

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

**The Netherlands**

**1. Introduction**

- 1.1 This document describes the level of protection associated with the two types of segregation accounts that BNP Paribas Securities Services may provide in respect of securities that it holds for its clients with Euroclear Nederland (the Dutch central securities depository), including a description of the main legal implications of the two types of segregation accounts and the applicable Dutch insolvency rules.
- 1.2 The disclosure of the information contained in this document is required under Article 35 (5) and (6) of the Central Securities Depositories Regulation. BNP Paribas Securities Services is subject to these disclosure obligations in its capacity as a participant of Euroclear Nederland. Euroclear Nederland has its own disclosure obligations under the Central Securities Depositories Regulation.

**2. Background**

- 2.1 The custody of each BNP Paribas Securities Services client's securities is kept through separate 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 the proprietary securities of BNP Paribas Securities Services.
- 2.2 BNP Paribas Securities Services also opens securities accounts at the level of Euroclear Nederland and ensures that its client's securities are segregated from the proprietary securities of BNP Paribas Securities Services, irrespective of the type of accounts described below.
- 2.3 BNP Paribas is operationally able to establish two types of client securities accounts with Euroclear Nederland: Individual Client Segregated Account ("ISA") and Omnibus Client Segregated Account ("OSA").
- 2.4 An OSA is used to hold the securities of a number of clients of BNP Paribas Securities Services on a collective basis. An ISA is used to hold the securities of a single client of BNP Paribas Securities Services and therefore the securities of that single client are held separately from the securities of the other clients of BNP Paribas Securities Services.
- 2.5 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

Euroclear Nederland with respect to the ISA. Holding securities through an ISA does therefore not give a client any operational rights with respect to that ISA.

- 2.6 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>

### 3. **The Dutch Securities Giro Act**

- 3.1 The legal rules regarding securities ownership are set forth in the Dutch Securities Giro Act (*Wet giraal effectenverkeer*) which does not distinguish between ISA's and OSA's. The general principle is that all securities held by Euroclear Nederland are fungible. This means that once Euroclear Nederland accepts the securities for deposit, it is no longer possible to identify a specific security as belonging to a particular participant. Each participant is credited in the books of Euroclear Nederland on a securities account for the securities which it has deposited with Euroclear Nederland.

- 3.2 The securities are held by Euroclear Nederland on a pooled basis. This means that Euroclear Nederland does not individualise the securities per participant but holds the securities for all participants collectively in a so-called collective deposit. This applies to all securities of the same category. Collective deposits consist of securities of the same category only. Euroclear Nederland therefore holds multiple collective deposits (a collective deposit per category of securities).

- 3.3 The Dutch Securities Giro Act determines that collective deposits are held by Euroclear Nederland for the benefit of the participants in such collective deposits. The participants of Euroclear Nederland in their turn hold the securities for the benefit of their clients.

### 4. **Insolvency**

- 4.1 **Insolvency of Euroclear Nederland**

If Euroclear Nederland becomes subject to insolvency proceedings, the securities deposited with Euroclear Nederland are not available for recourse by private creditors of Euroclear Nederland. In case of a bankruptcy of Euroclear Nederland, such securities will therefore not form part of the bankrupt estate. The securities BNP Paribas Securities Services holds on behalf of its clients with Euroclear Nederland will therefore be protected in any insolvency situation affecting Euroclear Nederland.

- 4.2 **Insolvency of BNP Paribas Securities Services**

Any insolvency of BNP Paribas Securities Services and the position in respect of entitlements to securities held by BNP Paribas Securities Services on behalf of its clients will first and foremost be determined by French law. The Dutch Securities Giro Act acknowledges that the securities which are held for participants by Euroclear Nederland are ultimately held for the clients of the participants. As a matter of Dutch law, the securities are therefore not available to private creditors of BNP Paribas Securities Services in the insolvency of BNP Paribas Securities Services.

#### 4.3 Shortfall

If there is a discrepancy between the books of Euroclear Nederland and the books of the participants (such as BNP Paribas Securities Services) which results in a shortfall of securities, the participants shall share in such shortfall in proportion to their holdings with Euroclear Nederland. This means that in case of such shortfall, BNP Paribas Securities Services will not be returned the full number of securities that BNP Paribas Securities Services believed were held for it by Euroclear Nederland.

#### 5. **ISA and OSA**

As set out in paragraph 3.1 above, the system as governed by the Dutch Securities Giro does not distinguish between an ISA and an OSA. The general concept of the Dutch Securities Giro Act is that a participant in a collective deposit operates an OSA. The system as described in above will therefore in any event apply to the OSA. The system as operated by Euroclear Nederland supports the operation of an ISA which means that BNP Paribas Securities Services will be able to open individual accounts for its clients at Euroclear Nederland. Absent any specific rules and regulations on the ISA it should be assumed that securities held in an ISA will not constitute a collective deposit in their own right but will be an administrative part of the collective deposit of securities of the same type. Securities held in the ISA will therefore be equally protected as securities held in an

## **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.

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