

CENTRAL SECURITIES DEPOSITORIES REGULATION (CSDR)

BANQUE DEGROOF PETERCAM LUXEMBOURG

Article 38(5) and Article 38(6) Participant Disclosure Document

December 2021

INTRODUCTION

Throughout this document references to "we", "our" and "us" are references to Banque Degroof Petercam Luxembourg S.A. as the custodian's client which is a credit institution duly licensed in Grand-Duchy of Luxembourg which provides custody and safekeeping services and a direct participant to a Central Securities Depositories located in the European Economic Area (the Bank). References to "you" and "your" are references to the client of the Bank (the **Client**).

► What is the purpose of this document?

To enable us to comply with our obligations as your custodian bank under the Central Securities Depositories Regulations¹, which require that, where we are providing custody services to you that involve us custody services through a Central Securities Depository located in the European Economic Area (CSD), we must:

- Disclose to you the details of the different levels of segregation;
- Describe the risk and costs associated with each type of account;
- Offer you a choice of a basic Omnibus Segregated Account (OSA) and an Individual Segregated Account (ISA) (as discussed under "*The types of accounts available*" in Part One B below).

You should review information provided by CSDs regarding their segregation models, which includes further information on the legal, risk and other consequences of specific segregation models and applicable insolvency laws.

► Who should read this document and why?

This document should be reviewed by the Client whose assets are directly deposited by us with a CSD. This document contains important information for Client making a choice between an Omnibus Segregated Account (OSA) and an Individual Segregated Account (ISA) for custody and it should be reviewed by Client prior to making any election in that regard.

An OSA or an ISA at one CSD may have certain features which distinguishes it (sometimes fundamentally) from such accounts at other CSDs. In some cases, a CSD may offer more than one variety of OSA or ISA. This may make selecting the appropriate account a particular challenge.

You should review in addition to this document the information provided by CSDs regarding their segregation models.

► Organisation of this document

This document is set out as follows:

- Part A provides some background to deposit directly or indirectly with CSDs.

¹ Regulation (EU) No 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories ("CSDR")

- Part B gives information about the differences between the basic OSA and ISA, explains how this impacts on the deposit of your assets and sets out some of the other factors that might affect the level of protection you receive in respect of assets deposited to the CSD through us.
- Part C sets out the main legal implications of levels of segregation.
- Part D sets out a general overview of the terms and conditions under which we provide services to you.
- Part E sets out the list of CSDs when we are a direct participant.

► What are you required to do?

Please review the information provided in this document and the relevant CSD member disclosures. By default, in absence of a request sent in writing to the Bank for an ISA, we will record the positions and assets relating to you in an OSA at the CSD level.

► Important

Whilst this document will be helpful to you when making this decision, this document does not constitute legal or any other form of advice and must not be relied on as such. This document provides a high level analysis of several complex and/or new areas of law, whose effect will vary depending on the specific facts of any particular case, some of which have not been tested in the courts. It does not provide all the information you may need to make your decision on which account type or level of segregation is suitable for you. It is your responsibility to review and conduct your own due diligence on the relevant rules, legal documentation and any other information provided to you on each of our account offerings and those of the various CSD with which we deposit for you. You may wish to appoint your own professional advisors to assist you with this.

This document does not constitute an agreement or an offer to provide deposit services in your name and on your behalf. Should we agree to deposits in your name and on your behalf, such services should be subject to specific contractual terms to be agreed between you and us.

We shall not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise for any losses or damages that may be suffered as a result of using this document. Such losses or damages include (a) any loss of profit or revenue, damage to reputation or loss of any contract or other business opportunity or goodwill and (b) any indirect loss or consequential loss. No responsibility or liability is accepted for any differences of interpretation of legislative provisions and related guidance on which it is based. This paragraph does not extend to an exclusion of liability for, or remedy in respect of, fraudulent misrepresentation.

Please note that this disclosure has been prepared on the basis of Luxembourg law save as otherwise stated. However, issues under other laws may be relevant to your due diligence. For example, the law governing the CSD rules or related agreements; the law of the jurisdiction of incorporation of the CSD, the law of the jurisdiction of your domicile or your registered office; and the law of the location of any assets.

This document is based on our interpretation of the CSDR requirements as at the date hereof. It is possible that further developments in relation to the CSDR and/or in relation to the account structures offered by our CSDs change the risks and impacts we have described in this document. Whilst we may update this document from time to time, we will not specifically notify you of any such development or their impact on the account you have chosen, nor will we specifically notify you of any updates we have made to this document, however the current version of this document will be available on our website.

PART A: A BRIEF BACKGROUND TO DEPOSIT AND SAFEKEEPING MODELS

Under the CSDR, a direct participant to a CSD must offer its clients the choice between an OSA or an ISA.

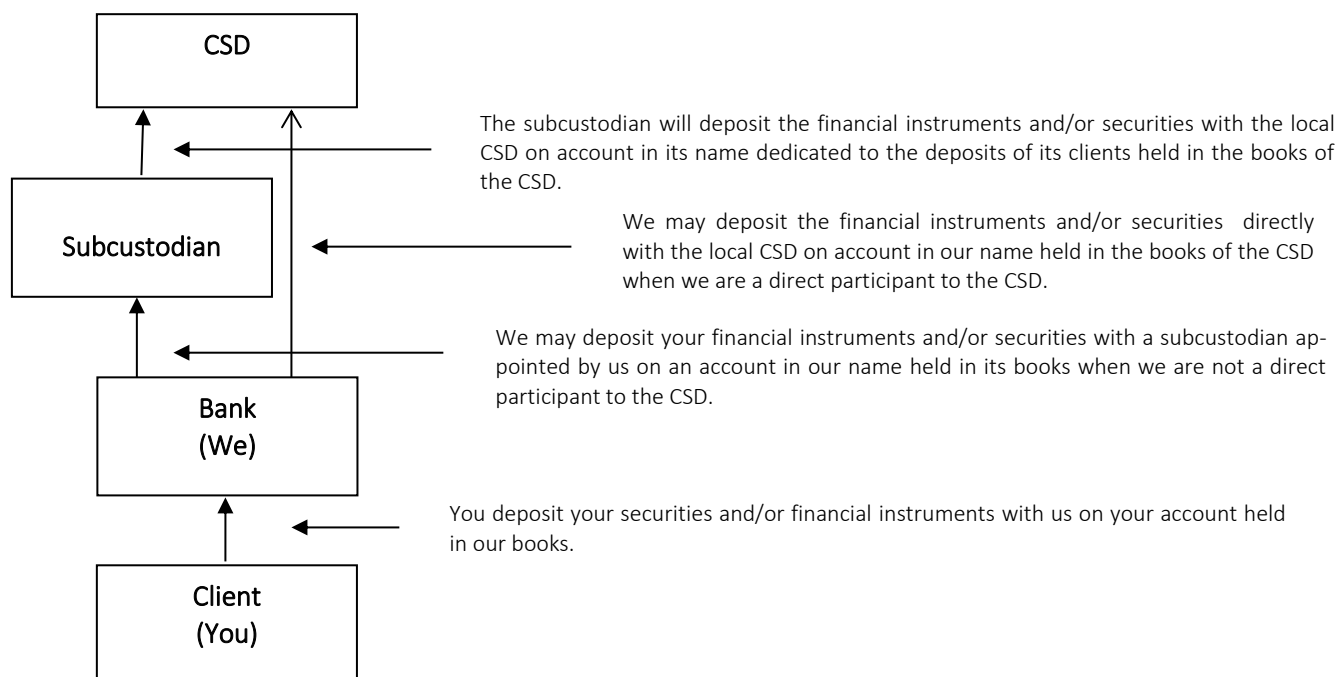
In our own books and records, we record each client's individual entitlement to securities that we hold for that client in a separate client account.

Then, depending on the market, when you deposit financial instruments and/or securities with us, we may

- Subdeposit the financial instruments and/or securities with a subcustodian in the country of issuance of the securities when we are not a direct participant to the CSD and additionally, our subcustodian may deposit directly or indirectly the financial instruments and/or securities with the local CSD; or
- Subdeposit directly with the local CSD of this country when we are a direct participant.

When we are not a direct participant to the local CSD, we usually do not request our subcustodian to open an ISA at the CSD level.

This document deals only with the second option (i.e. direct subdeposit with the local CSD of this country when we are a direct participant) when the CSD is located in the EEA.



PART B: ACCOUNT TYPE AND THE FACTORS TO CONSIDER

The types of accounts available

Reference to accounts means the accounts in the books and records of the CSD.

The CSD uses these accounts to record the financial instruments and/or securities that we deposit with it.

There are two basic types of accounts available – Omnibus Segregated Accounts (OSA) and Individual Segregated Accounts (ISA).

As noted, we refer you to the local CSD disclosures which the CSDs are required to prepare and which set out the level of segregation at CSD level. We have also included below a general overview of the most common segregation approaches taken by CSDs, but note that for any particular CSD, there is no substitute for such CSD's own disclosure.

Omnibus Segregated Account (OSA)

An OSA is used to hold at the CSD level financial instruments and/or securities of various clients who all are our clients. The segregation of assets between them is provided in the books of the Bank as each of them has a segregated account with us.

Under this account type, at the level of the CSD, the Client assets are deposited and recorded in our account relating to us and are segregated from:

- Our own assets;
- Any assets deposited by us and held in an ISA or another OSA;
- Any own assets of the CSD and any assets that other clients of the CSD have deposited

However, the financial instruments and/or securities that relate will be commingled with the assets (relating to any of our other clients who did not request an ISA) which are recorded in the same OSA.

The CSD will agree not to net the assets relating to you with its own assets or any other assets not recorded in the same OSA, nor use the assets relating to you with respect to any transaction recorded in any other account.

However, the CSD may net the assets that are recorded in the same OSA. The assets provided in relation to the assets credited to that OSA can be used in relation to any transaction credited to that OSA. However, we will not use assets belonging to a client in relation to any transaction related to another client without your prior consent.

Please see Part C for an overview of the risks in relation to an OSA.

Individual Segregated Account (ISA)

An ISA is used to hold financial instruments and/or securities of one single client at the CSD level.

Under this account type, at the level of the CSD, the Client's assets are deposited and recorded in our account dedicated to the Client (i.e. Bank/name of the Client) and are segregated from:

- Our own assets;
- Any own assets of the CSD and any assets that other clients of the CSD have deposited;
- Any assets deposited by our other clients.

The CSD will agree not to net the assets relating to you with its own assets or any other assets not recorded in the same ISA, nor use the assets relating to you with respect to any transaction recorded in any other account.

Please see Part C for the main legal implications of levels of segregation.

For the list of CSD, please see Part E.

PART C: THE MAIN LEGAL IMPLICATIONS OF LEVELS OF SEGREGATION

General insolvency risks

If we enter into insolvency proceedings, you may not receive all of your assets back immediately and there are likely to be time delays connected with recovering those assets. This risk arise in relation to both OSA and ISA because:

- You may have no rights directly against the CSD;
- Insolvency law may override the terms of contractual agreements, so you should consider the legal framework as well as the terms of disclosures and legal agreements;
- A large part of your protection comes from Luxembourg law and the legal regimes surrounding the CSDs. Therefore, you should understand these in order to evaluate the level of protection that you have on our default. It is important that you review the relevant disclosures by the relevant CSDs in this respect;
- In judicial liquidation proceedings, you will not be able to take any action against us without court or insolvency official, liquidator or bankrupt trustee consent (which can be a time consuming process with an uncertain outcome); and
- Even though as a result of the 2001 Winding Up Directive and its Luxembourg implementation rules, any insolvency proceedings against us will exclusively be opened in Luxembourg and governed, in principle, by Luxembourg law, the interaction of key default issues – e.g recovery of assets, close-out netting and other insolvency matters – are likely to be determined by a combination of Luxembourg law and the laws which apply to the CSDs.

However, where the Bank holds securities in custody for clients and clients are considered as having a proprietary interest in rem in such securities, they should be protected on the Bank's insolvency or resolution. This applies whether the securities are held in an OSA or an ISA.

Therefore, your legal entitlement to the financial instruments and securities that we hold for you directly with CSDs would not be affected by our insolvency, whether those securities were held in ISAs or OSAs.

Nevertheless, as explained hereabove, insolvency proceedings are complex matters and may, however, delay the restitution of the securities to the clients, amongst other because an insolvency practitioner may require a full reconciliation of the books and records in respect of all securities accounts prior to the release of any securities from those accounts.

Shortfalls

A shortfall means that the number of securities that we are obliged to deliver to clients and the number of securities that we hold on their behalf in either an ISA or an OSA, do not match. This could result in fewer securities than clients are entitled to being returned to them on our insolvency.

A shortfall could arise for a number of reasons including as a result of administrative error, intraday movements or counterparty default. We mitigate the risk of shortfalls by regular reconciliation processings with the CSDs and the monitoring of the transactions and transfers with counterparties.

The risk of a shortfall is borne in an ISA by the sole client related to the account. In case of an OSA, it is borne by all the clients whose the securities are held in the impacted OSA on a pro rata basis. Therefore, in case of an OSA, a client may be exposed to a shortfall even where securities have been lost in circumstances which are completely unrelated to that client.

If a shortfall arose and we would not hold a sufficient amount of securities of the same nature belonging to us, you may have a claim against us for any loss suffered. If we were to become insolvent prior to covering a shortfall, you would rank as general unsecured creditors for any amounts owing to you in connection with such a claim. You would therefore be exposed to the risks of our insolvency, including the risk that you may not be able to recover all or part of any amounts claimed. In these circumstances, you could be exposed to the risk of loss on our insolvency.

Even in that case, we are a member of the Luxembourg investor compensation scheme (*Système d'indemnisation des investisseurs*, SIIIL) covering investors, physical persons and legal entities within the limits and according to the terms and conditions provided for by the Luxembourg law of 18 December 2015.

The SIIIL provides cover for claims resulting from an institution's inability to: reimburse its investors the funds due to them or belonging to them, held on their behalf and related to investment transactions, in accordance with applicable legal and contractual conditions; Or to return to investors the instruments belonging to them and held by them, administered or managed on their behalf and related to investment transactions, in accordance with applicable legal and contractual conditions. The limit of the SIIIL's cover is 20.000 EUR per eligible investor. Please note that all investors are not protected. More information about this investor compensation scheme may be found on the website of the CSSF: <https://www.cssf.lu/en/protection-of-depositors-and-investors/>

Security interests

Security interest granted to the CSD

Where the CSD benefits from a security interest (either it benefits from a statutory right or a contractual right based on its terms and conditions) over securities held by the Bank with it (including securities held for clients), there could be a delay in the return of securities to a client (and a possible shortfall) in the event that the Bank failed to satisfy its obligations to the CSD and the security interest was enforced. This applies regardless of whether the securities are held in an ISA or an OSA. However, in practice, we would expect that the CSD would first seek recourse to any securities held in the Bank's own proprietary accounts to satisfy the Bank's obligations and only then make use of securities in client accounts. We would also expect the CSD to enforce its security rateably across client accounts held with it.

Furthermore, restrictions apply in relation to the situations in which we may grant a security interest over securities held in a client account.

Security interest granted to third party

Security interests granted over clients' securities could have a different impact in the case of ISAs and OSAs.

Where a client purported to grant a security interest over its interest in securities held in an OSA and the security interest was asserted against the CSD with which the account was held, there could be a delay in the return of securities to all clients holding securities in the relevant account, including those clients who had not granted a security interest (and a possible shortfall in the account).

Where the CSD benefits from a security interest over securities held for a client, there could be a delay in the return of securities to a client (and a possible shortfall) in the event that we failed to satisfy our obligations to the CSD and the security interest was enforced. This applies whether the securities are held in an ISA or an OSA. However, in practice, we would expect that a CSD would first seek recourse to any securities held in our own proprietary accounts to satisfy our obligations and only then make use of securities in client accounts. We would also expect a CSD to enforce its security rateably across client accounts held with it.

Furthermore, restrictions apply in relation to the situations in which we may grant a security interest over securities held in a client account.

PART D: THE TERMS AND CONDITIONS ON WHICH WE OFFER SERVICES TO YOU

By default, our services are provided for OSA and our fees and remuneration given in our documentation are for OSA related services. However, should you request the opening of an ISA other fees may be applicable.

The below section is intended as an overview of the main factors influencing timing and the cost structure when establishing, maintaining and operating accounts at CSD level.

Such factors are likely to include:

- Account type: depending on the account type opted for, i.e. OSA or ISA;
- Number of accounts: the number of accounts requested has an impact on the time and resources required at our level and at the relevant CSD to set up these accounts and service them on an ongoing basis (the setting up of an individual segregation at the CSD level will generate an increase of information flow - requiring specific settlement instructions - and an increase of transactions daily matching –requiring more efforts on safeguarding and reconciliation-);
- Technical setup at the CSD: set-up and maintenance cost and fees (if any and if applicable) charged by the CSD will be passed on to clients. These include CSD and third party costs mentioned below;
- Incremental operational overhead: this is with respect to clients' account(s) (which may be affected by the above three factors as well as by your trading behaviour, e.g. trading volume and asset types traded);
- Technical setup internally: such set-up and maintenance costs and fees as well as cost and expenses associated with potential migrations from a current OSA setup into an ISA setup will be charged to clients;
- Initial set-up fee for ISAs: where an ISA is requested for the first time an initial set-up fee may be applicable.
- Running costs for ISAs: additional costs may be applicable on an ongoing basis for the running costs of ISA account(s).

The charging structure may be adapted in exceptional cases and is subject to change over time, in particular as the market develops and we gain further clarity around the various CSDs' account offerings.

In addition to our fees and charges, third party charges are expected to consist of CSD account set-up and maintenance charges as well as agent bank transaction fees. Third party charges will apply to both ISAs and OSAs, but are generally expected to be higher for ISAs due to the additional complexity and cost incurred by relevant third parties in relation to such accounts. Certain third party charges may apply periodically (e.g., if a CSD charged a monthly or annual facilitation fee per ISA). All third party charges are subject to periodic and ongoing review and change by the relevant third parties from time to time.

For further information we would also recommend that you refer to the relevant fee schedules published by relevant CSDs.

PART E : LIST OF CSDS IN WHICH WE ARE PARTICIPANT:

- Clearstream Banking S.A. (Luxembourg)
- Euroclear Bank SA/NV (Belgium)
- The National Bank of Belgium