

Clearstream Banking S.A. as  
part of  
Deutsche Börse Group

Statement concerning client due diligence, anti-  
money laundering and counter-terrorist financing

To the attention of the Transfer Agent ("TA") / the Fund

## Introduction

Under Luxembourg law, Clearstream Banking S.A. (Clearstream) is a société anonyme wholly owned by Clearstream Holding AG, with the ultimate parent company being Deutsche Börse AG. Clearstream is not a publicly listed company.

Clearstream has its principal address in 42 Avenue JF Kennedy, L-1855 Luxembourg in Luxembourg.

Clearstream is an International Central Securities Depository (ICSD), operating from its head office in Luxembourg, with regional offices providing commercial support and services to clients in their specific geographical areas. Clearstream provides the post-trade infrastructure for the Eurobond market and for securities from more than 50 domestic markets. Services include the issuance of securities, the settlement and custody services for international and domestic securities; as well as Investment Fund Services and Global Liquidity Hub.

Clearstream has always maintained a sound financial standing with comfortable liquidity backing. Clearstream maintains its constant commitment to the prudent management of settlement risk and the safekeeping of clients' securities.

Clearstream has branches in England (Clearstream Banking S.A., London Branch), Singapore (Clearstream Banking S.A., Singapore Branch) and in Tokyo (Clearstream

Banking S.A., Japan Branch) and representative offices in Dubai, Hong Kong, Zurich and New York.

## Luxembourg licenses

On 7 October 1994, Clearstream was granted a banking licence in Luxembourg (License No 343/94) and acts as a bank under the supervision of the Commission de Surveillance du Secteur Financier ("CSSF"). The authorisation of establishment for any credit institution governed by Luxembourg law is granted for an unlimited duration.

On 12 February 2001, Clearstream received the status of a Securities Settlement System ("SSS") in Luxembourg.

On 29 September 2017, Clearstream submitted its application for the CSDR1 licences, for both CSD core and banking type ancillary services to the local regulators. Clearstream remains in close dialogue with its regulators for the rest of the CSDR authorisation process.

## Regulatory Authorities and Regulations

The CSSF is Luxembourg's supervisory authority, responsible for the conduct of business and compliance of financial institutions incorporated in Luxembourg, as stated in the law of 5 April 1993, as amended, which regulates the financial sector in Luxembourg.

Clearstream, as a Monetary Financial Institution (MFI), is regulated as a bank according to the law of 5 April 1993 on financial services and consequently falls within the scope of supervision of the CSSF. Thus, all relevant CSSF circular letters and other requirements apply to it. All operations in Luxembourg are supervised by the CSSF, with regular contacts being maintained with the leading international central banks and regulatory authorities. The Banque Centrale du Luxembourg ("BcL") ensures systemic stability of payment and Securities Settlement Systems ("SSS") as part of its responsibilities within the European System of Central Banks ("ESCB"). The BcL is responsible for the oversight of SSSs, as defined in the law of 10 November 2009 on Payment Services, as amended

As part of Deutsche Börse AG, Clearstream is also regulated indirectly by the German Financial Supervisory Authority (BaFin). In addition, via Clearstream Holding AG is subject to regulation by the Deutsche Bundesbank (BuBa). In order to detect and prevent money laundering and potential terrorist financing, Deutsche Börse Group has adopted group-wide policies and procedures governing compliance with national and international standards on anti-money laundering (“AML”), counter-terrorist financing (“CTF”) and international sanctions. These policies and procedures apply to all relevant branches and subsidiaries of Deutsche Börse Group taking into account provisions of local laws.

Clearstream is located in Luxembourg, which is an EU and FATF/GAFI member state. Clearstream is therefore subject, amongst others, to the following Luxembourg laws and regulations that together define the framework under which Clearstream implemented its Compliance, AML and CTF program:

- Law of 5 April 1993 on the financial sector
- Law of 12 November 2004 on the fight against ML and TF (the “2004 Law”), as amended on 25 March 2020, following the transposition of certain provisions relating to the 5<sup>th</sup> AML Directive into Luxembourg law
- Grand-ducal regulation of 1 February 2010 providing details on certain provisions of the amended 2004 Law
- Law of 27 October 2010 enhancing the AML and CTF legal framework
- CSSF Regulation N° 12-02 of 14 December 2012 on the fight against ML and TF, as amended by CSSF Regulation No 20-05 of 14 August 2020
- Law of 13 February 2018 introducing amendments to the 2004 Law and transposing elements relating to the 4<sup>th</sup> AML Directive into Luxembourg law.
- Law of 13 January 2019 on the establishment of a register of beneficial owners transposed into Luxembourg law requirements under Article 30 of the 4<sup>th</sup> AML Directive, as amended by section (15) of 5<sup>th</sup> AML Directive. We will provide and maintain, as required by law, the details of the beneficial owner of CBL to be recorded on the Luxembourg Register of Beneficial Owners (Registre des Bénéficiaires Effectifs).
- AMLD6 will be considered as soon as the Directive is implemented into Luxembourg law.

A full description of the above-mentioned laws, regulations and CSSF circulars is available on the website of the CSSF ([www.cssf.lu](http://www.cssf.lu)).

## Clearstream's Services/Products

The following are the key lines of business conducted by Clearstream:

- International Central Securities Depository ("ICSD") for Eurobonds and international bonds, including distribution and settlement of new issues;
- Cross-border domestic securities clearing, settlement and custody across 56 domestic markets;
- Settlement, safekeeping and custody. Income and Redemption payments and Corporate Actions. The service range is complemented by comprehensive Tax and Proxy Voting services;
- Global Liquidity Hub facilities, including securities lending and Triparty Repo services;
- Investment Funds Services processing through Vestima and VestimaPRIME, the Clearstream Fund Desk distribution services, and the Central Funds Facility ("CFF"), offering the centralised settlement of investment funds transactions.

In all these services and products, Clearstream solely acts as a custodian for its clients. As such all instructions transmitted by Clearstream or settled on one of its accounts are deemed to be transmitted or settled in the name of Clearstream's client(s).

## Clearstream's Client Base

Clearstream's client base is predominantly Domestic and Cross Border. Clearstream's eligibility criteria allows only clients considered equivalently regulated financial institutions for the purposes of opening securities accounts that Clearstream classifies as a form of correspondent banking relation.

In particular, an AML-regulated non-bank financial institution is eligible to open client accounts (in order to deposit assets that are non-proprietary to the client) only to the extent that it can demonstrate that it is authorised by its supervisory authority to accept the deposit of client assets and client cash and that it is entitled to commingle client cash deposits in the books of its correspondent banks.

Corporates are eligible for the limited purpose of participating in collateral management programs; that is to receive collateral from their money market counterparties among Clearstream's client base.

Shell banks, natural or unincorporated persons, and residents of any country that is the subject of a country-wide sanctions program of the EU or of third countries which form a part of the ICSD's network of correspondents, including depositories, custodians, agents, CSDs and cash correspondents, are ineligible.

Clearstream has in place and applies risk-based policies and procedures in relation to AML, CTF, and international sanctions and differentiates, for the purposes of undertaking Client Due Diligence, client relationships according to the assessed and assigned risk of each client relationship.

## AML, CTF and Sanctions Program

Clearstream hereby acknowledges that the TA/Fund intends to rely on Clearstream's due diligence exercise towards Clearstream's clients, to the extent this does not exempt the Fund itself or its agents from fulfilling its/their own due diligence obligations under any applicable laws and regulations.

We have implemented and maintain an AML, CTF and Sanctions program designed to comply with the applicable local regulations and legislation described above under 'Regulatory Authority and Regulations' and the expectations and guidance of our regulators in each jurisdiction in which we operate.

In accordance with our AML, CTF and Sanctions Program, we have carried out due diligence on our direct clients and, in particular, have identified and verified their identity, as well as the identification of any (ultimate) beneficial owner(s) of our direct clients, if applicable, and its controlling person(s) (each, a "Related Party") and source of our client's funds, when required by law. This due diligence also includes procedures for the identification of Politically Exposed Persons ("PEPs") in the management or ownership structure of our direct clients and the application of enhanced due diligence to any such identified persons.

Our due diligence program also includes the identification of significant shareholders of our direct clients. Are considered as significant shareholders, entities or individuals owning or controlling more than 10% of our direct clients or ultimate parent company, if any.

Amongst other information, a description of our client's business and activities (how the client makes its money, what business strategy, expected counterparties, what risks is it taking, etc.) is requested during onboarding.

In addition to the due diligence we are obliged to carry out on our direct clients, our due diligence also extends to determining the general nature of third-party assets that our direct clients wish to deposit in compliance with the ISSA Financial Crime Compliance Principles. This includes, but is not limited to, determining the general nature of our client's client base, the geographies from which our client's clients originate, and whether there is any indication of significant compliance risk in these geographies or client types requiring further control. Clearstream's General Terms and Conditions require clients to designate accounts as either proprietary or client with the latter sub-classified into client segregated or client omnibus. The expected behaviour of the account in terms of the types of assets to be deposited and the client's objectives from the relationship are assessed at this juncture and documented in order to provide a basis for subsequent periodic KYC reviews.

In the case of segregated accounts, our direct client must disclose to us the identity of the underlying legal owner of the assets to be deposited in the account. In addition, the identity of any third party with an ownership interest in 25% of the assets in a direct client's omnibus (pooled) account must be disclosed to us; or in the alternative, the assets must be placed in a segregated account. In the case of all segregated accounts, the underlying legal owner of assets to be held in these accounts must be disclosed to us. All underlying legal owners thus disclosed are recorded and subjected to sanctions screening.

Only direct clients who are themselves regulated financial institutions licensed to act as professional securities intermediaries are permitted to open omnibus accounts with us. Where we are acting on behalf of direct clients who are professional securities intermediaries, Clearstream's policy is to evaluate the reliability of representations and certifications made by its clients through a client due diligence program. Due diligence takes place on a risk-based frequency and is conducted in accordance with the ISSA Financial Crime Compliance Principles for Securities Custody and Settlement, in addition to the governing laws and regulations described above under "Regulatory Authority and Regulations". This program requires, inter alia, that clients be asked to confirm that they have fulfilled their obligations to disclose to Clearstream the presence of any securities positions held for the ultimate benefit of sanctions targets, irrespective of whether or not the sanctions regime is applicable.

We retain copies of all due diligence carried out on the direct clients for a period of at least 10 years from the end of our relationship with the direct clients.

We confirm that all documents and information which we may have on our files relating to the identity verification of our direct client (i.e.: the legal entity, its beneficial owner(s), if applicable, and its controlling person(s), will be provided to the

TA where required. On a case-by-case basis, we may permit inspection of our records by an external auditor engaged by the TA.

We conduct ongoing monitoring to identify and report suspicious activity, as appropriate, and have procedures in place for cooperating with and reporting to relevant governmental and law enforcement authorities. We conduct screening of our direct clients against the sanctions programs administered by:

- The U.S. Office of Foreign Asset Control (“OFAC”) (e.g., a Specially Designated National “SDN” or a person who is domiciled in an OFAC comprehensively sanctioned country);
- The United Nations;
- The European Union;
- Singapore MAS;
- His Majesty’s Treasury in the United Kingdom; and
- Any other Sanctions Regime applicable to our institution.

We confirm that we conduct background verification on our employees when they are hired, including name-screening in order to verify that they do not have criminal records and are not listed on the sanction lists of US, OFAC, UN, EU, MAS and UK HMT. Sanctions list checks are performed regularly. For a specific group of employees, criminal record checks are additionally performed on an annual basis going forward. This is in line with standard market practice in Luxembourg. Accordingly, we confirm that there are no criminal record or sanctions list hits on the individuals on Clearstream’s Authorised Signatory lists. We also confirm that Clearstream provides AML/CTF/Sanctions training to our employees. A gap analysis on new AML/CFT laws and regulations is performed on an ongoing basis. The relevant policies and procedures are then updated, and changes communicated to the employees.

## Clearstream’s Account with the Fund

Clearstream holds positions in investment funds on behalf of its direct clients where the entitlements of multiple Clearstream clients can be either comingled on an omnibus basis (pooled accounts) or segregated on dedicated accounts. In neither case does Clearstream invest in a proprietary capacity.

Clearstream hereby acknowledges that it acts in a nominee capacity for its direct clients and is to be considered the legal owner of accounts registered in its name on the Fund’s share register. Clearstream acknowledges that it is therefore expected

to perform a due diligence exercise on its clients, which does not, however, exempt the applicable fund(s) or its agents to fulfil their own due diligence obligations under applicable law and regulations.

Clearstream acknowledges that this is applicable to all Clearstream accounts and designations in funds under the administration of the TA.

Clearstream has policies reasonably designed to ensure that it opens omnibus or pooled accounts only for direct clients acting as custodians that possess licenses to operate in their countries of origin (or to validate the asset protection arrangements in jurisdictions where safekeeping is not regulated).

Clearstream takes steps that are reasonably designed to determine that the ownership of assets deposited in omnibus form has been identified by its direct clients (the Account Holders) in compliance with the ISSA Financial Crime Compliance Principles as set out in chapter AML, CTF and Sanctions Program.

Clearstream has policies and procedures in place to exclude and to block, or to ensure that its direct clients can block securities interests registered with the TA and that are ultimately owned by persons and entities sanctioned by competent authorities as well as against countries/regions subject to comprehensive jurisdiction-based sanctions administered by government/competent authorities of G7 member countries. These policies and procedures also include the notification to the TA, to the extent permitted by law, of securities interests sub-deposited on behalf of persons and entities sanctioned by competent authorities.

This statement concerning client due diligence, anti-money laundering and counter-terrorist financing supersedes any statement on the same matters previously made by Clearstream or issued to the TA/Fund.

Signed by



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Title: Deputy Chief Compliance Officer



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