

## **Article 38 (5) (6) Central Securities Depositories Regulation (CSDR) Participant Disclosure: BNP Paribas Securities Services SCA**

### **1. INTRODUCTION**

This document describes the level of protection associated with the two types of segregation accounts that BNP Paribas Securities Services provides in respect of securities that it holds for its clients with Euroclear France in France, (referred to as the “CSD”), including a description of the main legal implications of the two types of segregation accounts as well as the applicable French insolvency rules.

The disclosure of the information contained in this document is required under Article 38 (5) and (6) of the Central Securities Depositories Regulation (“CSDR”). BNP Paribas Securities Services is subject to these disclosure obligations in its capacity as a Direct Participant (see glossary) of a CSD (Euroclear France). CSDs have their own disclosure obligations under the CSDR.

Capitalised terms not defined in the text shall have the meanings given to them in the glossary at the end of this document.

### **2. BACKGROUND**

The custody of each BNP Paribas Securities Services’ client’s securities is kept through separate client accounts in its books and records. BNP Paribas Securities Services has the obligation to segregate in its books the securities of each of its clients which are themselves segregated from BNP Paribas Securities Services’ proprietary assets.

BNP Paribas Securities Services also opens securities accounts at the level of the CSD and ensures that its clients’ securities are segregated from BNP Paribas Securities Services’ own securities in the books of the CSD, irrespective of the type of accounts described below. CSDs are not permitted to commingle their own assets with securities of their Direct Participants.

BNP Paribas Securities Services is operationally able to establish two types of client securities accounts with the CSD: Individual Client Segregated Account (“ISA”) and Omnibus Client Segregated Account (“OSA”).

An OSA is used to hold the securities of a number of BNP Paribas Securities Services’ clients on a collective basis.

An ISA is used to hold the securities of one single client of BNP Paribas Securities Services and therefore the securities of that single client are held separately from the securities of BNP Paribas Securities Services’ other clients.

Although each 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 give instructions directly to the CSD with respect to that ISA and therefore holding securities through an ISA does not give a client any operational rights with respect to that ISA.

For more information on ISAs and OSAs and their respective costs, please click on the following link: <https://securities.bnpparibas.com/about-us/regulatory-publications/csdr.html>

## **EUROCLEAR FRANCE**

### **2.1. Legal rules regarding securities' ownership**

Securities issued in France are solely represented by book entry records in the accounts maintained by the issuer or the custody account keeper.

Under French law, proprietary rights over securities are determined at the level of the securities account held by 1) BNP Paribas Securities Services (as a custody account keeper) and not at the level of Euroclear France, 2) or by the issuer (in the case of registered securities – *titres au nominatif*).

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### **2.2. Insolvency**

- *Insolvency of Euroclear France*

If Euroclear France becomes subject to insolvency proceedings, the securities deposited in its books cannot be claimed by its creditors as Euroclear France does not hold any ownership rights on those securities.

Accordingly, in case of an insolvency of Euroclear France, the fact that securities are held through an ISA opened in the books of Euroclear France on behalf of a particular client of BNP Paribas Securities Services does not give that client more protection than in the case of clients who hold their securities through an OSA.

- *Insolvency of BNP Paribas Securities Services*

BNP Paribas Securities Services must segregate its own securities from securities of its clients. This segregation is a key principle under French law. If BNP Paribas Securities Services becomes subject to insolvency proceedings, proprietary rights over financial instruments are determined at the level of the securities account (*compte-titres*) held by BNP Paribas Securities Services and not at the level of the accounts held at Euroclear France. BNP Paribas Securities Services' clients' securities cannot be claimed by BNP Paribas Securities Services' own creditors and can only be claimed by the clients of BNP Paribas Securities Services.

Accordingly, in case of a potential insolvency event affecting BNP Paribas Securities Services, the fact that securities are held through an ISA opened in the books of Euroclear France on behalf of a particular client of BNP Paribas Securities Services does not give that client more protection than in the case of clients who hold their securities through an OSA.

### **2.3. Shortfall**

The French Monetary and Financial Code provides that, in case of a judicial reorganization proceeding (*redressement judiciaire*) or a winding-up proceeding (*liquidation judiciaire*) against an intermediary acting as a custody account-keeper (BNP Paribas Securities Services is considered as one), the insolvency administrator or liquidator administrator shall verify, for each financial security, that the number of securities held in an account with a central depository or with another intermediary on behalf of the defaulting intermediary, regardless of the nature of the accounts opened with them, is sufficient to enable the intermediary to meet its obligations towards the account holders.

If, in the opinion of the insolvency administrator or liquidator, there is a shortfall, that shortfall shall be borne by all the account holders to whom the relevant securities have been allocated, in proportion to the respective number or amount of securities of that description credited to their securities accounts.

The pro-rata allocation as described above applies irrespective of the type of account (ISA/OSA) opened by BNP Paribas Securities Services with the CSD. Accordingly, in case of a potential insolvency event affecting BNP Paribas Securities Services, the fact that securities are held through an ISA opened in the books of Euroclear France on behalf of a particular client of BNP Paribas Securities Services does not give that client more protection than in the case of clients who hold their securities through an OSA.

## GLOSSARY

**Central Securities Depository (CSD)** is an entity which operates a securities settlement system and provides at least one other core service listed in Section A of the Annex of the CSDR.

**Central Securities Depositories Regulation or CSDR** refers to Regulation (EU) 909/2014 of the European Parliament and of the Council dated 23 July 2014 on improving securities settlement in the European Union and on central securities depositories.

**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.

**Indirect Participant** means an entity, such as a global custodian, which appoints a Direct Participant to hold securities for it with a CSD.

**Individual Client Segregated Account (ISA)** is used to hold the securities of a single client.

**Omnibus Client Segregated Account (OSA)** is used to hold the securities of a number of clients on a collective basis.

**Participant** means, as applicable, a Direct Participant or an Indirect Participant.

This Participant Disclosure document is dated 29 April 2019

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