

- (i) if the affected party has at any time in the period beginning on the date on which the failure occurred and ending at the Default Valuation Time, purchased, whether by way of a repurchase transaction, buy and sell back transaction or otherwise, Securities forming part of the same issue and being of an identical type and description as those Purchased Securities or Equivalent Securities, the affected party shall, to the extent that it does not fall within paragraph 10(c), treat the cost of such purchase (including all Transaction Costs) as the Default Market Value of those Securities;
  - (ii) in calculating the Default Market Value, Transaction Costs incurred in connection with a purchase of Securities under paragraph 10(c)(i)(A) (aa) or (bb) shall include
    - (aa) any costs imposed by the Bank of Italy as a result of the failure; and
    - (bb) an amount equal to interest on the amount of any deposit which the affected party is required to make with the Bank of Italy at the greater of the Pricing Rate for the relevant Transaction and EURIBOR (on a 360 day basis unless otherwise agreed by the parties to the Transaction) which shall be payable by the other party to the affected party.
- (b) If Buyer fails to deliver Equivalent Securities to Seller on the applicable Repurchase Date, Seller may by written notice to the other party, elect to adjust the Transaction in accordance with subparagraph (c) below.
- (c) The adjustment of a Transaction (the "Original Transaction") under this subparagraph shall be effected as follows. The Original Transaction shall be terminated on the Repurchase Date for the Original Transaction and the parties shall be deemed to enter into a new Transaction (the "Replacement Transaction") in accordance with the following provisions-
- (i) the Purchase Date under the Replacement Transaction shall be the Repurchase Date under the Original Transaction;
  - (ii) the Purchased Securities under the Replacement Transaction shall be Securities equivalent to the Purchased Securities under the Original Transaction;
  - (iii) the Purchase Price under the Replacement Transaction shall, unless otherwise agreed, be the Market Value of the Purchased Securities for that Transaction on the Purchase Date for the Replacement Transaction as determined by Seller;
  - (iv) the Pricing Rate under the Replacement Transaction shall, unless otherwise agreed, be minus five per cent.;
  - (v) the Repurchase Date under the Replacement Transaction shall be the Business Day following the Purchase Date under the Replacement Transaction;
  - (vi) the Margin Ratio and, subject as aforesaid, the other terms of the Replacement Transaction shall, unless otherwise agreed, be identical to those of the Original Transaction; and
  - (vii) the obligations of the parties with respect to the delivery of the Purchased Securities and the payment of the Purchase Price under the Replacement Transaction shall be set off against their obligations with respect to the delivery of Equivalent Securities and payment of the Repurchase Price under the Original Transaction and accordingly only a net cash sum shall be paid by one party to the other. If such net sum is payable by Seller to Buyer, that sum shall be payable on the Repurchase Date under the Replacement Transaction.
- (d) If on the Repurchase Date for any Transaction Buyer delivers to Seller part only of the Equivalent Securities which it should have delivered (the "Delivered Securities" and the part of the Equivalent Securities which Buyer has failed to deliver being the "Undelivered Securities") Seller shall not be obliged to accept delivery of the Delivered Securities but instead may elect to terminate that Transaction in accordance with paragraph 10(h)(iii) of the Agreement, in which