

**CUSTODY OF BOOK-ENTRY SECURITIES**

**DISCLOSURE ON PROTECTION AND COSTS**

**UNICREDIT BANK CZECH REPUBLIC AND SLOVAKIA, A.S.**

## **1. INTRODUCTORY PROVISIONS**

- 1.1 UniCredit Bank Czech Republic and Slovakia, a.s., with its registered office at Prague 4 – Michle, Želetavská 1525/1, ZIP 14092, Czech Republic, Business ID: 64948242, registered in the Commercial Register under file No. B 3608 maintained by the Municipal Court in Prague (hereinafter “**UniCredit**”) is a direct participant in central securities depositories listed below in Clause 5.5.6 (collectively the “**CSDs**” and each a “**CSD**”).
- 1.2 In accordance with Article 38(6) of the Central Securities Depositories Regulation (“**CSDR**”),<sup>1</sup> UniCredit hereby discloses the levels of protection and the costs associated with the different levels of segregation that UniCredit provides to its clients when holding securities in CSDs on their behalf.

## **2. THE MAIN LEGAL IMPLICATIONS OF THE RESPECTIVE LEVELS OF SEGREGATION OFFERED**

### **2.1 Types of CSD accounts**

Czech law provides for the following types of securities accounts, in which book-entry securities may be held in a CSD:

- (a) owner’s account (in Czech: *účet vlastníka*); and
- (b) customers’ account (in Czech: *účet zákazníků*).

### **2.2 Owner’s account**

- 2.2.1 Pursuant to Czech law, all securities recorded in an owner’s account are legally presumed to be owned by the person for whom the owner’s account has been established (*i.e.*, the person named as the account holder) unless proven otherwise. For instance, if an owner’s account is in fact used by its account holder as a nominee account for holding securities belonging to its customers, the account holder would be legally presumed to be the owner of the securities, but it would be allowed to prove the contrary.<sup>2</sup> Such evidence may be represented by a court decision, administrative decision, contract, or by an affidavit submitted by the end-investor, as the case may be.

### **2.3 Customers’ account**

- 2.3.1 A customers’ account is a securities account in which the person for whom the customers’ account has been established (hereinafter referred to as the “**Nominee**”) holds securities belonging to third parties and entrusted by such third parties to the Nominee. Czech law expressly states that the person for whom a customers’ account has been established (*i.e.*, the Nominee) is not the owner of the Securities recorded therein.<sup>3</sup>

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<sup>1</sup> Regulation (EU) No 909/2014 of the European Parliament and of the Council on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012.

<sup>2</sup> Section 527(2) of the Act No. 89/2012 Coll., the Civil Code, as amended.

<sup>3</sup> Section 528(2) of the Act No. 89/2012 Coll., the Civil Code, as amended.

- 2.3.2 Under Czech law, a customers' account may be opened only for a person duly authorized in the Czech Republic to carry out the investment service consisting in safekeeping and administration of investment instruments for clients.<sup>4</sup>
- 2.3.3 The Nominee is required to establish - in its own records, securities accounts for its clients to record their legal entitlement (*in rem* rights) to securities held by the Nominee on their behalf in the CSD (such securities accounts maintained by the Nominee in its books and records shall hereinafter be referred to as the “**sub-register**”). Under Czech law, securities accounts established by the Nominee in the sub-register (hereinafter the “**sub-register accounts**”) must be established as owner's accounts.<sup>5</sup> In maintaining sub-register accounts, the Nominee must comply with certain requirements imposed by Czech law and rules of the relevant CSD (such as technical requirements regarding the connection to the CSD, requirements regarding disclosure of information about holders of sub-register accounts and legal requirements to ensure functional integrity of the CSD register).
- 2.3.4 If the Nominee is not a direct participant of the CSD, it must select a participant to act as an intermediary between the CSD and the Nominee.

### **3. LEVELS OF SEGREGATION**

- 3.1 UniCredit offers its clients the following levels of segregation in relation to securities issued in (or deposited with) the CSDs:
- (a) omnibus client segregation; or
  - (b) individual client segregation; or
  - (c) end-investor segregation.
- 3.1.1 Owner's account (Article 2.2 above) may be established as:
- (a) individual client segregated account; or
  - (b) end-investor segregated account.
- 3.1.2 Customers' account (Article 2.3 above) may be established as:
- (a) omnibus client segregated account; or
  - (b) individual client segregated account.
- UniCredit offers opening of customers' accounts in the name of UniCredit.
- 3.1.3 In all cases, UniCredit holds own assets separately from clients' assets, regardless of the type of account offered.

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<sup>4</sup> Annex I, Section B, point (1) of Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU.

<sup>5</sup> Section 94(3) of the Act No. 256/2004 Coll., on Capital Market Undertakings, as amended.

### **3.2 Individual client segregation**

3.2.1 The term “individual client segregation” is defined in Article 38(4) of the CSDR. If individual client segregation is requested by a client, UniCredit will establish a separate securities account for holding the securities of that client in the CSD (an “**Individual Account**”).

3.2.2 Securities held in an Individual Account are segregated from UniCredit’s own proprietary securities and also segregated from securities of UniCredit’s other clients. The client for whom an Individual Account is set up may be the end-investor or an intermediary holding securities on behalf of other investors.

3.2.3 UniCredit currently offers the following types of Individual Accounts:

- (a) owner’s account established in the name of the client; or
- (b) customers’ account established in the name of UniCredit as Nominee for one client.

### **3.3 Omnibus client segregation**

3.3.1 The term “omnibus client segregation” is defined in Article 38(3) of the CSDR. UniCredit will use omnibus client segregation unless the client specifically requests individual client segregation.

3.3.2 If “omnibus client segregation” is used by UniCredit, UniCredit will hold securities belonging to multiple clients in one securities account established in the CSD (an “**Omnibus Account**”). This means that an Omnibus Account will be used by UniCredit for holding securities of a number of clients on a collective basis. UniCredit will not, however, hold its own proprietary securities in the same Omnibus Account.

3.3.3 Omnibus Account is established as a customers’ account in the name of UniCredit. As described in Clause 2.3.3 above, in case of customers’ account UniCredit will maintain sub-register in which it will establish securities accounts for its clients to record their legal entitlement (*in rem* rights) to securities held in the Omnibus Account.

### **3.4 End-investor segregation**

3.4.1 End-investor segregation involves the highest degree of segregation. It requires the opening of a separate securities account - owner’s account (Clause 2.2 above) for each end-investor.

3.4.2 The end-investor may be the client of UniCredit or the customer of the client of UniCredit.

## **4. LEVELS OF PROTECTION AND APPLICABLE INSOLVENCY LAW**

### **4.1 General**

4.1.1 In the case of insolvency of UniCredit, securities held in an Individual Account or an Omnibus Account would not form part of the estate of UniCredit and would not be available for satisfaction of UniCredit’s creditors. The insolvency trustee would be required to release such securities to UniCredit’s clients without undue delay. However, Czech law does not stipulate any concrete timeframe for the release of clients’ assets. Therefore, the timing will depend on circumstances of each particular case as evaluated by the insolvency trustee.

4.1.2 If UniCredit, as the CSD participant, is declared insolvent, the client will have to enter into a contractual relationship with another participant of the CSD in order to continue having access to the CSD (hereinafter the “**New Participant**”). The reason is that a CSD member may not be insolvent.

#### **4.2 Owner’s account in client’s name (Clause 2.2 above)**

4.2.1 If securities are held in a CSD in an Individual Account established as owner’s account directly in the name of the client as an end-investor, the end-investor as the direct account holder will enjoy the highest level of asset protection. Given the fact that the end-investor will be registered in the CSD as the account holder, the end-investor will not be required to prove its entitlement to the securities held in the Individual Account.

4.2.2 If securities are held in a CSD in an Individual Account established as owner’s account in the name of the client as a Nominee, the legal position of the end-investor in case of Nominee’s insolvency will be governed by the law of the country of incorporation of the Nominee. The end-investor will have to prove to Nominee’s insolvency trustee that the securities in the Individual Account were held by the Nominee for that end-investor, thus belonging to that end-investor.

#### **4.3 Customers’ account in the name of UniCredit (Clause 2.3 above)**

4.3.1 If securities are held in a CSD in an Omnibus Account and/or in an Individual Account established as a customers’ account in the name of UniCredit, the securities will have to be transferred from the Customers’ account to a new securities account established for the client by the New Participant.

4.3.2 In this case, however, the Customers’ account may (in case of Omnibus Account) also comprise securities of other UniCredit’s clients. In accordance with the principles described in Clause 2.3.3, each client will be treated by UniCredit’s insolvency trustee as the owner of securities that were allocated to the owner’s account maintained by UniCredit for each client in its sub-register.

### **5. COSTS: END-INVESTOR SEGREGATION VS. INDIVIDUAL CLIENT SEGREGATION VS. OMNIBUS CLIENT SEGREGATION**

5.1 This Clause 5 outlines costs that may be associated with end-investor segregation, individual client segregation and omnibus client segregation and how they may vary between the three types of asset segregation.

5.2 While this disclosure provides an overview of the costs associated with the different levels of segregation, this disclosure does not purport to contain all the information a client would need to decide which type of account he should choose in a relevant CSD.

5.3 This costs disclosure is provided for information only and is not intended to constitute legal, regulatory, tax, investment, accounting, financial or other advice by UniCredit. This costs disclosure should not be used or relied upon by any person for the purpose of making any legal, regulatory, tax, investment, accounting, financial or other decision or to provide advice on such matters to any other person. Recipients of this costs disclosure should obtain guidance and/or advice, based on their own particular circumstances, from their own legal, tax or other appropriate advisor. UniCredit has no responsibility for any loss suffered as a result of the use of information in this costs disclosure.

#### **5.4 UniCredit costs**

- 5.4.1 UniCredit fees are stipulated in the particular agreement between the client and UniCredit, based on the scope of investment services provided, based on the scope of investment instrument serviced and based on the scope of responsibility on the side of UniCredit. Therefore, UniCredit fees can vary depending on whether the client chooses to hold its securities in accordance with end-investor segregation, individual client segregation or omnibus client segregation at the CSD and depending on the type of account the client may choose to have in a relevant CSD, in particular due to additional operational complexity and monitoring.
- 5.4.2 There are a number of costs, charges or fees associated with holding securities, which would not vary depending on the account structure. These include:
- (a) safekeeping fee;
  - (b) asset servicing fee;
  - (c) transaction fees (including cancellation, amendment and repair fees);
  - (d) out of pocket expense (e.g. recharge of notary or translation fee);
  - (e) tax reclaim fees and quick refund fees; and
  - (f) any other fee.

#### **5.5 CSD costs and other third-party costs**

- 5.5.1 This costs disclosure is based on the CSD charging structure as of the date of this disclosure. CSDs may change their charging structure from time to time and potentially when the CSDs are duly authorized under CSDR. For up to date CSD fees and charges, clients can visit the websites of the applicable CSDs, which are for convenience provided below in Clause 5.5.6.
- 5.5.2 CSD account fees may vary depending on the type of account chosen due to additional operational complexity and monitoring however for specific market CSD charging structures clients are encouraged to review the CSD fee schedule published on the applicable CSD website.
- 5.5.3 The manner in which fees are applied to clients is likely to vary. Fees charged in respect of an Owner's account will be borne by the account holder in full.
- 5.5.4 Compared to Customer's account, the owner of Owner's account may expect paying higher transactional costs due to the fact that transfers to counterparties will always be made between two CSD accounts and charged by the CSD accordingly.
- 5.5.5 There may be other costs/charges levied by a CSD (or a third party) from time to time, which would be passed to the client at cost. These costs would not however vary depending on whether the client chooses to have end-investor segregation, individual client segregation or omnibus client segregation.

5.5.6 Set out below are links to the CSDs websites in which UniCredit is a participant:

| <b>CSD</b>   | <b>Link to CSD website</b>  |
|--|---|
| Centrální depozitář cenných papírů, a.s.   | <a href="https://www.cdcp.cz">https://www.cdcp.cz</a>   |
| SKD System ( <i>Systém krátkodobých dluhopisů</i> )<br>(operated by the Czech National Bank) | <a href="http://www.cnb.cz/en/financial_markets/skd/index.html">http://www.cnb.cz/en/financial_markets/skd/index.html</a> |