (i) such disclosure is made solely to enable any such person to be informed that the confirmations in paragraph 3 of this letter have been given and to be made aware of the terms of this letter; (ii) we do not assume any duty or liability to any person to whom such disclosure is made and (iii) such person agrees not to further disclose this letter or its contents to any other person, other than as permitted above, without our prior written consent.

5. **Definitions**

For the purposes of paragraph 4 of this letter, "**euro area**" means the area of the Member States that have adopted the euro in accordance with the Treaty establishing the European Community.

Yours faithfully,

[English counsel to counterparty]

**SCHEDULE 1**  
**CERTAIN ELIGIBILITY CRITERIA**

1.	The Loan Agreement must contain a representation or undertaking from the debtor that its payment obligations under the finance documents rank at least <i>pari passu</i> with the claims of all its other unsecured and unsubordinated creditors (except those creditors whose claims are mandatorily preferred by laws of general application to companies)
2.	The credit claim must be denominated in and payable in euro and the Loan Agreement may not permit the currency of denomination and payment of that credit claim to be converted or varied
3.	The Loan Agreement must permit (without any requirement to consult with or obtain the consent of the debtor) (i) the counterparty to charge, assign or otherwise create a security interest over the credit claim to secure obligations of that counterparty to the NCB; and (ii) the NCB to enforce its security interest over the credit claim by way of collecting payments under the credit claim directly or indirectly from the debtor or by way of assigning or transferring the credit claim to a bank or financial institution or to a trust, fund or other entity which is regularly engaged in or established for the purposes of making, purchasing or investing in loans, securities or other financial assets
4.	The Loan Agreement shall only permit an amendment which has the effect of changing or which relates to (i) an extension to the date of payment of any amount due under the Loan Agreement; (ii) a reduction in the margin or a reduction in the amount of any payment of principal, interest, fees or commission payable; or (iii) a change to the principle that each lender's obligations under the Loan Agreement are several, if all lenders consent to that amendment
5.	The Loan Agreement must permit the counterparty to disclose confidential information to the European Central Bank or any national central bank within the euro area if there is to be any charge, assignment or security interest created in or over loan rights
6.	The Loan Agreement must contain a provision requiring that all payments to be made by the debtor under the Loan Agreement and related documents shall be calculated and be made without (and free and clear of any deduction for) set-off or counterclaim.

**SCHEDULE 2**  
**ELIGIBLE LOAN AGREEMENTS**

NB: Please identify separately each relevant Loan Agreement for the purposes of paragraph 3.4 of this letter.

**SCHEDULE 3**  
**INELIGIBLE LOAN AGREEMENTS**

**SCHEDULE 4**  
**FORM OF NOTICE OF SECURITY INTEREST**

To: [Obligor]

Date: [ ]

Dear Sirs,

We hereby give you notice that we have granted security to [National Central Bank] (the "NCB") pursuant to a [*details of security agreement/arrangement entered into/established in favour of the NCB*] dated [ ] over [all] our rights under [*details of loan agreement*] (the "**Loan Agreement**") including our right to moneys which may be payable in respect of the Loan Agreement.

Until you receive notice in writing from the NCB, all payments by you to us under or arising from the Loan Agreement should continue to be made to us in accordance with the Loan Agreement.

With immediate effect upon your receipt of such notice from the NCB, all payments by you to us under or arising from the Loan Agreement should instead be made to the NCB or to its order as it may specify to you in writing from time to time.

For the avoidance of doubt, we shall remain liable to perform all the obligations assumed by us under the Loan Agreement.

These instructions may not be revoked without the prior written consent of the NCB.

Yours faithfully,

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for and on behalf of  
**[COUNTERPARTY]**