



Citco Custody (UK) Limited
Article 38(6) CSDR Participant Disclosure

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CITCO

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1. Introduction

The purpose of this document is to disclose the levels of protection associated with the different levels of segregation that Citco Custody (UK) Limited (“Citco Custody”) can provide in respect of securities held directly for clients with Central Securities Depositories located within the European Economic Area (EEA) (CSDs), including a description of the main legal implications of the respective levels of segregation offered and information on the insolvency law applicable. This document should be read in conjunction with the cost disclosure annexed to this document.

This disclosure is required under Article 38(6) of the Central Securities Depositories Regulation (**CSDR**).

Under CSDR, the CSDs of which we are a direct participant (see Glossary) have their own disclosure obligations and may make their own disclosures from time to time.

This document is not intended to constitute legal or other advice and should not be relied upon as such. Clients should seek their own legal advice if they require any guidance on the matters discussed in this document.

2. Background

In our own books and records, Citco Custody records each client’s individual entitlement to securities that Citco Custody holds for that client in a separate client account. We also open accounts with CSDs in Citco Custody’ name in which we hold clients’ securities. Under CSDR, Citco Custody is required to make two types of accounts with CSDs available to clients: an Individual Client Segregated Accounts (**ISAs**) and an Omnibus Client Segregated Accounts (**OSAs**).

An ISA is used to hold the securities of a single client only and therefore the client’s securities are held separately from the securities of other clients and Citco Custody’s own securities¹.

An OSA is used to hold the securities of a number of clients on a collective basis. However, we do not hold our own proprietary securities in OSAs.

3. Main legal implications of levels of segregation under English law

Insolvency

Clients’ legal entitlement to the securities that Citco Custody holds for them directly with CSDs, whether in an ISA or OSA, would not be affected by Citco Custody’s insolvency.

¹ Although an ISA may be named in a way that identifies the client for whom it is maintained, the client does not have any right or ability to instruct the CSD with respect to any ISA maintained on its behalf or the securities maintained in that account, and so holding securities in an ISA does not give a client any operational rights with respect to those assets.

If Citco Custody were to become insolvent, its insolvency proceedings would take place in *England* and be governed by *English* insolvency law.

Client's legal entitlements

Under English law, securities that Citco Custody holds in custody on behalf of clients would not form part of our estate on insolvency for distribution to creditors, subject to any security interest Citco Custody may have and provided that they remained the property of the clients. Rather, they would be deliverable to clients in accordance with each client's proprietary interests in the securities.

As a result, it would not be necessary for clients to make a claim in our insolvency as a general unsecured creditor in respect of those securities.

Accordingly, where Citco Custody holds securities in custody for clients and those securities are considered the property of those clients rather than our own property, they should be protected on our insolvency. This applies whether the securities are held in an OSA or an ISA.

Insolvency

Although Citco Custody clients' securities are recorded in our name at the relevant CSD, we hold them on behalf of our clients, who are considered as a matter of law to have a beneficial proprietary interest in those securities. This is in addition to any contractual right a client may have against us to have the securities delivered to them.

This applies both in the case of ISAs and OSAs. However, the nature of clients' interests in ISAs and OSAs is different. In relation to an ISA, each client is beneficially entitled to all of the securities held in the ISA attributable to that client. In the case of an OSA, as the securities are held collectively in a single account, each client is normally considered to have a beneficial interest in all securities in the account proportionate to its holding of securities as recorded in Citco Custody's books and records.

Citco Custody's books and records constitute evidence of our clients' beneficial interests in the securities. The ability to rely on such evidence would be particularly important on its insolvency and in the case of an OSA, since no records of individual clients' entitlements would be held by the relevant CSD.

Citco Custody is subject to strict requirements as to the maintenance of accurate books and records and the reconciliation of our records against those of the CSDs with which securities are held. Accordingly, as long as Citco Custody maintains sufficient holdings of securities in accordance with its regulatory obligations, clients should receive the same level of protection in Citco Custody's insolvency, regardless of whether an ISA or an OSA is used to hold such securities. In both cases clients will be protected in the event of Citco Custody's insolvency.

Shortfall

If there were a shortfall between 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, this could result in fewer securities than clients are entitled to being returned to them on our insolvency. The way in which a shortfall could arise would not be different between ISAs and OSAs.

How a shortfall may arise

A shortfall could arise for a number of reasons including as a result of administrative error, intraday movements or counterparty default following the exercise of rights of reuse.

Treatment of a shortfall

In the case of an ISA, the whole of any shortfall on that ISA would be attributable to the client for whom the account is held and would not be shared with other clients for whom we hold securities. Similarly, the client would not be exposed to a shortfall on an account held for another client or clients.

In the case of an OSA, the shortfall would be shared among the clients with an interest in the securities held in the OSA (see further below). Therefore, a client may be exposed to a shortfall even where securities have been lost in circumstances, which are completely unrelated to that client.

Where securities held by Citco Custody are to be distributed among clients on Citco Custody's insolvency, the insolvency practitioner or liquidator may require a full reconciliation of the books and records in respect of all securities accounts prior to the release of any securities to the clients. In such case an ISA may contribute to swifter identification of client securities, although this does not mean that securities will be released quicker. While insolvency practitioners or liquidators are required to apply the loss sharing arrangements and consider the interests of other client with an interest in an OSA, it may still be a complex and time-consuming process to confirm each client's entitlement to the securities available for distribution.

4. CSD Disclosures

This document does not relate to an insolvency of a CSD or other proceedings in any jurisdiction affecting the rights of creditors of a CSD. Certain disclosures prepared by CSDs can be found at the websites of the relevant CSD or on the European Central Securities Depositories Association (ECSDA) website.

We have not investigated or performed due diligence on the disclosures and clients rely on the CSD disclosures at their own risk.

5. Cost information

Annexed to this document is a high level overview of the costs associated with the account types described in this document.

GLOSSARY

Central Securities Depository or **CSD** is an entity, which records legal entitlements to dematerialised securities and operates a system for the settlement of transactions in those securities.

Central Securities Depositories Regulation or **CSDR** refers to EU Regulation 909/2014, which sets out rules applicable to CSDs and their participants.

Direct participant means an entity that holds securities in an account with a CSD and is responsible for settling transactions in securities that take place within a CSD. A direct participant should be distinguished from an indirect participant, which is an entity, such as a global custodian, which appoints a direct participant to hold securities for it with a CSD.

EEA means the European Economic Area

ANNEX

Cost overview

The following factors will determine the costs associated with setting up and maintaining an account at the CSD level:

- Type of Account i.e. OSA or ISA
- The number of CSDs at which you require an account
- The number of accounts you require at each CSD
- The initial setup and maintenance fees charged by the individual CSD(s) for individual accounts
- Migration costs if migrating from an existing OSA to an ISA setup.
- Incremental operational overheads incurred through the operation of potentially multiple individual accounts.
- Potential additional ongoing running costs for ISA accounts.

CSD Costs

We expect that the charges for ISAs are likely to be higher than for OSAs as the costs associated with setting up and running an ISA will be borne by an individual client. Conversely, the charges associated with setting up and running an OSA are expected to be lower as they will be equally shared amongst all clients holding securities in the account.

CSDs may charge additional costs and fees for opening and maintaining additional accounts that will be charged to the individual clients. These fees are subject to periodic and ongoing review by the relevant CSDs.

For detail of the specific fees charged by the relevant CSDs, refer to the relevant fee schedules published by the CSDs

CSD Participation

Citco Custody may hold directly securities for clients at the following CSDs:

CSD	Citco Participants	Link to CSD
Clearstream Banking S.A. (Luxembourg)		https://www.clearstream.com/clearstream-en/
Euroclear Bank SA/NV (Belgium)		https://www.euroclear.com/en.html