

ADVENT CLAYMORE CONVERTIBLE SECURITIES & INCOME FUND
Form 8-K
January 20, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 20, 2012 (January 18, 2012)

Advent Claymore Convertible Securities and Income Fund
(Exact name of registrant as specified in its charter)

Delaware

811-21309

11-3683138

(State or other jurisdiction

(Commission File
Number)

(I.R.S. Employer

of incorporation)

Identification No.)

1271 Avenue of the Americas, 45th Floor

New York, NY

10020

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (212) 482-1600

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

- o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

- o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d- 2(b))

- o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13-4(c))

Item 7.01 Regulation FD Disclosure.

Amended and Restated By-Laws. On January 18, 2012, the Board of Trustees of Advent Claymore Convertible Securities and Income Fund (the "Fund") amended and restated in its entirety the By-Laws of the Fund (the "Amended and Restated By-Laws"). The Amended and Restated By-Laws are attached hereto as Exhibit 3.1 and are incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

3.1 Amended and Restated By-Laws of Advent Claymore Convertible Securities and Income Fund

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ADVENT CLAYMORE CONVERTIBLE
SECURITIES AND INCOME FUND

By: /s/ Robert Schwartz
Name: Robert Schwartz
Title: Secretary

DATE: January 20, 2012

EXHIBIT INDEX

Exhibit No.	Description
3.1	Amended and Restated By-Laws of Advent Claymore Convertible Securities and Income Fund

4

ck; MARGIN-LEFT: 0pt; TEXT-INDENT: 0pt; MARGIN-RIGHT: 0pt" align="center">\$1,186.50

18.65%

1576.56

20.00%

\$1,200.00

\$186.50

\$1,186.50

18.65%

1313.80

0.00%

\$1,000.00

\$186.50

\$1,186.50

18.65%

1182.42

-10.00%

\$ 900.00

\$150.00

\$1,150.00

15.00%

1051.04

-20.00%

\$ 800.00

\$150.00

\$1,150.00

15.00%

919.66

-30.00%
\$ 700.00
\$150.00
\$1,050.00
5.00%

788.28
-40.00%
\$ 600.00
\$150.00
\$ 950.00
-5.00%

656.90
-50.00%
\$ 500.00
\$150.00
\$ 850.00
-15.00%

525.52
-60.00%
\$ 400.00
\$150.00
\$ 750.00
-25.00%

394.14
-70.00%
\$ 300.00
\$150.00
\$ 650.00
-35.00%

262.76
-80.00%
\$ 200.00
\$150.00
\$ 550.00
-45.00%

131.38
-90.00%
\$ 100.00
\$150.00
\$ 450.00
-55.00%

0.00
-100.00%
\$ 0.00

\$150.00
\$ 350.00
-65.00%

Please see footnotes on next page.

THE ROYAL BANK OF SCOTLAND N.V.
Annual Reset Coupon Securities Linked to the S&P 500® Index
Due April , 2016

(a) The Index Return for each \$1,000 principal amount of Securities will be equal to:

$$\frac{\text{Final Value} - \text{Initial Value}}{\text{Initial Value}}$$

where,

- the Initial Value is the closing value of the Underlying Index on the Pricing Date; and
- the Final Value is the closing value of the Underlying Index on the Determination Date.

(b) This column shows the cash return you would receive if there was no annual coupon or buffer and your payment at maturity directly reflected the performance of the Underlying Index. The buffer is 20% and the annual coupon is a minimum of 3.00% and a maximum of 6.65%.

(c) At maturity you will receive, other than the coupon payments, for each \$1,000 principal amount of Securities, a cash payment calculated as follows:

- (1) if the Index Return is 0% or positive, \$1,000;
- (2) if the Index Return is less than 0% and down to and including -20%, \$1,000; and
- (3) if the Index Return is less than -20%, \$1,000 plus [(Index Return + 20%) x \$1,000].

You could lose a substantial portion of your principal investment in the Securities. If the Index Return is less than -20% you could lose at maturity up to 80% of your initial principal investment, and the coupon payments that you receive during the term of the Securities may not be sufficient to compensate you for such loss. In addition, you will never receive, other than the coupon payments, a payment at maturity greater than the principal amount of \$1,000 per Security.

(d) The total return presented is exclusive of any tax consequences of owning the Securities. You should consult your tax advisor regarding whether owning the Securities is appropriate for your tax situation. See the sections titled "Risk Factors" and "Taxation" in this Term Sheet.

(e) Represents the percentage total return on each Security.

(f) In this hypothetical example where the hypothetical Final Value is equal to or above the hypothetical Initial Value we have assumed that the hypothetical Annual Index Return was (1) less than 0% for the first four Observation Periods resulting in a 3.00% Annual Index Return, and (2) 0% or positive for the fifth Observation Period resulting

in an 6.65% Annual Index Return, for a total payment of \$186.50 over the term of the Notes. Where the hypothetical Final Value fell below the hypothetical Initial Value, we have assumed that the hypothetical Annual Index Return was less than 0% for all five Observation Periods resulting in a 3.00% Annual Index Return for a total payment of \$150.00 over the term of the Notes.

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Coupon Payments

Example 1: If, for example, in a hypothetical offering, for the first Observation Period, the Starting Annual Value is 1,100 and the Ending Annual Value is 1,300, then the Annual Index Return would be calculated as follows:

$$\frac{\text{Ending Annual Value} - \text{Starting Annual Value}}{\text{Starting Annual Value}}$$

or

$$\frac{1,300 - 1,100}{1,100} = 18.18\%$$

In this hypothetical example, the Annual Index Return is positive. Therefore, the coupon payment for the Observation Period will be \$1,000 times the Maximum Annual Index Return of 6.65%, which is \$66.50.

In this hypothetical example, the Annual Index Return was 18.18% but you would have received only an annual coupon of 6.65% for the Observation Period. If the Annual Index Return is greater than the Maximum Annual Index Return, you will receive only the Maximum Annual Index Return regardless of how much or how little the Underlying Index appreciates over the Starting Annual Value.

Example 2: If, for example, in the same hypothetical offering, for the second Observation Period, the Starting Annual Value is 1,300 and the Ending Annual Value is 1,365, then the Annual Index Return would be calculated as follows:

$$\frac{\text{Ending Annual Value} - \text{Starting Annual Value}}{\text{Starting Annual Value}}$$

or

$$\frac{1,365 - 1,300}{1,300} = 5.00\%$$

In this hypothetical example, the Annual Index Return is positive. Therefore, the coupon payment for the Observation Period will be \$1,000 times the Maximum Annual Index Return of 6.65%, which is \$66.50.

Example 3: If, for example, in the same hypothetical offering, for the third Observation Period, the Starting Annual Value is 1,365 and the Ending Annual Value is 1,365, then the Annual Index Return would be calculated as follows:

$$\frac{\text{Ending Annual Value} - \text{Starting Annual Value}}{\text{Starting Annual Value}}$$

or

$$\frac{1,365 - 1,365}{1,365} = 0.00\%$$

In this hypothetical example, the Annual Index Return is 0%. Therefore, the coupon payment for the Observation Period will be \$1,000 times the Maximum Annual Index Return of 6.65%, which is \$66.50.

Example 4: If, for example, in the same hypothetical offering, for the fourth Observation Period, the Starting Annual Value is 1,365, the Ending Annual Value is 975, then the Annual Index Return would be calculated as follows:

$$\frac{\text{Ending Annual Value} - \text{Starting Annual Value}}{\text{Starting Annual Value}}$$

or

$$\frac{975 - 1,365}{1,365} = -28.57\%$$

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In this hypothetical example, the Annual Index Return is negative. Therefore, the coupon payment for the Observation Period will be \$1,000 times the Minimum Annual Index Return of 3.00%, which is \$30.00.

In this hypothetical example, the Annual Index Return was -28.57% but you would have received an annual coupon of 3.00% for the Observation Period. If the Annual Index Return is less than the Minimum Annual Index Return, you will receive the Minimum Annual Index Return regardless of how much or how little the Underlying Index depreciates over the Starting Annual Value.

These examples are for illustrative purposes only. It is not possible to predict the Final Value of the Underlying Index on the Determination Date or at any other time during the term of the Securities. The Final Value is subject to adjustment as set forth in “Description of Securities — Discontinuance of the Underlying Index; Alteration of Method of Calculation” in the related Product Supplement.

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THE UNDERLYING INDEX

The S&P 500® Index

The S&P 500® Index, which is calculated, maintained and published by Standard & Poor's, a Division of The McGraw-Hill Companies, Inc., or S&P, consists of 500 component stocks selected to provide a performance benchmark for the U.S. equity markets. The calculation of the S&P 500® Index is based on the relative value of the float adjusted aggregate market capitalization of the 500 component companies as of a particular time as compared to the aggregate average market capitalization of the 500 similar companies during the base period of the years 1941 through 1943. For more information on the S&P 500® Index, see the information set forth under "The S&P 500® Index" in the accompanying Underlying Supplement No. 2-IV.

License Agreement

S&P has entered into a non-transferable, non-exclusive license agreement granting us and certain of our affiliated or subsidiary companies, in exchange for a fee, the right to use the S&P 500® Index, which is owned and published by S&P, in connection with certain securities, including the securities.

The license agreement between S&P and us provides that the following language must be set forth in this Term Sheet:

The securities are not sponsored, endorsed, sold or promoted by Standard & Poor's Financial Services, LLC. S&P makes no representation or warranty, express or implied, to the owners of the securities or any member of the public regarding the advisability of investing in securities generally or in the securities particularly or the ability of the S&P 500® Index to track general stock market performance. S&P's only relationship to us is the licensing of certain trademarks and trade names of S&P and of the S&P 500® Index which is determined, composed and calculated by S&P without regard to us or the securities. S&P has no obligation to take our needs or the needs of the owners of the securities into consideration in determining, composing or calculating the S&P 500® Index. S&P is not responsible for and has not participated in the determination of the prices and amount of the securities or the timing of the issuance or sale of the securities or in the determination or calculation of the equation by which the securities are to be converted into cash. S&P has no obligation or liability in connection with the administration, marketing or trading of the securities.

NEITHER S&P NOR ITS AFFILIATES GUARANTEE THE ADEQUACY, ACCURACY, TIMELINESS OR COMPLETENESS OF THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN OR ANY COMMUNICATIONS, INCLUDING BUT NOT LIMITED TO, ORAL OR WRITTEN COMMUNICATIONS (INCLUDING ELECTRONIC COMMUNICATIONS) WITH RESPECT THERETO. S&P AND ITS AFFILIATES SHALL NOT BE SUBJECT TO ANY DAMAGES OR LIABILITY FOR ANY ERRORS, OMISSIONS OR DELAYS THEREIN. S&P MAKES NO EXPRESS OR IMPLIED WARRANTIES, AND EXPRESSLY DISCLAIMS ALL WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE OR USE WITH RESPECT TO THE MARKS, THE S&P 500® INDEX OR ANY DATA INCLUDED THEREIN. WITHOUT LIMITING ANY OF THE FOREGOING, IN NO EVENT WHATSOEVER SHALL S&P OR ITS AFFILIATES BE LIABLE FOR ANY INDIRECT, SPECIAL, INCIDENTAL, PUNITIVE OR

CONSEQUENTIAL DAMAGES, INCLUDING BUT NOT LIMITED TO, LOSS OF PROFITS, TRADING LOSSES, LOST TIME OR GOODWILL, EVEN IF THEY HAVE BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES, WHETHER IN CONTRACT, TORT, STRICT LIABILITY OR OTHERWISE.

“Standard & Poor’s”, “S&P”, S&P 500”, “Standard & Poor’s 500”, and “500” are trademarks of Standard & Poor’s and have been licensed for use by us.

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HISTORICAL INFORMATION

The following chart sets forth the weekly historical performance of the S&P 500® Index in the period from March 25, 2006 through March 25, 2011. The closing level of the S&P 500® Index on March 25, 2011 was 1,313.80. We obtained the closing levels below from Bloomberg, without independent verification. We make no representation or warranty as to the accuracy or completeness of the information obtained from Bloomberg.

These historical values for the S&P 500® Index are not indicative of the future performance of the S&P 500® Index or what the value of the securities will be. Any historical upward or downward trend in the value of the S&P 500® Index during any period set forth below is not an indication that the S&P 500® Index is more or less likely to increase or decrease at any time during the term of the securities. You cannot predict the future performance of the securities or the S&P 500® Index based on the historical performance of the S&P 500® Index. Neither we nor RBS Holdings can guarantee that the value of the S&P 500® Index will increase.

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UNITED STATES FEDERAL INCOME TAXATION

The following is a summary of the material U.S. federal income tax consequences of ownership and disposition of the Securities. It applies only to an investor who holds the Securities as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended to the date hereof (the “Code”). This discussion is based on the Code, administrative pronouncements, judicial decisions and currently effective and proposed Treasury regulations, changes to any of which subsequent to the date of this Term Sheet may affect the tax consequences described below, possibly with retroactive effect. It does not address all aspects of U.S. federal income taxation that may be relevant to an investor in light of the investor’s particular circumstances or to certain types of investors subject to special treatment under the U.S. federal income tax laws, such as certain former citizens or residents of the United States, certain financial institutions, real estate investment trusts, regulated investment companies, tax-exempt entities, dealers and certain traders in securities, partnerships or other entities classified as partnerships for U.S. federal income tax purposes, persons who hold the Securities as a part of a hedging transaction, straddle, conversion or integrated transaction, U.S. holders (as defined below) who have a “functional currency” other than the U.S. dollar, or individual non-U.S. investors who are present in the United States for 183 days or more in the taxable year in which their Securities are sold or retired.

In addition, we will not attempt to ascertain whether any entity included in the Underlying Index would be treated as a “passive foreign investment company” (a “PFIC”) within the meaning of Section 1297 of the Code or as a “United States real property holding corporation” (a “USRPHC”) within the meaning of Section 897 of the Code. If any such entity were so treated, certain adverse U.S. federal income tax consequences might apply, to a U.S. holder in the case of a PFIC and to a non-U.S. holder in the case of a USRPHC, upon the sale, exchange or retirement of a Security. You should refer to information filed with the Securities and Exchange Commission or the equivalent governmental authority by such entities and consult your tax adviser regarding the possible consequences to you if any such entity is or becomes a PFIC or a USRPHC.

Tax Treatment of the Securities

Although the tax consequences of an investment in the Securities are uncertain, we believe it is reasonable to treat the Securities as prepaid financial contracts for U.S. federal income tax purposes, with the consequences described below. Due to the absence of authorities that directly address instruments that are similar to the Securities, significant aspects of the U.S. federal income tax consequences of an investment in the Securities are uncertain. We do not plan to request a ruling from the IRS, and the IRS or a court might not agree with the treatment described herein. Accordingly, you should consult your tax adviser regarding the U.S. federal income tax consequences of an investment in the Securities (including possible alternative treatments, some of which are discussed below) and with respect to any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction. Unless otherwise stated, the following discussion assumes that the treatment of the Securities as prepaid financial contracts will be respected.

Tax Consequences to U.S. Holders

You are a “U.S. holder” if, for U.S. federal income tax purposes, you are a beneficial owner of the Securities who is: (i) a citizen or resident of the United States; (ii) a corporation created or organized under the laws of the United States or any political subdivision thereof; or (iii) an estate or trust the income of which is subject to U.S. federal income taxation regardless of its source.

Tax Treatment Prior to Maturity. You should be taxable on the annual coupon payments as they are received or accrued in accordance with your normal method of accounting for such payments for U.S. federal income tax purposes.

Sale, Exchange or Retirement of the Securities. Upon a sale, exchange or retirement of the Securities, you will recognize taxable gain or loss equal to the difference between the amount realized on such sale, exchange or retirement and your tax basis in the Securities. The amount realized may not include the portion of the payment you receive for accrued but unpaid annual coupon payments, which may be treated like a payment of such amounts. Your tax basis in the Securities should equal the amount you paid to acquire them. This gain or loss generally should be capital gain or loss and should be long-term capital gain or loss if you have held the Securities for more than one year, subject to the potential application of the “constructive ownership” regime discussed below. The deductibility of capital losses is subject to certain limitations.

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Possible Alternative Tax Treatments of an Investment in the Securities. Due to the absence of authorities that directly address the proper tax treatment of the Securities, the IRS or a court might not uphold the treatment described above. Alternative U.S. federal income tax treatments of the Securities are possible that, if applied, could materially and adversely affect the timing and/or character of income or loss with respect to the Securities. It is possible, for example, that the Securities could be treated as debt instruments issued by us. Under this treatment, the Securities would be governed by Treasury regulations relating to the taxation of contingent payment debt instruments. In that event, even if you are a cash-method taxpayer, in each year that you held the Securities you would be required to accrue into income “original issue discount” based on our comparable yield for similar non-contingent debt, determined as of the time of issuance of the Securities, and then make adjustments as actual payments are received. In addition, any income on the sale, exchange or retirement of the Securities would be treated as ordinary in character. Moreover, if you were to recognize a loss above certain thresholds, you could be required to file a disclosure statement with the IRS.

Alternatively, if a “pass-thru entity” (such as a Fund) is included in the Underlying Index, the Securities could be treated as “constructive ownership transactions” within the meaning of Section 1260 of the Code, in which case the tax consequences of sale, exchange or retirement of the Security could be affected materially and adversely. If a Security were treated in whole or in part as a constructive ownership transaction, all or a portion of any long-term capital gain you would otherwise recognize on a sale, exchange or retirement of the Security would be recharacterized as ordinary income to the extent such gain exceeded the “net underlying long-term capital gain.” Under Section 1260, the net underlying long-term capital gain is generally the net long-term capital gain a taxpayer would have recognized by investing in the underlying pass-thru entity at the inception of the constructive ownership transaction and selling that investment on the date the constructive ownership transaction is closed (i.e., at maturity or earlier disposition). Assuming Section 1260 were to apply to a Security, it is unclear how the net underlying long-term capital gain would be computed. Unless otherwise established by clear and convincing evidence, the net underlying long-term capital gain is treated as zero. Any long-term capital gain recharacterized as ordinary income under Section 1260 would be treated as accruing at a constant rate over the period you held the Security, and you would be subject to an interest charge in respect of the deemed tax liability on the income treated as accruing in prior tax years.

Other U.S. federal income tax characterizations of the Securities might also require you to include amounts in income during the term of the Securities and/or might treat all or a portion of the gain or loss on the sale or settlement of the Securities as ordinary income or loss or as short-term capital gain or loss, without regard to how long you held the Securities. For instance, in the case of any reconstitution, rebalancing or recomposition of the Underlying Index, change in methodology of calculating the index or substitution of a successor index could be treated as a “deemed” taxable exchange that could cause you to recognize gain or loss (subject, in the case of loss, to possible application of the “wash sale” rules) as if you had sold or exchanged the Securities.

In December 2007, Treasury and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments, such as the Securities. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; the relevance of factors such as the nature of the underlying property to which the instruments are linked; and whether these instruments are or should be subject to the “constructive ownership” regime discussed above. While the notice requests comments on appropriate transition rules and effective dates, any Treasury

regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Securities, possibly with retroactive effect.

You should consult your tax adviser regarding the U.S. federal income tax consequences of an investment in the Securities, including possible alternative treatments and the issues presented by this notice, as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Recent Tax Developments

Recently enacted legislation requires certain individuals who maintain certain “financial accounts” with a “foreign financial institution” to report information about such holdings on their U.S. federal income tax returns, unless a regulatory exemption is provided. Prospective investors should consult their tax advisors regarding this legislation.

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Tax Consequences to Non-U.S. Holders

You are a “non-U.S. holder” if, for U.S. federal income tax purposes, you are a beneficial owner of the Securities who is: (i) a nonresident alien individual, (ii) a foreign corporation or (iii) a foreign estate or trust.

Tax Treatment Prior to Maturity. Subject to the discussion regarding possible alternative treatments and the backup withholding and information reporting rules below, you should not be subject to U.S. federal income tax with respect to the annual coupon payments, though you may be required to establish you are not a U.S. person, unless such payments are effectively connected with your conduct of a trade or business in the United States.

Sale, Exchange or Retirement of the Securities. Any gain from the sale, exchange or retirement of the Securities should not be subject to U.S. federal income tax, including withholding tax, unless such gain is effectively connected with your conduct of a trade or business in the United States, as described below.

Tax Consequences under Possible Alternative Treatments. If the Securities were treated as indebtedness, any income from the Securities would not be subject to U.S. federal income tax, including withholding tax, provided generally that (i) you certified on IRS Form W-8BEN, under penalties of perjury, that you are not a United States person and otherwise satisfied applicable requirements, and (ii) any income from the Securities was not effectively connected with your conduct of a trade or business in the United States.

As described above under “—Tax Consequences to U.S. Holders—Possible Alternative Tax Treatments of an Investment in the Securities,” in December 2007, Treasury and the IRS released a notice requesting comments on various issues regarding the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments, such as the Securities. The notice focuses, among other things, on the degree, if any, to which income realized with respect to such instruments by non-U.S. persons should be subject to withholding tax. It is possible that any Treasury regulations or other guidance promulgated after consideration of these issues might require non-U.S. holders to accrue income, subject to withholding tax, over the term of the Securities, possibly on a retroactive basis. You should consult your tax adviser regarding the U.S. federal income tax consequences of an investment in the Securities, including possible alternative treatments and the issues presented by this notice.

Income Effectively Connected with a Trade or Business in the United States. If you are engaged in a trade or business in the United States, and income from the Securities is effectively connected with your conduct of that trade or business, you generally will be taxed in the same manner as a U.S. holder. In this case, you will be required to provide a properly executed IRS Form W-8ECI in order to claim an exemption from withholding. If this paragraph applies to you, you should consult your tax adviser with respect to other U.S. tax consequences of the ownership and disposition of the Securities, including the possible imposition of a 30% branch profits tax if you are a corporation.

Backup Withholding and Information Reporting

The proceeds received from a sale, exchange or retirement of the Securities will be subject to information reporting unless you are an exempt recipient and may also be subject to backup withholding at the rate specified in the Code if you fail to provide certain identifying information (such as an accurate taxpayer identification number, if you are a

U.S. holder) or meet certain other conditions. If you are a non-U.S. holder and you provide a properly executed IRS Form W-8BEN or W-8ECI, as applicable, you will generally establish an exemption from backup withholding.

Amounts withheld under the backup withholding rules are not additional taxes and may be refunded or credited against your U.S. federal income tax liability, provided the required information is furnished to the IRS.

We do not provide any advice on tax matters. Both U.S. and non-U.S. holders should consult their tax advisors regarding all aspects of the U.S. federal tax consequences of investing in the Securities (including possible alternative treatments and the issues presented by the December 2007 notice), as well as any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

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PLAN OF DISTRIBUTION (CONFLICTS OF INTEREST)

We have appointed RBS Securities Inc. (“RBSSI”) as agent for this offering. RBSSI has agreed to use reasonable efforts to solicit offers to purchase the Securities. We will pay RBSSI, in connection with sales of the Securities resulting from a solicitation such agent made or an offer to purchase such agent received, a commission of 4.20% of the initial offering price of the Securities. RBSSI has informed us that, as part of its distribution of the Securities, it intends to reoffer the Securities to other dealers who will sell the Securities. Each such dealer engaged by RBSSI, or further engaged by a dealer to whom RBSSI reoffers the Securities, will purchase the Securities at an agreed discount to the initial offering price of the Securities. RBSSI has informed us that such discounts may vary from dealer to dealer and that not all dealers will purchase or repurchase the Securities at the same discount. You can find a general description of the commission rates payable to the agents under “Plan of Distribution (Conflicts of Interest)” in Product Supplement No. 2-III.

RBSSI is an affiliate of ours and RBS Holdings N.V. RBSSI will conduct this offering in compliance with the requirements of FINRA 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm’s distributing the securities of an affiliate. Following the initial distribution of any of these Securities, RBSSI may offer and sell those Securities in the course of its business as a broker-dealer. RBSSI may act as principal or agent in those transactions and will make any sales at varying prices related to prevailing market prices at the time of sale or otherwise. RBSSI may use this Term Sheet and the accompanying Prospectus, Prospectus Supplement, Product Supplement No. 2-III and Underlying Supplement No. 2-IV in connection with any of those transactions. RBSSI is not obligated to make a market in any of these Securities and may discontinue any market-making activities at any time without notice.

RBSSI or an affiliate of RBSSI will enter into one or more hedging transactions with us in connection with this offering of Securities. See “Use of Proceeds” in Product Supplement No. 2-III.

To the extent that the total aggregate face amount of the Securities being offered by this Term Sheet is not purchased by investors in the offering, one or more of our affiliates has agreed to purchase the unsold portion, and to hold such Securities for investment purposes. See “Holdings of the Securities by our Affiliates and Future Sales” under the heading “Risk Factors” in this Term Sheet and in the Product Supplement No. 2-III.

CLEARANCE AND SETTLEMENT

We may deliver the securities against payment therefor on a date that is greater than three business days following the pricing date. Under Rule 15c6-1 of the Exchange Act, trades in the secondary market generally are required to settle in three business days, unless the parties to any such trade expressly agree to otherwise. Accordingly, if the initial settlement of the securities occurs more than three business days from the pricing date, purchasers who wish to trade the securities more than three business days prior to the original issue date of the securities will be required to specify alternative arrangements to prevent a failed settlement.

