

Article 38 (5) (6) Central Securities Depositories Regulation (CSDR)

Participant Disclosure: Securities Services

Disclosure Letter – Austria 1.

1. INTRODUCTION

This document describes the level of protection associated with the two types of segregation accounts that Securities Services provides in respect of securities that it holds for its clients with OeKB CSD GmbH, Vienna (Austria) (referred to as “OeKB”), including a description of the main legal implications of the two types of segregation accounts as well as the applicable 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 (EU) No 909/2014 (“CSDR”). Securities Services is subject to these disclosure obligations in its capacity as a Direct Participant (see glossary) of several Central Securities Depositories (“CSD”). 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 Securities Services' client's securities is kept through separate client accounts in its books and records. Securities Services has the obligation to segregate in its books the securities of each of its clients which are themselves segregated from Securities Services' proprietary assets.

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

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

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

An ISA is used to hold the securities of one single client of Securities Services and therefore the securities of that single client are held separately from the securities of 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/csd.html>

3. AUSTRIA (OeKB)

3.1 Legal rules regarding securities' ownership

The specific rights of depositors depend on the way the securities are held in custody. In accordance with the Austrian Securities Deposit Act (Depotgesetz), there are three types of custody on the level of OeKB under which its Direct Participants (including Securities Services) may hold securities for its customers (acting for themselves and not as intermediary of a third party) (the "Depositors"): (i) collective safe custody (Girosammelverwahrung), (ii) individual safe custody (Streifbandverwahrung) and (iii) noncollective safe custody (Wertpapierrechnung). Securities of Depositors are kept separately from securities owned by the custodian.

For securities in collective safe custody, Depositors obtain a co-ownership interest of fractions in respect of the collective holding represented by a global certificate held by a CSD equal to the nominal value or units of the Depositor's securities.

For physical securities held in individual safe custody, Depositors retain their sole ownership interest in respect of the securities so deposited.

Foreign law governed securities that cannot be held via a CSD link are held in non-collective safe custody. With regard to these securities, Depositors have no ownership right but only a claim against its custodian for delivery of the position the custodian has vis-à-vis the foreign custodian. That position is recorded by the custodian in the form of book entry credits and held on a fiduciary basis for the Depositors.

3.2 ISA and OSA

Every legal entity that meets OeKB's General Terms and Conditions (GTC) can hold an arbitrary number of disposable securities accounts and blocked securities accounts with OeKB.

Securities accounts can also be used by the holders of securities accounts to segregate the securities of their customers upon the latter's respective request and in the way requested by the latter (individual client account segregation) or to segregate their own securities (own securities account) from those of their customers (third-party securities account).

The lump-sum fee due for each securities account can be found in Appendix 3 (Prices, chapter 2) of the GTC.

Securities Services provides ISAs and OSAs to its clients/Depositors, where possible also throughout the custody chain. Legally, securities held in an OSA are subject to an equal level of protection as securities held in an ISA. However, in the insolvency of a custodian, the legal interests of the Depositors are easier to identify. It is also considered that

securities held in an OSA are more vulnerable to misappropriation of securities than securities held in an ISA.

3.3 Insolvency

3.3.1 Insolvency of OeKB CSD GmbH, Vienna (Austria) 1

An insolvency of OeKB does not affect the ownership or fiduciary rights of Securities Services' clients, the Depositors, regarding securities held in accounts of Securities Services at OeKB, regardless of whether the securities are kept in an ISA or OSA at the level of OeKB or Securities Services. In case of collective or individual safe custody, the Depositors have a right to segregate their securities from the insolvency estate based on their (co-)ownership interest.

The omnibus client securities account segregation at the level of the sub-depository/central securities depository which requires the management of separate third-party and own securities accounts in its books after a self-declaration offers the Depositors sufficient protection under insolvency law and judgement enforcement law. This sufficiently documents the legal terms with regard to the securities entrusted for safekeeping and the Depositors are in the position to show evidence of their rights in case of dispute. Where there is a custody chain across more than one level, the total of positions booked for all depositories provides a complete picture, where individual securities client account segregation is inevitably always the case at the lowest depository level.

In terms of proprietary rights, the situation does not change if securities are deposited with a CSD, as the proprietary rights of the depositors continue to apply to the central securities depository. This shall apply irrespective of the fact whether the individual securities client account segregation at the lowest depository level is also applied to the securities accounting of the CSD. Thus, individual securities client account segregation carried out by the CSD does not provide better protection under insolvency law either, because the right of separation that exists anyway based on the safekeeping contract is independent thereof due to the (co-)ownership of the depositors.

1 <https://www.oekb-csd.at/en/securities-cash-account-holders/securities-account-administration.html> (click on "Levels of Protection" and "Customer Information on Securities Account Segregation") (last accessed July 3, 2018).

3.3.2 *Insolvency of Securities Services*

Pursuant to German international insolvency law, the insolvency of Securities Services is in principle governed by French insolvency laws. However, German international insolvency law would be applicable if the accounts held with Securities Services are located in Germany. The segregation right under the German Insolvency Code (referred to above) remains unaffected in respect of "securities" located in Germany. In such case, Securities Services' clients will be entitled to exercise their segregation right regarding German law governed securities held by Securities Services in collective safe custody or individual custody which is provided under German insolvency law on the basis that the clients' account is maintained by Securities Services in Germany.

In respect of securities that Securities Services holds for its clients in non-collective safe custody, the location of the position that Securities Services holds for its clients depends on the nature of the position which in turn depends on the type and nature of the foreign security and the way it is held in custody. Based on a security by security analysis, the location of the security may be in Germany, offering protection to segregation rights, or outside of Germany and the position of the clients of Securities Services would be determined under French insolvency laws and the laws of any non-German jurisdiction.

3.4 **Shortfall**

A shortfall arises if the number of securities that OeKB or Securities Services must deliver to their clients is higher than the actual number of securities that they hold. A shortfall could for example occur because of administrative errors, intraday movements or counterparty default following the exercise of rights of reuse and is particularly relevant in the event that OeKB or Securities Services are subject to insolvency procedure, in which case the principles set out under 3.3 apply. In principle, the level of protection of securities held in an OSA is equal to the level of protection of securities held in an ISA.

3.4.1 *At the level of OeKB*

The Austrian Act on Deposits provides that, in case of insolvency proceedings against a depositary (OeKB is considered as one), the account holders have special privileges if the depositary or its associates negligently violated the ownership rights of the securities, e.g. by committing administrative errors (selling securities without permission or by not complying with the account holder's instructions). In such case the depositary's securities of the same nature create a separate asset class which serves to pay the account holders' claims before general creditors' claims.

If there is such 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 Securities Services with OeKB. Accordingly, in case of a potential insolvency event affecting OeKB, the fact that securities are held through an ISA opened in the books of OeKB on behalf of a particular client of Securities Services does not give that client more protection than in the case of clients who hold their securities through an OSA.

3.4.2 At the level of Securities Services

In respect of a shortfall on the level of Securities Services, the following applies: Regarding securities which are deposited in an OSA in collective safe custody for which Securities Services is not responsible, Securities Services will allocate losses to its clients on a pro rata basis. If a shortfall occurs in an ISA for which Securities Services is not responsible, the clients bear the full loss. In case of a shortfall for which Securities Services is responsible, including shortfalls caused by third parties for which Securities Services is liable, Securities Services will compensate its clients for such loss. In an insolvency of Securities Services, the clients rank as unsecured creditors with regard to any such compensation claim against Securities Services.

This Participant Disclosure document is dated October 4th, 2018

GLOSSARY

Bail-in tool is a measure under the EU bank resolution framework which enables the resolution authority to write down and/or convert into equity the claims of a broad range of creditors, according to a predefined creditor hierarchy.

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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