

Information disclosure with regards to Article 38 of CSDR CSD Participant Disclosure

Clearstream Fund Centre S.A. (CFCL)

Date: 4 March 2025
Classification: Public

Document number: 7608
March 2025

© Copyright Clearstream Fund Centre S.A, Luxembourg (2025). All rights reserved.

1 Introduction

2 About Clearstream Fund Centre S.A.

3 Legal and Regulatory Framework

3.1	Legal Basis	6
3.2	Segregation requirements	7
3.3	General Terms and Conditions.....	8

4 Main legal implications of the levels of segregation offered by CFCL

4.1	Level of segregation offered by CFCL	10
4.2	Law applicable to insolvency.....	10
4.3	Impact of the insolvency on Clients	11
4.4	Protection against upper tier attachments.....	12
4.5	Loss sharing among the levels of segregation.....	13
4.6	Usability of securities	13

5 Levels of segregation for accounts offered by CFCL

5.1	Summary of account segregation and protection	14
5.2	Risks and costs of the segregation levels of accounts offered by CFCL.....	15

6 Definitions and Glossary

1 Introduction

The purpose of this document is to disclose the protection and the costs associated with the various degrees of account segregation made available to CFCL clients for the securities held by CFCL with the Central Securities Depositories (CSDs) within the EEA, as required, under the Article 38 (6) of Regulation (EU) No 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories as amended ("**CSDR**").

CFCL is a direct participant of Clearstream Banking S.A. (CBL), a Central Securities Depository (CSD) which has its own disclosure obligations (CBL CSDR Article 38 disclosure information is available by clicking to the following link: <https://www.clearstream.com/clearstream-en/strategy-and-initiatives/asset-safety/csd-article-38-disclosure>).

The content of this document is intended for information purposes only. None of the information contained in this document constitutes a legal advice or other advice. They cannot be relied for any other purposes. It constitutes neither a legal opinion nor an offer or a commercial solicitation by CFCL. Clients should seek their own legal advice if they require any guidance on the topics presented in this document.

This disclosure document includes a description of the accounts and levels of segregation offered as well as the main legal related implications including the information on the insolvency laws¹ applicable to CFCL and CBL (CSD).

The recovery and resolution proceedings as set out in the law of 18 December 2015 on the resolution, reorganization and winding up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes, as amended (transposing Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms, as amended ("**BRRD Law**")) are excluded from the scope of this informative notice.

2 About Clearstream Fund Centre S.A.

Any assessment of the risks associated with the safekeeping of securities should be based on CFCL's status and the regulatory provisions by which it is bound:

- CFCL is a public limited liability company (société anonyme) incorporated and existing under Luxembourg law (registered with the trade and companies register of Luxembourg under registration number B 261691). Its Legal Entity Identifier is 222100QBJL53AS12W25.
- CFCL is a credit institution authorized under Article 8 of Directive 2013/36/EU and authorized to carry out its activity in accordance with Article 2 of the law of 5 April 1993 on the financial sector, as amended. CFCL is subject to the supervision of the Commission de Surveillance du Secteur Financier ("**CSSF**").

1. The expression "insolvency laws" shall be read within the meaning of the Article 2(6) of the Securities Law (as defined in the Section 3.1 of this document) as "collective proceedings involving the realisation of the assets and distribution of the proceeds of this realisation among the creditors, shareholders, partners or members, as appropriate, and implying an intervention by administrative or judicial authorities, including where the collective proceedings are terminated by a composition or other analogous measure, whether or not they are founded on insolvency or are voluntary or compulsory".

3 Legal and Regulatory Framework

3.1 Legal Basis

The maintenance of CFCL's records and Clients' securities accounts as well as the rights and interest of CFCL's Clients in the securities held with CFCL are governed by the laws of the Grand Duchy of Luxembourg in application of the principle of *lex rei sitae*², as Luxembourg is the place where Clients' securities are deemed to be located.

The safekeeping and the rights of the Clients to the securities held with CFCL are subject in particular to the following main texts (without being limited to):

- from articles 1915 to 1949 of the civil code, hereinafter referred to as the **Civil Code**.
- law of 1 August 2001 on the circulation of the securities and other fungible instruments, as amended (loi modifiée du 1er août 2001 concernant la circulation des titres et d'autres instruments fongibles), hereinafter referred to as the **Securities Law**.
- law of 5 April 1993 on the financial sector, as amended (loi modifiée du 5 avril 1993 relative au secteur financier), hereinafter referred to as the **Banking Act**.
- law of 30 May 2018 on markets in financial instruments, as amended (la loi modifiée du 30 mai 2018 relative aux marchés d'instruments financiers), hereinafter referred to as the **MiFID II Law**.
- grand ducal regulation of 30 May 2018 on the protection of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits, as amended (Règlement grand-ducal modifiée du 30 mai 2018 relatif à la protection des instruments financiers et des fonds des clients, aux obligations applicables en matière de gouvernance des produits et aux règles régissant l'octroi ou la perception de droits, de commissions ou de tout autre avantage monétaire ou non monétaire), hereinafter referred to as the **MiFID II Regulation**;
- law of 6 April 2013 on the dematerialisation of the securities as amended (loi du 6 avril 2013 relative aux titres dématérialisés), hereinafter referred to as the **Dematerialised Securities Law**;
- law of 28 July 2014 of immobilisation of the bearer shares (loi du 28 juillet 2014 relative à l'immobilisation des actions et parts au porteur);
- law of 3 September 1996 concerning the involuntary dispossession of bearer securities, as amended (loi modifiée du 3 septembre 1996 concernant la dépossession involontaire de titres au porteur);
- law of 5 August 2005 on the collateral financial arrangements, as amended (loi modifiée du 5 août 2005 sur les contrats de garanties financières), hereinafter referred to as the **Collateral Law**.

As participant of a central securities depository ("**CSD**"), CFCL has some duties under the CSDR and notably the obligation to disclose the information contained in this document in accordance with Article 38 (6) of CSDR. Please note that CSDs have also their own disclosure obligations under CSDR.

2. Confirmed by the parliamentary comments on the Dematerialised Securities Law regarding the amendment to the Article 17 of the Securities Law. Draft Bill 6327A, p. 38.

3.2 Segregation requirements

3.2.1. CSDR

The CSDR has set out rules to enhance the protection of the assets of the CSD participants and those of their clients. This regulation requires participants of a CSD to provide for both omnibus client segregation and individual client segregation to their clients so they can choose the level of segregation they believe is appropriate to their needs.

Paragraphs 5 and 6 of Article 38 of CSDR provides for the following:

QUOTE

"5. A participant shall offer its clients at least the choice between omnibus client segregation and individual client segregation and inform them of the costs and risks associated with each option.

However, a CSD and its participants shall provide individual clients segregation for citizens and residents of, and legal persons established in, a Member State where required under the national law of the Member State under which the securities are constituted as it stands on 17 September 2014. That obligation shall apply as long as the national law is not amended or repealed, and its objectives are still valid.

6. CSDs and their participants shall publicly disclose the levels of protection, and the costs associated with the different levels of segregation that they provide and shall offer those services on reasonable commercial terms. Details of the different levels of segregation shall include a description of the main legal implications of the respective levels of segregation offered, including information on the insolvency law applicable in the relevant jurisdictions."

UNQUOTE

3.2.2. Securities Law

Under the Securities Law, CFCL qualifies as "account keeper."

An account keeper means *"any person authorised pursuant to the Luxembourg law to maintain securities accounts including public national or international bodies established in Luxembourg and active in the financial sector"* (Article 2(7) of the Securities Law).

In such capacity, when it sub-deposits securities with another account keeper, which could be a CSD, or a foreign account keeper, CFCL has the obligation to segregate its own securities with those belonging to its clients. In this respect, Article 17 of the Securities Law provides the following:

QUOTE

"The account keeper may deposit with other account keepers or foreign account keepers, through book transfer or otherwise, the securities credited or transferred to the securities accounts it maintains, or it may be registered directly or indirectly on the securities register of the relevant securities. **The account keeper must hold these securities separately from its own securities with these other account keepers or depositaries.** The application of this law, the situation of the securities that continue to be held with the relevant account keeper, the validity or effectiveness of the collateral set up in accordance with the law of 5 August 2005 on financial collateral arrangements shall not be affected by this deposit."

UNQUOTE

3.2.3. MiFID II Law and regulation

Pursuant to Article 2(1) of the MiFID II Regulation, credit institutions are required to:

QUOTE

1. keep records and accounts enabling them at any time and without delay to distinguish assets

- held for one client from assets held for any other client and from their own assets;
2. maintain their records and accounts in a way that ensures their accuracy, and in particular their correspondence to the financial instruments and, as regards investment firms, the funds held on behalf of clients, and that they may be used as an audit trail;
 3. conduct, on a regular basis, reconciliations between their internal accounts and records and those of any third parties by whom those assets are held;
 4. take the necessary steps to ensure that any client financial instruments deposited with a third party, in accordance with Article 3, are identifiable separately from their own financial instruments and from the financial instruments belonging to that third party, by means of differently titled accounts in the books of that third party or other equivalent measures that achieve the same level of protection.
 5. as regards investment firms, take the necessary steps to ensure that client funds deposited, in accordance with Article 4, in a central bank, a credit institution authorised in a Member State or in a third country or an eligible money market fund are recorded in an account or accounts identified separately from any accounts used to hold funds belonging to the investment firm;
 6. introduce adequate organisational arrangements to minimise the risk of the loss or diminution of client assets, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping, or negligence.

UNQUOTE

Article 37-1 (7) of the Banking Act provides for the following principle of segregation:

QUOTE

Where they hold financial instruments belonging to clients, credit institutions and investment firms shall make appropriate arrangements so as to safeguard clients' ownership rights, especially in the event of insolvency of the credit institution or investment firm, and to prevent the use of clients' financial instruments on own account except with the clients' express consent.

UNQUOTE

3.3 General Terms and Conditions

The rights and obligations of CFCL vis-à-vis its Clients are documented in the General Terms and Conditions ("**GTCs**") and the other governing documentation.

Article 4 of the GTCs describes the rules applicable to the opening of accounts and the notification by the Clients of the nature of the assets held in the accounts for segregation purposes.

Such Article provides for the following:

QUOTE

- 1) CFCL will establish in its books accounts and subaccounts for the Client as shall be required from time to time for the provision of services by CFCL. All such accounts shall be opened in the name of the Client, who is solely responsible and liable for the fulfilment of all Client obligations pertaining thereto.
- 2) The Client is responsible to opt for the level of segregation to apply on the assets deposited with CFCL and shall inform CFCL accordingly as provided in the Governing Documents. It undertakes to segregate in separate accounts at all times assets deposited with CFCL and held by such Client on a proprietary basis from assets deposited with CFCL and held by such Client on a nonproprietary basis and such accounts shall be designated accordingly.
- 3) The opening of accounts on a non-proprietary basis and the nature of such non-proprietary accounts shall be subject to advance approval by CFCL and, at the discretion of CFCL, to the

3 Legal and Regulatory Framework

requirement by CFCL to be provided by the Client with additional information, including information relating to the clients of the Client, as set forth in these General Terms and Conditions, being met.

4) The main account of the Client (account number and name) is made publicly available to all CFCL Clients unless the Client directs otherwise.

UNQUOTE

The GTCs can be downloaded in English from the Clearstream website under <https://www.clearstream.com/clearstream-en/keydocuments-1-/cfcl/cfcl-documentation-3391290>.

According to the GTCs, a Client is *"a legal person or entity, whether public or private, qualifying as "Eligible Counterparty" under MiFID II which adheres to these General Terms and Conditions."*

Whenever the term "client" is used, without initial capital letter, it refers to the client of CFCL's Client.

4 Main legal implications of the levels of segregation offered by CFCL

4.1 Level of segregation offered by CFCL

CFCL as participant of a CSD is required under CSDR to offer its clients the choice between two levels of segregation offered by CFCL:

o omnibus client segregation or "**OCS**" ;

o individual client segregation or "**ICS**".

OCS refers to an account that is opened in the name of the Client and is designated accordingly during the account opening process. As such, the positions held in an OCS are deemed to belong to multiple underlying clients of the Client who is holding them on a collective basis. A segregation of the Client's client assets from the Client's proprietary accounts is achieved at the Client's request. Ownership of the holdings can only be individually determined on a Client level (not the CSD level) as securities are held on a collective basis.

ICS is used to hold the securities of a single underlying client of the Client; therefore, the securities of a Client's client are held separately from the securities of other clients of the Client and from the Client's own securities. In this case, such segregation of the assets is achieved on the level of CFCL. ICS can be maintained in the name of either the Client or the Client's client directly in accordance with the name provided in the account opening form and subject to approval by CFCL's account administration and compliance teams.

Depending on the level of segregation chosen by the Client, the costs associated may differ. The ICS is associated with additional costs (see fee schedule 3 - Section 8.1, Account Service Fee) due to the number of additional accounts that employing such a structure naturally necessitates.

Article 3(1) of the Securities Law provides that the securities holders benefit - up to the amount of securities held on their securities account - from:

1. a right in rem of an intangible nature in all the securities of the same description held on an account by CFCL;
2. the rights attached to these securities and the rights provided by the Securities Law; and
3. the rights provided for in the Securities Law.

According to Article 4 (1) of the Securities Law, the legal ownership of the securities results from the credit of securities to the Client's securities account. Such ownership right applies to the (fungible) portion of securities that corresponds to its holding in the books of CFCL against the pool of securities of the same kind and denomination representing the whole issuance, irrespective of the level of segregation chosen.

CFCL books for either account type (ICS or OCS) the securities and any other fungible financial instruments received as a deposit or held in an account separately from its own proprietary positions and off-balance sheet.

4.2 Law applicable to insolvency

4.2.1. Law applicable to CFCL insolvency

CFCL is a public limited liability company (société anonyme) incorporated and existing under the laws of the Grand duchy of Luxembourg. It is subject to the supervision of the CSSF as credit institution.

4 Main legal implications of the levels of segregation offered by CFCL

Were CFCL to become insolvent, insolvency proceedings would take place in Luxembourg and would be subject to Luxembourg law. Entitlements, rights, and access during these proceedings are stipulated in accordance with Luxembourg law and the insolvency practitioner's actions.

Therefore, Luxembourg banking and commercial law together with the Securities Law (Article 4 (2) and Article 10) define the framework applicable to the rights of the holders over the securities held in custody with CFCL as described in Sections 3.1 and 4.3.1. in a CFCL's insolvency scenario.

4.2.2. Law applicable to CSD insolvency

Were the CSD (CBL) to become insolvent, insolvency proceedings would take place as well in Luxembourg and would be governed by Luxembourg law and within the insolvency practitioner's actions.

4.3 Impact of the insolvency on Clients

4.3.1. Impact of the insolvency on CFCL Clients

If CFCL were to become insolvent, Clients' securities (excluding any cash holdings) would not fall in the bankruptcy estate of CFCL.

According to the Article 10 (1) of the Securities Law, in the case of winding-up proceedings in relation to CFCL, the claim on the number of securities which CFCL owes shall be filed with the liquidator collectively on the aggregate amount of the securities of the same description held by or for CFCL, registered in its name or in the name of a third party designated in whatever form, or maintained in the name of CFCL with another account keeper, which could be a linked domestic CSD or local depository bank acting as intermediary in case of indirect link.

Should such pool of securities be insufficient to cover the entirety of the claims for restitution, the shortfall would be split among the Clients in proportion to their rights. In that case, if CFCL would have securities of the same description held in its own accounts, these securities would be added to the pool of securities of the same description to be allocated among the Clients holding such securities. CFCL would only receive back the remainder of the securities left after the total number of securities of same type, held by it on behalf of its clients or as a fiduciary for third parties, have been returned.

4.3.2. Impact of the insolvency on CSD's

For securities sub-deposited with a CSD, they would not be included in CSD's insolvency estate. There would be no distinction in the treatment of securities held in an ISA or an OSA.

As account holder with the CSD (CBL), CFCL would have a right of recovery (droit de revendication) against CBL, meaning a proprietary right to reclaim the relevant number of securities deposited with CBL. This right would be exercised collectively against the pool of securities of the same category held with all account holders at CBL.

The Client is deemed to have acquired the interest in the securities held with CFCL as soon as the securities are credited to CFCL's securities account with the CSD or other custodian or registered on the register in the name of or on behalf of CFCL and before the credit to the Client's own securities account

4.4 Protection against upper tier attachments

As explained in the previous sections, in case of CFCL's insolvency proceedings, CFCL's Client would (subject to potential losses), according to Luxembourg law, recover the number of securities for which CFCL is accountable towards the Client against the pool of securities of the same type in deposit with CFCL or deposited by CFCL, by transfer into an account or otherwise, in its name at other depositories in Luxembourg or abroad.

This is irrespective of the level of segregation chosen by the Client. For ICS, only the Client is entitled to claim the proprietary right over the securities and attached rights against CFCL.

In addition, under Luxembourg law, CFCL's Client assets cannot be seized by their creditors (referred to in legal terms as being protected against "upper tier attachments") in accordance with Article 11 (1) of the Securities Law. This Article provides that no attachment of securities of a Client³, as account holder, shall be made on, or to affect:

QUOTE

- (a) a securities account of any person other than that account holder;
- (b) the issuer of any securities credited to a securities account of that account holder; or
- (c) a person other than the account holder or the relevant account keeper.

UNQUOTE

Therefore, any attachment proceedings requested or to be executed in Luxembourg in violation of this law is considered as void.

The above is also valid and applicable to the securities held by CFCL for the Clients with CBL.

More widely, in CFCL's investment funds business, CFCL's interaction with fund agents is contractually regulated and depository banks benefit from reporting on registrars. Legal opinions on the domiciles of fund registers assure Clients that their beneficial ownership is recognized in the markets where their assets are held. CFCL's Delivery Versus Payment processing offers investor protection by only transferring cash out of a client's account once credited with the fund shares. Further asset safety features for the Vestima business are outlined in the Vestima - Asset Safety brochure. For more information, please refer to the Clearstream website.

3. For the purpose of the above, "attachment of securities of an account holder" means any judicial, administrative or other act or process to freeze, seize, restrict or impound securities of that account holder in order to enforce or satisfy a judgment, award or other judicial, arbitral, administrative or other decision or in order to ensure that availability of such securities to enforce or satisfy any future judgment, award or decision.

4.5 Loss sharing among the levels of segregation

As described under Articles 56.7 of the GTCs, losses in a holding of a particular class of Securities are to be borne jointly and on a pro-rata basis by the co-owners of the collective holding. This concept is applied regardless the level of segregation that has been applied to the Client and the account structure(s) employed.

Consequently:

- in case of loss or total destruction by Act of God of a pool of securities of the same type, CFCL shall formulate the necessary objections and arrange for the reconstitution of the securities lost or destroyed. If the loss or destruction by Act of God was partial and if the reconstitution of the securities lost or destroyed could not be achieved, the pool of securities or other financial instruments of the same type shall be distributed among the injured Client(s) in proportion to their rights.
- if the loss or destruction resulted from facts which cause CFCL to be liable and if the reconstitution of the lost or destroyed securities could not be achieved, the claims of the injured Client on the remaining securities shall be exercised according to the above paragraph.

The Client having incurred such loss will become unsecured creditor of the account provider for any outstanding part of their rights. This constitutes, therefore, a potential risk to the Client and the balance of securities held via accounts opened on either an ICS or OCS basis.

4.6 Usability of securities

According to Luxembourg law, principles apply to credit institutions safekeeping financial instruments. CFCL has a duty to safeguard and protect assets deposited with it. Accordingly, CFCL is prevented from using any such securities deposited by its clients without their express written prior consent.

Article 37-1 (7) of the Banking Act prevents CFCL to use of Clients' financial instruments on own account except with the Clients' express consent.

Therefore, CFCL seeks appropriate documentation from its Clients in order to support the delivery of specific services (see below) and for securities held by the Clients on behalf of their underlying clients, they, in turn, required to obtain from them any necessary consent prior to authorising the use of such securities by CFCL.

Such principles are reflected in CFCL's contractual documentation as well as in internal control processes designed to protect Clients' assets and their entitlement rights.

5 Levels of segregation for accounts offered by CFCL

5.1 Summary of account segregation and protection

The following table illustrates the risks, costs, and levels of protection of the levels of segregation offered at CFCL and serves as an executive summary of the sections within this document.

Level of Segregation	Account Types	Levels of Protection	Risk and Impacted Entity	Cost
Individual Client Segregation	<ul style="list-style-type: none"> Proprietary Main Accounts Third party Main Accounts (These account types may be offered on a published or unpublished basis) ^a	All of the account types at CFCL independent of the Client's choice on the level of segregation for its accounts and for its clients have a high level of protection.	Threat to Asset Safety e.g., with respect to possible mismanagement of portfolios (Risk to CFCL Client)	Increased fees due to e.g., increased number of accounts maintained, operational costs due to e.g., increased number of accounts to reconcile. Clients are charged for any additional accounts they wish to open, irrespective of the account type (i.e., an additional proprietary account or an additional third-party account). For more information, please find the CFCL Fee Schedule: https://www.clearstream.com/clearstream-en/keydocuments-1-/cfcl
			Settlement Processing & Inventory Management e.g., with regards to higher reconciliation efforts needed (Risk to CFCL Client)	
			Control Risk e.g., due to higher account numbers and more efforts on safeguarding and reconciliation (Risk to CFCL Client)	
			Transparency of Ownership is increased as an identification may possibly be assessed sooner (Risk to CFCL Client)	
Omnibus Client Segregation	<ul style="list-style-type: none"> Proprietary Main Accounts Third party Main Accounts (These account types may be offered on a published or unpublished basis) ^a	All of the account types (see section 5.2) at CFCL independent of the Client's choice on the level of segregation for its accounts and for its clients have a high level of protection. For more details, please refer to section 4 seq above.	Threat to Asset Safety e.g., due to lower transparency on securities' ownership (Risk to CFCL Client)	Lower cost due to reduced accounts maintained and increased operational efficiency. Clients are charged for any additional accounts they wish to open, irrespective of the account type (i.e., an additional proprietary account or an additional third-party account). For more information, please find the CFCL Fee schedule: https://www.clearstream.com/clearstream-en/keydocuments-1-/cfcl
			Settlement Processing & Inventory Management Risk e.g., security shortfall due to delivery issues (Risk to CFCL Client)	
			Control Risk e.g., reconciliation more cumbersome and settlement systems need to be more sophisticated (Risk to CFCL Client)	
			Transparency of Ownership Risk e.g., due to lower transparency of end beneficial ownership at CFCL records, operational risk due to potential misallocation in case of insolvency (Risk to CFCL Client & its client)	

a. Published and Unpublished Accounts: The main account of every Client is usually published: the existence of the account, including the account number and account name, is available through query functions available via CFS Portal or the Clearstream website www.clearstream.com. Upon request and at CFCL's discretion, a Client can open an unpublished account. Unpublished accounts are not listed in any printed publication. Additional accounts, including safe custody and Client money accounts, are generally opened as unpublished Accounts. It is not normally necessary to divulge the existence of these accounts to counterparties, settlement with counterparties is normally executed using the Client's main account.

Table 2 - Overview of the costs, risks and levels of protection of the levels of segregation offered at CFCL

5.2 Risks and costs of the segregation levels of accounts offered by CFCL

Depending on the level of segregation chosen by the Participant, the following risks and costs may arise:

#	Risk	Individual Client Segregation	Omnibus Client Segregation
1	Threat to Asset Safety	<p>A CFCL Client may be susceptible to mismanaging portfolios across multiple segregated accounts. In addition, the CFCL Client is required to ensure that account names and documentation is maintained accurately.</p> <p>Impacted Entity: CFCL Client</p> <p>Mitigating Measures: CFCL helps its Clients to avoid potential mismanagement of portfolios by establishing a contractual framework and by providing account-level services for key custody operations.</p> <p>These contractual rules are outlined as follows:</p> <ul style="list-style-type: none"> • GTCs: Clients are obliged under the terms of CFCL's GTCs Article 3 to segregate entitlements to securities deposited for their own account (proprietary assets) from entitlements deposited on behalf of third parties (underlying clients). • CFCL's Client due diligence and AML / KYC measures facilitate the identification of the Client's underlying clients (Beneficial Owners) and thereby supports effective and reliable reconciliation processes. • The Client Handbook provides detailed requirements for how the client is supposed to manage their respective securities accounts in line with the governing regulatory and CFCL's GTC requirements i.e.: disclosure of information concerning their respective accounts and transaction activities in view of facilitating securities settlement and reconciliation processing. • A transparent and enforced Client acceptance policy helps reduce counterparty risks for Clients. • CFCL monitors and informs Clients in due time regarding changes to the regulatory environment in its jurisdiction. <p>The services to Clients are as follows:</p>	<p>Operational risk that in case of Client default / insolvency, identification of Client's client assets cannot be ensured due to the quality of reconciliation and record keeping within the books of the Client.</p> <p>Impacted Entity: CFCL Client and CFCL Client's client</p> <p>Mitigating Measures: CFCL helps its Clients to avoid potential mismanagement of portfolios by establishing a contractual framework and by providing account-level services for key custody operations.</p> <p>These contractual rules are outlined as follows:</p> <ul style="list-style-type: none"> • GTCs: Clients are obliged under the terms of CFCL's GTCs Article 3 to segregate entitlements to securities deposited for their own account (proprietary assets) from entitlements deposited on behalf of third parties (underlying clients). • CFCL's Client due diligence and AML / KYC measures facilitate the identification of the Client's underlying clients (Beneficial Owners) and thereby supports effective and reliable reconciliation processes. • The Client Handbook provides detailed requirements for how the client is supposed to manage their respective securities accounts in line with the governing regulatory and CFCL's GTC requirements i.e.: disclosure of information concerning their respective accounts and transaction activities in view of facilitating securities settlement and reconciliation processing. • A transparent and enforced Client acceptance policy helps reduce counterparty risks for Clients. • CFCL monitors and informs Clients in due time regarding changes to the regulatory environment in its jurisdiction. <p>The services to Clients are as follows:</p>

CSD Participant disclosure with regards to Article 38 of CSDR

#	Risk	Individual Client Segregation	Omnibus Client Segregation
		<ul style="list-style-type: none"> Provisioning of Settlement Transactions Intraday Settlement to support Portfolio realignment Reconciliation tools Client Services Domestic market operational and disclosure guides that help the Client understand the implications of holding assets in a foreign regime (via any external links). CFCL Default Management Procedure actively monitors Client's settlement activities to ensure the appropriate action is taken in due time to manage potential Clients in default processes (contractual and legal defaults) <p>For more details on the above please refer to the Client Handbook as well as the Clearstream Default Management webpage.</p>	<ul style="list-style-type: none"> Provisioning of Settlement Transactions Intraday Settlement to support Portfolio realignment. Reconciliation tools Client Services Domestic market operational and disclosure guides that help the Client understand the implications of holding assets in a foreign regime (via any external links). CFCL Default Management Procedure actively monitors Client's settlement activities to ensure the appropriate action is taken in due time to manage potential Clients in default processes (contractual and legal defaults) <p>For more details on the above please refer to the Client Handbook as well as the Clearstream Default Management webpage.</p>
2	Settlement Processing & Inventory Management Risk	<p>Increased number of segregated accounts will lead to a greater number of transactions, including for realignment purposes, to settle at the CSD (cost and operational risk).</p> <p>Impacted Entity: CFCL Client</p> <p>Mitigating Measures: Clearstream helps its Clients by</p> <ul style="list-style-type: none"> Comprehensive Tax, Corporate Actions, Proxy Voting, and Income services as described in the Client Handbook document ultimately reduce the operational burden of reconciliation by ensuring effective credit or debit of security and cash considerations; this limits potential operational exposures related to missed entitlements. Furthermore, these are subject for regular internal audit and certification. Domestic market operational and disclosure guides help Clients understand the implications of holding assets in a foreign regime (via any external links). Overdrafts of securities accounts are not permitted. CFCL applies daily reconciliation for all its securities. 	<p>Potential for the Client's clients within the omnibus account delivering securities that they do not hold, leading to a securities shortfall with other clients of the Client in the account, which may result in a loss of another underlying client's assets.</p> <p>As a result, short positions could force the need to borrow securities and to allocate associated costs.</p> <p>Impacted Entity: CFCL Client's Client</p> <p>Mitigating Measures: Clearstream helps its Clients by</p> <ul style="list-style-type: none"> Equivalent products and services as for Individual Client Segregation: Comprehensive Tax, Corporate Actions, Proxy Voting and Income services as described in the Client Handbook document ultimately reduce the operational burden of reconciliation by ensuring effective credit or debit of security and cash considerations ; this limits potential operational exposures related to missed entitlements. Furthermore, these are subject for regular internal audit and certification in accordance with International Standard on Assurance Engagements (ISAE 3402). Domestic market operational and disclosure guides help Participants understand the implications of holding assets in a foreign regime (via any external links). Overdrafts of securities accounts are not permitted. CBL applies daily reconciliation for all its securities.

5 Levels of segregation for accounts offered by CFCL

#	Risk	Individual Client Segregation	Omnibus Client Segregation
		<ul style="list-style-type: none"> Automated processing via STP with the CSD Real Time Settlement application systems - STP driven reduces the operational burden of processing and reconciliation including limiting the operational risk exposures. Comprehensive credit and risk framework with continuous monitoring of a client's exposures mitigate against Client default. 	<ul style="list-style-type: none"> Automated processing via STP on the CSD Real Time Settlement application systems - STP driven reduces the operational burden of processing and reconciliation including limiting the operational risk exposures. Comprehensive credit and risk framework with continuous monitoring of a Participant's exposures mitigates against Participant default
3a	Control Risk	<p>The level of reconciliation required across multiple and extensively segregated account structures can become significant. The increased number of accounts can also lead to increased number of dormant accounts and increased volumes of underlying client data to safeguard at all levels of the custody chain.</p> <p>Impacted Entity: CFCL Client</p> <p>Mitigating Measures: CFCL helps its Clients to avoid potential mismanagement of portfolios by enforcing a clear contractual framework, which includes the monitoring and follow-up on dormant accounts. This is further supplemented by adequate reconciliation tools at the account-level that enable a client to readily identify active accounts and their balances with a view to taking any appropriate action.</p> <p>Clearstream helps its Clients with the following actions:</p> <ul style="list-style-type: none"> Specifically for securities issuers, and in line with the Securities Law, CFCL holds in its books securities that are, in number and description of the securities credited on the securities accounts it maintains for its clients. CFCL's Client due diligence and AML / KYC measures in place facilitate the identification of the Clients underlying clients (Beneficial Owners) and thereby helps reduce counterparty risk, represents a control on assessing a client's eligibility for omnibus account and supports effective reconciliation processes. Comprehensive Tax, Corporate Actions, Proxy Voting, and Income services as described in the Client Handbook document ultimately reduce the operational burden of reconciliation by ensuring effective credit or debit of security and cash considerations; this limits potential operational exposures related to missed entitlements. Furthermore, these are subject for regular internal audit and certification in accordance with International Standard on Assurance Engagements (ISAE 3402). 	<p>The one-to-many nature of an omnibus account makes securities reconciliation more cumbersome and requires a sophisticated and timely settlement system / securities record to be able to reconcile positions and identify breaks on a client and ultimately their client's level.</p> <p>Impacted Entity: CFCL Client</p> <p>Mitigating Measures: CFCL helps its Clients to avoid potential mismanagement of portfolios by enforcing a clear contractual framework, which includes the monitoring and follow-up on dormant accounts. This is further supplemented by adequate reconciliation tools at the account-level that enable a client to readily identify active accounts and their balances with a view to taking any appropriate action.</p> <p>Clearstream helps its Clients with the following actions:</p> <ul style="list-style-type: none"> Specifically for securities issuers, and in line with the Securities Law, CFCL holds in its books securities that are, in number and description of the securities credited on the securities accounts it maintains for its clients. CFCL's Client due diligence and AML / KYC measures in place facilitate the identification of the Clients underlying clients (Beneficial Owners) and thereby helps reduce counterparty risk, represents a control on assessing a client's eligibility for omnibus account and supports effective reconciliation processes. Comprehensive Tax, Corporate Actions, Proxy Voting, and Income services as described in the Client Handbook document ultimately reduce the operational burden of reconciliation by ensuring effective credit or debit of security and cash considerations; this limits potential operational exposures related to missed entitlements. Furthermore, these are subject for regular internal audit and certification in accordance with International Standard on Assurance Engagements (ISAE 3402).

CSD Participant disclosure with regards to Article 38 of CSDR

#	Risk	Individual Client Segregation	Omnibus Client Segregation
		<ul style="list-style-type: none"> Automated processing via STP with the CSD Real Time Settlement application systems - STP driven reduces the operational burden of processing and reconciliation hence limiting the operational risk exposures. As a four-eyed principal control measure the internal accounting process is audited on an annual basis and the reconciliation process is audited on a bi-annual basis to ensure sound practice in accordance with the stipulated and governing regulatory requirements. 	<ul style="list-style-type: none"> Automated processing via STP with the CSD Real Time Settlement application systems - STP driven reduces the operational burden of processing and reconciliation hence limiting the operational risk exposures. As a four-eyed principal control measure the internal accounting process is audited on an annual basis and the reconciliation process is audited on a bi-annual basis to ensure sound practice in accordance with the stipulated and governing regulatory requirements.
3b	Control Risk (Default)	<p>In the event of CFCL default, a Client's books and records should be adequately reconciled using the tools provided by CFCL in order to permit resolution authorities to efficiently ascertain the nature of claims and entitlements.</p> <p>Impacted Entity: CFCL Client</p> <p>Mitigating Measures: n.a.</p>	
4	Transparency of Ownership Risk	<p>Potential for faster identification of the Client's clients to the issuers, to the regulators and to administrators in the event of the Client's insolvency or any other default / Insolvency in the transaction lifecycle (albeit this cannot always guarantee more time favorable remediation in a default scenario).</p> <p>In addition, CFCL Client is required to ensure that account names and documentation are maintained accurately.</p> <p>Impacted Entity: CFCL Client</p> <p>Mitigating Measures:</p> <ol style="list-style-type: none"> CFCL will trigger its DMP to handle the Client in default related processes. Credit monitoring activities support assessments of client portfolios and tracking and identification of potential credit events to ensure the appropriate actions is taken in due time. 	<p>The identification of end beneficial ownership can be more difficult as the main account can contain many beneficial owners, the identities of which can be received by CFCL upon request (during registration for designated shares).</p> <p>CFCL has no transparency through to the Client's client's end beneficial name at the Client onboarding stage. Operational risk could potentially arise such as wrongly allocated income proceeds or corporate actions proceeds, wrong disclosure vis-à-vis the issuer and authorities or wrongly declared beneficial owners vis-à-vis tax authorities may occur.</p> <p>Impacted Entity: CFCL Client</p> <p>Mitigating Measures: See above mitigation measures covered in sections 1-3.</p>
5	Cost	<p>Increased number of accounts, reconciliations and messaging increases operational cost.</p> <p>Due to the segregated nature of the account, all instructions need to be settled through the CSD.</p> <p>Impacted Entity: CFCL Client</p>	<p>Operational efficiency due to reduced number of accounts / messages leads to lower cost.</p> <p>Impacted Entity: CFCL Client</p>

Table 3 - Risk Types and Cost per Level of Segregation

For all of the above-mentioned risks CFCL has adequately implemented measures and procedures to mitigate and prevent these risks from arising. For more information, please refer to the Client Handbook and fee schedule⁴.

In addition, the following list illustrates general risks regarding the account types:

5 Levels of segregation for accounts offered by CFCL

- Business Continuity / Business Recovery:

CFCL has established adequate and resilient procedures and measures to address settlement continuity in order to ensure wherever possible continuous operational capability. Details about Business Continuity and Business Recovery are available upon request from a Client relationship manager.

- Risk of inadequate definition of Client assets under Luxembourg law:

Potential conflict of governing laws between CFCL's Clients and CFCL's framework regarding the definition of Client assets. CFCL is not responsible for assessing the Client's rights and obligations under its domestic legal framework.

- Information requirements and record keeping:

Potential conflict of governing laws between CFCL's Clients and CFCL's framework regarding information and record keeping requirements. CFCL is not responsible for assessing the Client's rights and obligations under its own domestic legal framework.

4. For more information, please refer to the Clearstream Fund Centre website under: <https://www.clearstream.com/clearstream-en/keydocuments-1-/cfcl/cfcl-documentation-3391290>.

6 Definitions and Glossary

Term	Description
Banking Act	Law of 5 April 1993 on the financial sector, as amended
BRRD Law	Law of 18 December 2015 on the resolution, reorganisation and winding up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes, as amended.
Collective Account	See OCS
CSD	Central Securities Depository
CSDR or Central Securities Depository Regulation	Regulation (EU) No 909/2014 of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories
Collateral Law	Law of 5 August 2005 on the collateral financial arrangements, as amended
CSSF	Commission de Surveillance du Secteur Financier
Dematerialised Securities Law	Law of 6 April 2013 on the dematerialisation of the securities as amended
Fungible	An asset's interchangeability with other individual assets of the same type.
GTCs	General Terms and Conditions
ICS	Individual Client Segregation
Levels of protection	The extent to which assets are protected in the CFCL environment.
Levels of segregation	The types of segregation made available to Participants in the books of a CSD such as CFCL.
MiFID II Law	Law of 30 May 2018 on markets in financial instruments, as amended.
MiFID II Regulation	Grand ducal regulation of 30 May 2018 on the protection of financial instruments and funds belonging to clients, product governance obligations and the rules applicable to the provision or reception of fees, commissions or any monetary or non-monetary benefits, as amended.
OCS	Omnibus Client Segregation
Securities Law	Law of 1 August 2001 on the circulation of the securities and other fungible instruments, as amended

www.clearstream.com

Published by
Clearstream Fund Centre S.A.

Registered address
Clearstream Fund Centre S.A.
42 Avenue John F. Kennedy
L-1855 Luxembourg

Postal address
Clearstream Fund Centre S.A.
L-2967 Luxembourg

March 2025

Document number: 7608
