

CLEARING MEMBER DISCLOSURE DOCUMENT

Direct and Indirect Clearing

Introduction

Throughout this document references to "we", "our" and "us" are references to Credit Suisse Bank (Europe), S.A, a limited liability company (*sociedad anónima*) incorporated in Spain and authorised as a credit institution (*entidad de crédito*) by the European Central Bank and regulated by the Banco de España and the Comisión Nacional del Mercado de Valores, as the clearing broker. References to "you" and "your" are references to the client.

What is the purpose of this document?

To enable us to comply with our obligations as a clearing member under EMIR¹, which requires that where we are providing services to you that involve us clearing derivatives through an EU central counterparty (**CCP**)², we must:

- offer you a choice of an individual client account or an omnibus client account (as discussed under "*The types of accounts available*" in Part One B below);
- publicly disclose the levels of protection and costs associated with different levels of segregation; and
- describe the main legal implications of different levels of segregation.

Additionally, to enable us to comply with our obligations as a clearing member under the Indirect Clearing RTS³, which require that, where we are providing services to you that involve us facilitating the indirect clearing of derivatives through an EU CCP⁴, we must:

- offer you a choice of a basic omnibus indirect client account or a gross omnibus indirect client account (as discussed under "*The types of accounts available*" in Part One B below);
- publicly disclose the levels of protection and costs associated with different levels of segregation;
- publicly disclose the general terms and conditions under which we provide services to you (as discussed under "*The terms and conditions on which we offer services to you*" in Part One D below); and
- describe the main legal implications of different levels of segregation.

We have provided the costs associated with the different levels of segregation separately. Details can be found at: <http://www.credit-suisse.com/uk/en/investment-banking/client-offering/emir-disclosures.html>

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In respect of the treatment of margin and collateral at CCP level you should refer to the CCP disclosures that the CCPs are required to prepare.

Organisation of this document

This document is set out as follows:

- Part One A provides some background to clearing.
- Part One B gives information about the differences between the individual client account, the omnibus client account, the basic omnibus indirect client account and the gross omnibus indirect client account, explains how this impacts on the clearing of your derivatives and sets out some of the other factors that might affect the level of protection you receive in respect of assets provided to us as margin.
- Part One C sets out some of the main insolvency considerations.
- Part One D sets out a general overview of the terms and conditions under which we may provide indirect clearing services to you.
- Part Two provides an overview of the main variations on the different levels of segregation that the CCPs offer, together with an explanation of the main implications of each, and sets out links to further information provided by the CCPs. For the position relating to any particular CCP you should refer to the disclosure and any other information prepared by the CCP.

Thereafter, we have included the BME Supplement to this document

What are you required to do?

You must review the information provided in this document and the relevant CCP disclosures and confirm to us in writing which client account type you would like us to maintain with respect to each CCP on which we clear derivatives for you from time to time and whether you agree with the way in which we propose to deal with any excess margin we may hold in relation to an individual client account. We will explain how we would like you to make this confirmation and by when. If you do not confirm within the requested timeframe, we will record the positions and assets relating to you in an account that has the level of EMIR-compliant segregation which is the closest to your pre-EMIR account structure, provided that:

- we have used reasonable and multiple endeavours to obtain your written choice of segregation and have evidence of our efforts;
- in our communication with you, we have informed you that your failure to elect a level of segregation in accordance with EMIR Article 39 will result in us allocating you to an account having the level of EMIR-compliant segregation which is the closest to your pre-EMIR account structure (e.g. an omnibus segregation, net or gross as the case may be); and
- we have explained to you that election by us does not preclude you to elect a different (e.g. higher) level of segregation at any time by communicating it in writing to us.

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Where we offer to facilitate indirect clearing services, you will also need to confirm to us whether you intend to provide clearing services through us to your clients and inform us of your clients' choice of indirect client accounts. We will explain how we would like you to make this confirmation and by when.

Important

Whilst this document will be helpful to you when making this decision, this document does not constitute legal or any other form of advice and must not be relied on as such. This document provides a high level analysis of several complex and/or new areas of law, whose effect will vary depending on the specific facts of any particular case, some of which have not been tested in the courts. It does not provide all the information you may need to make your decision on which account type or level of segregation is suitable for you. It is your responsibility and, where applicable, the responsibility of your clients to review and conduct independent due diligence on the relevant rules, legal documentation and any other information provided on each of the account offerings and those of the various CCPs on which we clear derivatives for you and, where applicable, your clients. You and, where applicable, your clients may wish to appoint independent professional advisors to assist with this.

We shall not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise for any losses or damages that may be suffered as a result of using this document. Such losses or damages include (a) any loss of profit or revenue, damage to reputation or loss of any contract or other business opportunity or goodwill and (b) any indirect loss or consequential loss. No responsibility or liability is accepted for any differences of interpretation of legislative provisions and related guidance on which it is based. This paragraph does not extend to an exclusion of liability for, or remedy in respect of, fraudulent misrepresentation.

Please note that this disclosure has been prepared on the basis of English law save as otherwise stated. However, issues under other laws may be relevant to your due diligence. For example, the law governing the CCP rules or related agreements; the law(s) governing our insolvency; the law of the jurisdiction of incorporation of the CCP; and the law of the location of any assets.

Spanish terms

We are a Spanish company, therefore, when it relates to us, a reference to:

- (a) “**insolvency**” (*concurso* or any other equivalent legal proceeding) and any step or proceeding related to it has the meaning attributed to them under the Spanish Insolvency Law and “**insolvency proceeding**” includes, without limitation, a *declaración de concurso*, necessary or voluntary (*necesario o voluntario*) and the filing of the notice foreseen in Article 583 of the Spanish Insolvency Law⁶;
- (b) “**winding-up, administration, liquidation or dissolution**” includes, without limitation, *disolución, liquidación, or administración concursal*, as defined under Spanish Insolvency Law, or any other similar proceedings;
- (c) “**receiver, administrative receiver, administrator, insolvency practitioner**” or the like includes, without limitation, *administración del concurso*, as defined under Spanish Insolvency Law, or any other person performing the same function; and

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(d) “**security interest**”, to the extent they are governed by Spanish law, includes any mortgage (*hipoteca*), pledge (*prenda*), and, in general, any right in rem (*garantia real*), created for the purpose of granting security.”

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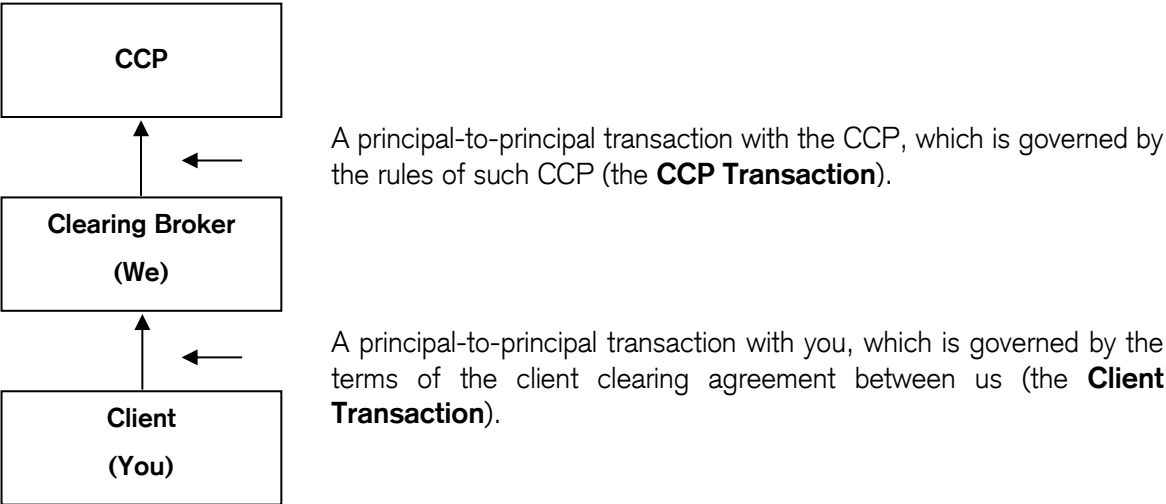
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Part One A: A brief background to clearing

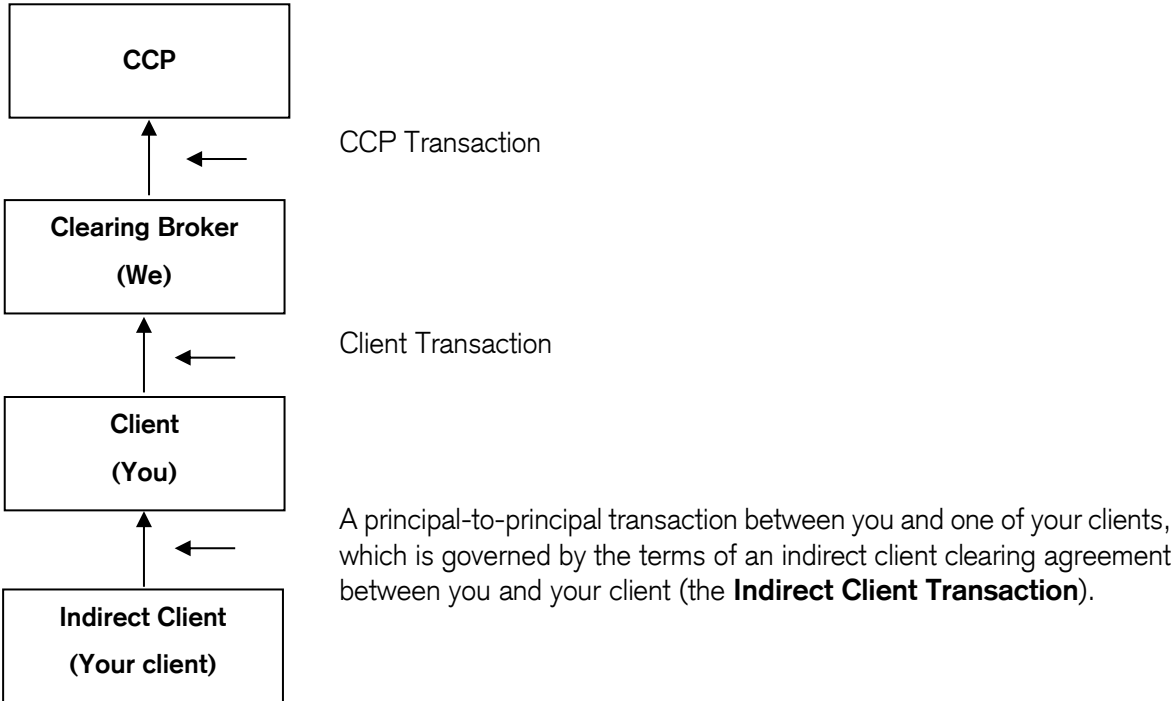
The market distinguishes two main types of clearing models: the "agency" model and the "principal-to-principal" model. Most of the CCPs we use adopt the "principal-to-principal" model, and this document assumes all transactions are cleared according to this model.

The "principal-to-principal" clearing model

When clearing transactions for you through a CCP, we usually enter into two separate transactions:



Additionally, where we facilitate indirect clearing services, i.e. facilitate the clearing by you through us of positions for your own clients, you may enter into a third principal-to-principal transaction with one of your clients:



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The terms of each Client Transaction are equivalent to those of the related CCP Transaction, except that (i) each Client Transaction will be governed by a client clearing agreement between you and us and (ii) we will take the opposite position in the CCP Transaction to the position we have under the related Client Transaction. Similarly, where applicable, the terms of each Indirect Client Transaction are equivalent to those of the related Client Transaction which, in turn, is equivalent to those of the related CCP Transaction, except that (i) each Indirect Client Transaction will be governed by an indirect client clearing agreement between you and your client, and (ii) you will take the opposite position in the Client Transaction to the position you have under the related Indirect Client Transaction.

Under the terms of the client clearing agreement between you and us, a Client Transaction will arise without the need for any further action by either you or us, as soon as the CCP Transaction arises between us and the CCP. Once both of those transactions have been entered into, your transaction is considered to be "cleared". Similarly, where applicable, we expect that under the terms of the indirect client clearing agreement between you and your client, an Indirect Client Transaction will arise without the need for any further action by either you or your client, as soon as the Client Transaction arises between you and us. Once all three of those transactions referred to above have been entered into, your client's transaction is considered to be "cleared".

As the principal to the CCP, we are required to provide assets to the CCP as margin for the CCP Transactions that relate to you and your clients and to ensure the CCP has as much margin as it requires at any time. We will therefore ask you for margin and, where you provide it in a form which we cannot transfer to the CCP, we may transform it. If you have provided us with margin assets, you may face what we call "transit risk" - this is the risk that, if we were to default prior to providing such assets to the CCP, the assets that should have been recorded in your account at the CCP will not have been and will not benefit from the protections described below under "*What happens if we are declared to be in default by a CCP?*". Transit risk may be mitigated where we hold margin in the form of cash as client money (see "*What is the impact if we treat cash you transfer to us as client money in accordance with the Spanish client money rules?*" below).

However, in many cases you may not actually face transit risk because the CCPs often call margin from us early in the morning so we will often use our own funds to satisfy the margin call and then seek to recover such amount from you. In these cases, it is rather that we are exposed to you for the interim period. The arrangements between you and us relating to how the margin calls will be funded will be set out in the client clearing agreement between you and us or otherwise notified by us to you.

If we are not a member of such CCP ourselves, we may offer you alternative solutions:

- Where we do not facilitate indirect clearing services provided by you, we may enter into a principal-to-principal transaction with an affiliate or third-party clearing broker which is a member of such CCP, instead of a principal-to-principal transaction directly with such CCP. Such arrangements are outside the scope of this document, and we will provide you with a separate Client Disclosure Document with respect to such arrangements.⁶
- Where we facilitate indirect clearing services provided by you, for any of your clients that have opted for a Basic Omnibus Indirect Client Account and that are not part of our group, we may enter into a principal-to-principal transaction with an affiliate clearing broker, which is a member of such CCP, instead of a transaction directly with such CCP in a long chain arrangement under the Indirect Clearing RTS (a **Long Chain Arrangement**). Under a Long Chain Arrangement, both the affiliate clearing broker and we would be subject to the relevant requirements for clearing brokers in the Indirect Clearing RTS. Consequently, any references in this document

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to 'clearing broker' should be read, where relevant, as including us in the capacity of a client of an affiliate clearing broker under a Long Chain Arrangement.

Please see Part One B for an explanation of how this is relevant to the choice of account types.

What if you want to transfer your Client Transactions to another clearing broker?

There may be circumstances where you wish to transfer some or all of your Client Transactions to another clearing broker on a business as usual basis (i.e. in the absence of us having been declared in default by a CCP). We are not obliged to facilitate this under EMIR or the Indirect Clearing RTS but we may be willing to do so subject to our ability to transfer the CCP Transactions to which they relate and the margin provided to the CCP in connection with them (which will depend on the relevant CCP's rules) and any conditions set out in our client clearing agreement or otherwise notified to you. You will also need to find a clearing broker that is willing to accept such Client Transactions and the related CCP Transactions and assets.

It may be easier to transfer Client Transactions and CCP Transactions that are recorded in an Individual Client Account than those recorded in an Omnibus Client Account (both types of account being described in more detail in Part One B) for the same reasons as set out below under "*Will the CCP Transactions and assets relating to you be automatically ported to a back-up clearing broker?*". Similarly, where applicable, it may be easier to transfer Client Transactions relating to your Indirect Client Transactions and the corresponding CCP Transactions that are recorded in a Gross Omnibus Indirect Client Account than those recorded in a Basic Omnibus Indirect Client Account (both types of account being described in more detail in Part One B) for the same reasons as set out below under "*Will the CCP Transactions and assets relating to you be automatically ported to a back-up clearing broker?*".

What happens if we are declared to be in default by a CCP?

If we are declared to be in default by a CCP, there are two possibilities with respect to the CCP Transactions and assets related to you and, where applicable, your clients:

- with respect to Individual Client Accounts, Omnibus Client Accounts and Gross Omnibus Indirect Client Accounts (and, in certain circumstances, Basic Omnibus Indirect Client Accounts), the CCP will, at your request, try to transfer (**port**) to another clearing broker (a **back-up clearing broker**), such CCP Transactions and assets; or
- if porting cannot be achieved with respect to such accounts and ordinarily with respect to Basic Omnibus Indirect Client Accounts, the CCP will terminate the CCP Transactions that relate to you or your clients, respectively (see "*What happens if porting is not achieved*" below).

The porting process will differ depending on the CCP but it is likely to involve a close-out (with us) and a re-establishment (with the back-up clearing broker) of the CCP Transactions or a transfer of the open CCP Transactions and related assets from us to the back-up clearing broker. In some cases CCPs will support this structure legally by requiring us to grant a security interest to you over some or all of our related rights against the CCP but in other cases where CCPs can rely on EMIR and local legislation, this is not necessary.

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Will the CCP Transactions and assets relating to you and, where applicable, your clients be automatically ported to a back-up clearing broker?

No, there will be a number of conditions which must be satisfied before the CCP Transactions and assets that relate to you and, where applicable, your clients can be ported to a back-up clearing broker. These conditions will be set by the CCPs and will include obtaining your consent. In all cases you will need to have a back-up clearing broker that has agreed to accept the CCP Transactions. You may wish to appoint a back-up clearing broker upfront as part of your clearing arrangements but the back-up clearing broker is unlikely to be able to confirm that it is willing to accept the CCP Transactions until the default occurs. The back-up clearing broker may also have conditions that they require you to meet. You may also be able to agree with the CCP that it may choose a back-up clearing broker on your behalf. If you have not appointed a back-up clearing broker prior to our default, or agreed with the CCP that it may appoint one on your behalf, then this may mean that porting is less likely to occur.

If porting is achieved, your Client Transactions with us will terminate in accordance with our client clearing agreement, but we would expect that any Indirect Client Transactions between you and your clients would be unaffected. We would expect your back-up clearing broker to put in place new client transactions between itself and you.

The type of account and level of segregation will have an impact on the ability to port CCP Transactions and assets to a back-up clearing broker upon our default.

With regard to a Basic Omnibus Indirect Client Account (described in more detail in Part One B), no contractual arrangements will be in place for porting and, therefore, porting will ordinarily not be available⁷. With regard to an Omnibus Client Account (described in more detail in Part One B), in most cases, all of our clients who have CCP Transactions and assets relating to them recorded in the same Omnibus Client Account will have to agree to use the same back-up clearing broker, and the back-up clearing broker will have to agree to accept all of the CCP Transactions and assets recorded in that Omnibus Client Account. It is therefore likely to be difficult to achieve porting in relation to an Omnibus Client Account or a Basic Omnibus Indirect Client Account.

It should be easier to achieve porting in respect of your positions if you choose an Individual Client Account (described in more detail in Part One B), because you can appoint a back-up clearing broker with respect to just your CCP Transactions and the related assets. Similarly, it should be easier to achieve porting in respect of one of your client's positions if such client chooses a Gross Omnibus Indirect Client Account (described in more detail in Part One B), because it allows one or more of your clients in the same Gross Omnibus Indirect Client Account to port independently of your other clients in the same Gross Omnibus Indirect Client Account, and because, unlike a Basic Omnibus Indirect Client Account, the Gross Omnibus Indirect Client Account at the CCP level relates only to your clients (and not to clients of our other clients).

What happens if porting is not achieved?

Each CCP is permitted to specify a period of time after which, if it has not been able to achieve porting, it will be permitted to actively manage its risks in relation to the CCP Transactions. This period of time will vary across CCPs. If you want to port your CCP Transactions (where possible), you will need to notify the CCP and show that you can satisfy the other conditions within this period.

Otherwise, the CCP will terminate the CCP Transactions and perform a close-out calculation in respect of them in accordance with the CCP rules. If there is an amount owed by the CCP in respect of the CCP Transactions, to the extent that the CCP knows your identity and how much of that amount relates

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to you and, where applicable, your clients, the CCP may pay such amount directly to you. If the CCP does not know your identity and/or does not know how much of the amount relates to you and, where applicable, your clients, the CCP will pay it to us (or our insolvency practitioner) for the account of our clients.

It is more likely that a CCP will be able to pay any such amount directly to you with respect to an Individual Client Account or a Gross Omnibus Indirect Client Account (described in more detail in Part One B). This is because your identity will typically be disclosed to the CCP in these cases.

If the CCP terminates the CCP Transactions, then the Client Transactions between us and the Indirect Client Transactions between you and your clients are also likely to terminate. The termination calculations in respect of those Client Transactions and Indirect Client Transactions will be performed in accordance with the client clearing agreement between us and, where applicable, the indirect client clearing agreement between you and your clients, respectively. Such calculations will likely mirror those performed by the CCP in respect of the CCP Transactions. If you are due a payment from us as a result of the close-out calculations in respect of our Client Transactions, the amount due from us to you will be reduced by any amount that you receive (or are deemed to receive) directly from the CCP.

Please see Part One C for a consideration of the main insolvency considerations.

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Part One B: Account types and the factors to consider

The types of accounts available

Unless specifically stated otherwise, reference to accounts means the accounts in the books and records of each CCP. The CCP uses these accounts to record the CCP Transactions that we enter into in connection with the clearing of your related Client Transactions and any related Indirect Client Transactions and the assets that we provide to the CCP in respect of such CCP Transactions. Additionally, we will open accounts in our books and records to record the Client Transactions we enter into with you, some of which may relate to your Indirect Client Transactions (depending on the account type), and the assets that you provide to us in respect of such Client Transactions.

There are two basic types of client account available at the CCP level – Omnibus Client Accounts and Individual Client Accounts. Some of the CCPs then offer different levels of segregation within those as described in Part Two of this document. Additionally, there are two basic types of indirect client accounts available at the CCP level – the Basic Omnibus Indirect Client Accounts and Gross Omnibus Indirect Client Accounts.

As noted, we refer you to the CCP disclosures which CCPs are required to prepare and which set out the treatment of margin and collateral at CCP level. We have also included below a general overview of the most common segregation approaches taken by CCPs, but note that for any particular CCP, there is no substitute for that CCP's own disclosure.

At the clearing broker level, we then open and maintain accounts corresponding to the relevant direct and indirect clearing accounts at the CCP level as described in more detail below.

Omnibus Client Account

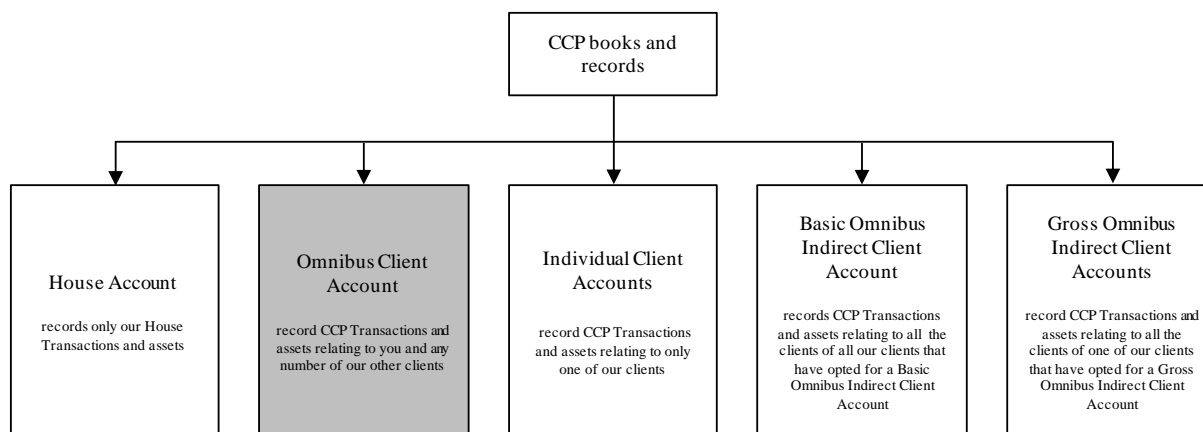
Under this account type, at the level of the CCP, the CCP Transactions and assets that relate to them in the CCP's accounts are segregated from:

- any CCP Transactions we are clearing for our own account (our **House Transactions**) (including corresponding assets in the CCP's accounts) at the CCP;
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of our other clients that have opted for an Individual Client Account; and
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to your clients and any clients of our other clients (regardless of whether they have opted for a Basic Omnibus Indirect Client Account or a Gross Omnibus Indirect Client Account).

However, the CCP Transactions and assets that relate to you will be commingled with the CCP Transactions and assets relating to any of our other clients that are recorded in the same Omnibus Client Account.

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| Can CCP Transactions and related collateral be netted with our House Transactions and assets? | No |
| Can CCP Transactions and related assets be netted with those relating to our other clients? | Yes (provided the other clients' CCP Transactions and assets are recorded in the same Omnibus Client Account) |
| Can CCP Transactions and related collateral be netted with those relating to your clients? | No |
| Can CCP Transactions and related collateral be netted with those relating to clients of our other clients? | No |

The CCP will agree not to net the CCP Transactions relating to you with our House Transactions or any CCP Transactions not recorded in the same Omnibus Client Account, nor use the assets relating to such CCP Transactions with respect to any House Transaction or CCP Transaction recorded in any other account.

However, both we and the CCP may net the CCP Transactions that are recorded in the same Omnibus Client Account. The assets provided in relation to the CCP Transactions recorded in the same Omnibus Client Account can be used in relation to any CCP Transaction (whether it relates to you or to any of our other clients) credited to that Omnibus Client Account.

Please see Part Two for an overview of the risks you may face if you choose an Omnibus Client Account and for details of the different levels of segregation that may be available at different CCPs.

Individual Client Account

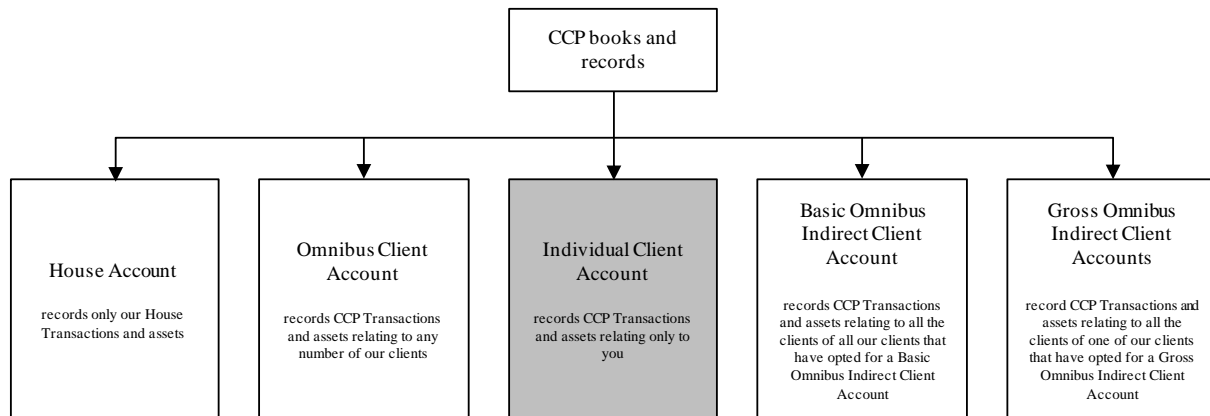
Under this account type, at the level of the CCP, the CCP Transactions and assets that relate to you in the CCP's accounts are segregated from:

- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to our House Transactions;

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- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of our other clients (regardless of whether they have opted for an Individual Client Account or an Omnibus Client Account); and
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to your clients and any clients of our other clients (regardless of whether they have opted for a Basic Omnibus Indirect Client Account or a Gross Omnibus Indirect Client Account).



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| Can CCP Transactions and related collateral be netted with our House Transactions and assets? | No |
| Can CCP Transactions and related assets be netted with those relating to our other clients? | No |
| Can CCP Transactions and related collateral be netted with those relating to your clients? | No |
| Can CCP Transactions and related collateral be netted with those relating to clients of our other clients? | No |

The CCP will agree not to net the CCP Transactions relating to you with our House Transactions, nor use the assets relating to such CCP Transactions in relation to our House Transactions.

Further, and in contrast to an Omnibus Client Account, the CCP will agree not to net the CCP Transactions relating to you that are recorded to an Individual Client Account with any CCP Transaction recorded to *any* other account, nor use the assets related to such CCP Transactions in relation to the CCP Transactions recorded in any other account.

Please see Part Two for an overview of the risks you may face if you choose an Individual Client Account and additional features of Individual Client Accounts that may be available at different CCPs.

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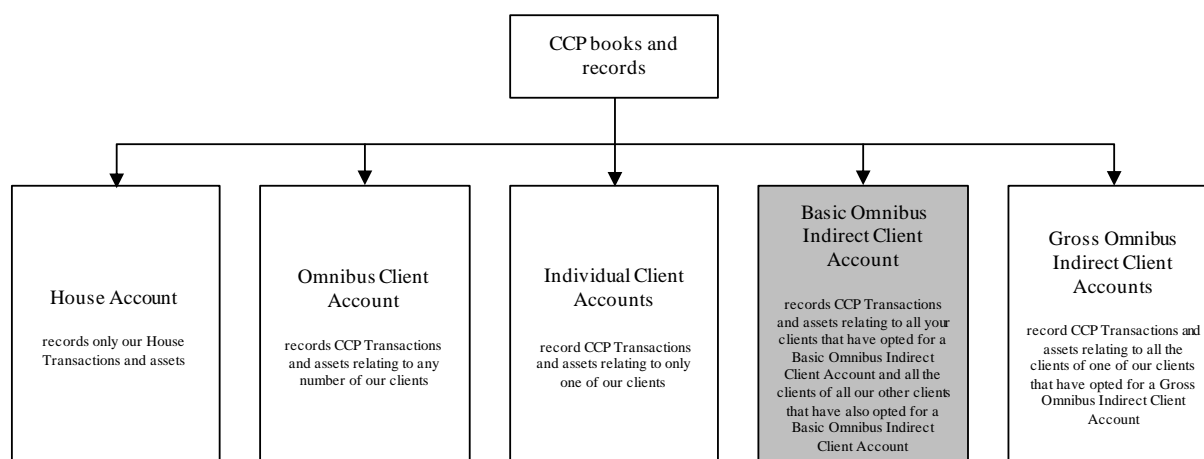
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Basic Omnibus Indirect Client Account

Under this account type, at the level of the CCP, the CCP Transactions (including the corresponding assets in the CCP's accounts) relating to your clients that have opted for a Basic Omnibus Indirect Client Account are segregated from:

- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to our House Transactions;
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to your own account or that of one of our other clients (regardless of whether you/they have opted for an Individual Client Account or Omnibus Client Account); and
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of your clients or any clients of our other clients that have opted for a Gross Omnibus Indirect Client Account.

However, the CCP Transactions (including corresponding assets in the CCP's accounts) relating to your clients that have opted for a Basic Omnibus Indirect Client Account will be commingled with the CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of your other clients and any clients of our other clients that have opted for a Basic Omnibus Indirect Client Account and which are recorded in the same Basic Omnibus Indirect Client Account.



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| Can CCP Transactions and related collateral be netted with our House Transactions and assets? | No |
| Can CCP Transactions and related assets be netted with those relating to you or our other clients? | No |
| Can CCP Transactions and related collateral be netted with those relating to your other clients? | Yes (provided your other clients' CCP Transactions and assets are recorded in the same Basic Omnibus Indirect Client Account) |

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| Can CCP Transactions and related collateral be netted with those relating to clients of our other clients? | Yes (provided our other clients' clients' CCP Transactions and assets are recorded in the same Basic Omnibus Indirect Client Account) |
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The CCP will agree not to net the CCP Transactions relating to your indirect clients that have opted for a Basic Omnibus Indirect Client Account with our House Transactions or any CCP Transactions not recorded in the same Basic Omnibus Indirect Client Account, nor use the assets relating to such CCP Transactions with respect to any House Transaction or CCP Transaction recorded in any other account.

However, both we and the CCP may net the CCP Transactions that are recorded in the same Basic Omnibus Indirect Client Account. The assets provided in relation to the CCP Transactions recorded in the same Basic Omnibus Indirect Client Account can be used in relation to any CCP Transaction (whether it relates to your indirect clients or indirect clients of any of our other clients) credited to that Basic Omnibus Indirect Client Account.

Please see Part Two for an overview of the risks in relation to a Basic Omnibus Indirect Client Account and for details of the different levels of segregation that may be available at different CCPs.

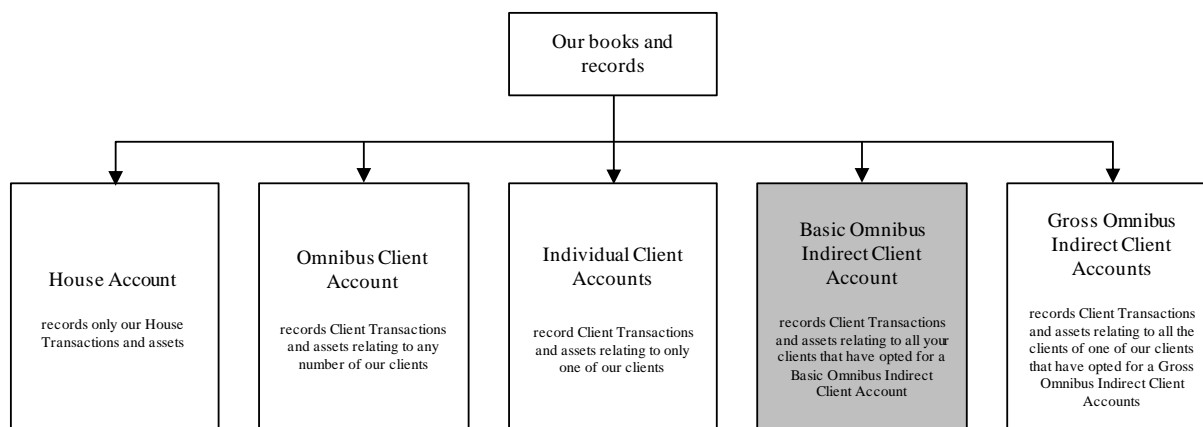
Additionally, at the level of the clearing broker, we then open and maintain accounts corresponding to the Basic Omnibus Indirect Client Accounts at the CCP level. Under this account type, the Client Transactions (including the corresponding assets in our accounts) relating to your clients that have opted for a Basic Omnibus Indirect Client Account are segregated from:

- our House Transactions;
- any Client Transactions (including corresponding assets in our accounts) relating to your own account or that of one of our other clients (regardless of whether you/they have opted for an Indirect Client Account or Omnibus Client Account);
- any Client Transactions (including corresponding assets in our accounts) relating to any clients of our other clients that have also opted for a Basic Omnibus Indirect Client Account and which are recorded in a different Basic Omnibus Indirect Client Account; and
- any Client Transactions (including corresponding assets our accounts) relating to any of your clients or any clients of our other clients that have opted for a Gross Omnibus Indirect Client Account.

However, the Client Transactions (including corresponding assets in our accounts) relating to your clients that have opted for a Basic Omnibus Indirect Client Account will be commingled with the Client Transactions (including corresponding assets in our accounts) relating to any of your other clients that have also opted for a Basic Omnibus Indirect Client Account and which are recorded in the same Basic Omnibus Indirect Client Account.

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| Can Client Transactions and related collateral be netted with our House Transactions and assets? | No |
| Can Client Transactions and related assets be netted with those relating to you or our other clients? | No |
| Can Client Transactions and related collateral be netted with those relating to your other clients? | Yes (provided your other clients' Client Transactions and assets are recorded in the same Basic Omnibus Indirect Client Account) |
| Can Client Transactions and related collateral be netted with those relating to clients of our other clients? | No |

We will not net the Client Transactions relating to your clients that have opted for a Basic Omnibus Indirect Client Account with our House Transactions or any Client Transactions not recorded in the same Basic Omnibus Indirect Client Account, nor use the assets relating to such Client Transactions with respect to any House Transaction or Client Transaction recorded in any other account.

However, we may net the Client Transactions that are recorded in the same Basic Omnibus Indirect Client Account. The assets provided in relation to the Client Transaction credited to that Basic Omnibus Indirect Client Account can be used in relation to any Client Transaction credited to that Basic Omnibus Indirect Client Account.

Gross Omnibus Indirect Client Account

Under this account type, at the level of the CCP, the CCP Transactions (including the corresponding assets in the CCP's accounts) relating to your clients that have opted for a Gross Omnibus Indirect Client Account are segregated from:

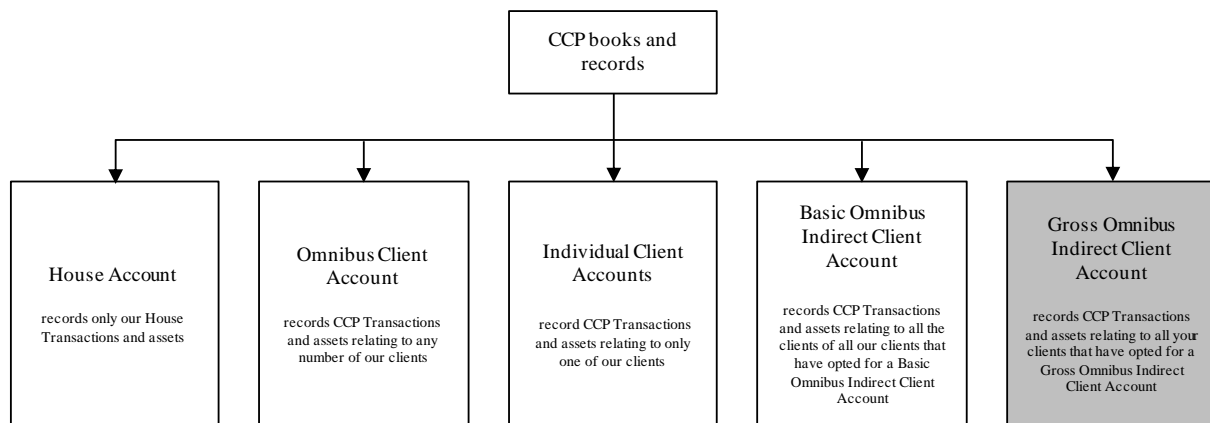
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to our House Transactions;
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to your own account or that of one of our other clients (regardless of whether you/they have opted for an Individual Client Account or Omnibus Client Account);

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- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of your clients or any clients of our other clients that have opted for a Basic Omnibus Indirect Client Account; and
- any CCP Transactions (including corresponding assets in the CCP's accounts) relating to any clients of our other clients that have also opted for a Gross Omnibus Indirect Client Account and which are recorded in a different Gross Omnibus Indirect Client Account.

However, the CCP Transactions (including corresponding assets in the CCP's accounts) relating to your indirect clients that have opted for a Gross Omnibus Indirect Client Account will be commingled with the CCP Transactions (including corresponding assets in the CCP's accounts) relating to any of your other clients that have opted for a Gross Omnibus Indirect Client Account and which are recorded in the same Gross Omnibus Indirect Client Account. Within the Gross Omnibus Indirect Client Account, the CCP will keep separate records of the positions of each of your clients that has opted for a Gross Omnibus Indirect Client Account. The CCP will also calculate the margining requirement separately for each of your clients that has opted for a Gross Omnibus Indirect Client Account and collect the aggregate of each such margin requirement.



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| Can CCP Transactions and related collateral be netted with our House Transactions and assets? | No |
| Can CCP Transactions and related assets be netted with those relating to you or our other clients? | No |
| Can CCP Transactions and related collateral be netted with those relating to your other clients? | <p>The CCP Transactions relating to any one of your clients that has opted for a Gross Omnibus Indirect Client Account will not be netted with the CCP Transactions relating to any of your other clients.</p> <p>However, the collateral of any one of your clients that has opted for a Gross Omnibus Indirect Client Account may be used to cover CCP Transactions of your other clients to the extent it is recorded in the same Gross Omnibus Indirect Client Account.</p> |

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| Can CCP Transactions and related collateral be netted with those relating to clients of our other clients? | No |
|--|----|

The CCP will agree not to net the CCP Transactions relating to your clients that have opted for a Gross Omnibus Indirect Client Account with our House Transactions, your CCP Transactions, the CCP Transactions relating to our other clients or any CCP Transactions relating to your other clients (regardless of whether they are recorded in the same Gross Omnibus Indirect Client Account).

The CCP will also agree not to use the assets relating to the CCP Transactions relating to your clients that have opted for a Gross Omnibus Indirect Client Account with respect to any House Transactions, your CCP Transactions, the CCP Transactions relating to our other clients or any CCP Transactions relating to your other clients provided that they are not recorded in the same Gross Omnibus Indirect Client Account. However, the assets provided in relation to the CCP Transactions relating to one of your clients that have opted for a Gross Omnibus Indirect Client Account may be used by both the CCP and us in relation to any CCP Transaction relating to your other clients that have also opted for a Gross Omnibus Indirect Client Account.

Please see Part Two for an overview of the risks in relation to a Gross Omnibus Indirect Client Account and for details of the different levels of segregation that may be available at different CCPs.

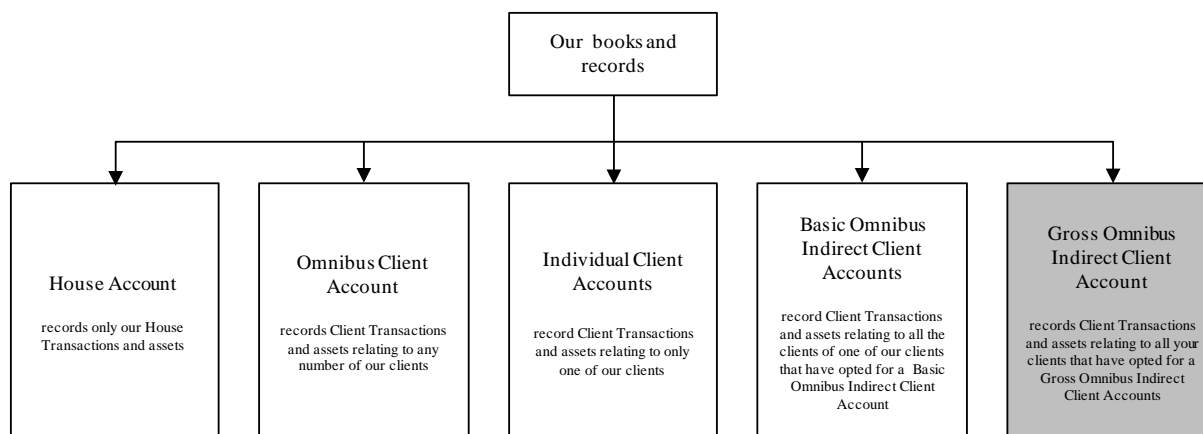
Additionally, at the level of the clearing broker, we then open and maintain accounts corresponding to the Gross Omnibus Indirect Client Accounts at the CCP level. Under this account type, the Client Transactions (including the corresponding assets in our accounts) relating to your clients that have opted for a Gross Omnibus Indirect Client Account are segregated from:

- our House Transactions;
- any Client Transactions (including corresponding assets in our accounts) relating to your own account or that of one of our other clients (regardless of whether you/they have opted for an Individual Client Account or Omnibus Client Account);
- any Client Transactions (including corresponding assets in our accounts) relating to any of your clients or any clients of our other clients that have opted for a Basic Omnibus Indirect Client Account; and
- any Client Transactions (including corresponding assets our accounts) relating to any clients of our other clients that have also opted for a Gross Omnibus Indirect Client Account and which are recorded in a different Gross Omnibus Indirect Client Account.

However, the Client Transactions (including corresponding assets in our accounts) relating to your clients that have opted for a Gross Omnibus Indirect Client Account will be commingled with the Client Transactions (including corresponding assets in our accounts) relating to any of your other clients that have also opted for a Gross Omnibus Indirect Client Account and which are recorded in the same Gross Omnibus Indirect Client Account.

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| Can Client Transactions and related collateral be netted with our House Transactions and assets? | No |
| Can Client Transactions and related assets be netted with those relating to you or our other clients? | No |
| Can Client Transactions and related collateral be netted with those relating to your other clients? | The Client Transactions relating to any one of your clients that has opted for a Gross Omnibus Indirect Client Account will not be netted with the Client Transactions relating to any of your other clients. However, the collateral of any one of your clients that has opted for a Gross Omnibus Indirect Client Account may be used to cover Client Transactions of your other clients to the extent it is recorded in the same Gross Omnibus Indirect Client Account |
| Can Client Transactions and related collateral be netted with those relating to clients of our other clients? | No |

We will not net the Client Transactions relating to your clients that have opted for a Gross Omnibus Indirect Client Account with our House Transactions, your Client Transactions, the Client Transactions relating to our other clients or any Client Transactions relating to your other clients (regardless of whether they are recorded in the same Gross Omnibus Indirect Client Account).

Neither will we use the assets relating to the Client Transactions relating to your clients that have opted for a Gross Omnibus Indirect Client Account with respect to any House Transactions, your Client Transactions, the Client Transactions relating to our other clients or any Client Transactions relating to your other clients provided that they are not recorded in the same Gross Omnibus Indirect Client Account. However, we may use the assets provided in relation to the Client Transactions relating to one of your clients that have opted for a Gross Omnibus Indirect Client Account in relation to any Client Transaction relating to your other clients that have also opted for a Gross Omnibus Indirect Client Account.

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Affiliates

Except for Long Chain Arrangements, we treat our affiliates in the same way as clients when complying with EMIR and the Indirect Clearing RTS. This means that affiliates also have a choice between types of account. An affiliate may be part of the same omnibus account as other clients.

Other factors that may impact on the level of protection you receive in respect of assets that you provide to us as margin for Client Transactions

There are a number of factors that, together, determine the level of protection you will receive in respect of assets that you provide to us as margin for Client Transactions:

- whether you choose an Omnibus Client Account or an Individual Client Account and whether your clients choose a Basic Omnibus Indirect Client Account or a Gross Omnibus Indirect Client Account (as discussed under "*The types of accounts available*" above);
- whether, if you choose an Omnibus Client Account, you would want a gross or net account;
- in each case, whether such assets are transferred by way of title transfer or security interest;
- whether or not cash that you transfer to us is treated as client money in accordance with the Spanish client money rules;
- whether we call any excess margin from you or you pay excess margin to us;
- whether you will get back the same type of asset as you provided as margin; and
- the bankruptcy and other laws that govern us and the CCP.

The rest of Part One B sets out further details for each of these variables and their implications under English Law or Spanish law, as the case may be.

Would you prefer a gross or net Omnibus Client Account?

Prior to the Indirect Clearing RTS coming into force, the CCPs were only required to offer one type of Omnibus Client Account (and one type of Individual Client Account) with regard to direct clearing under EMIR, but some of them have developed a range of accounts within these two types with features that provide different degrees of segregation. These are discussed in more detail in Part Two. There are two main levels of segregation within Omnibus Client Accounts:

- Net is where the margin called by the CCP in respect of the CCP Transactions is called on the basis of the net CCP Transactions recorded in the Omnibus Client Account.
- Gross is where the margin called by the CCP Transactions is called on the basis of the gross CCP Transactions recorded in the Omnibus Client Account.

These two different versions of the Omnibus Client Account are reflected in the two indirect client accounts required under the Indirect Clearing RTS, which envisage one gross omnibus account in the form of the Gross Omnibus Indirect Client Account and one omnibus account that may be net in the form of the Basic Omnibus Indirect Client Account.

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It may be easier to port CCP Transactions and their related assets, both in business as usual and default circumstances, with regard to a gross Omnibus Client Account or Gross Omnibus Indirect Client Account than a net Omnibus Client Account or Basic Omnibus Indirect Client Account. This is because the CCP is more likely to have sufficient assets to facilitate the porting of the CCP Transactions that relate to you or, where applicable, your clients and those that relate to another client or, where applicable, their clients separately if it has called the margin on a gross basis. That said, different CCPs' accounts have been designed in different ways and so you should consider the CCP's information about the specific accounts to understand the exact differences. Please see Part Two for more details on this.

Will you provide cash or non-cash assets as margin for the Client Transactions?

As noted under "*The "principal-to-principal" clearing model*" in Part One A, as a clearing member of the CCP, we are required to transfer assets to the CCP in respect of the CCP Transactions related to your Client Transactions and any Indirect Client Transactions. CCPs only accept certain types of liquid cash and non-cash assets as margin.

As is market practice, we will decide what types of assets to accept from you as margin for your Client Transactions. This will be set out in the client clearing agreement between you and us or as otherwise notified by us to you. What we will accept from you as margin for the Client Transactions will not necessarily be the same type of assets that the CCPs will accept from us for the CCP Transactions, in which case we may provide you with a collateral transformation service, under which we transform the assets you provide to those which we can pass onto the CCP.

Do you provide assets to us on a title transfer or a security interest basis?

As is market practice, we will decide the basis on which we are willing to accept assets from you. This will be set out in the client clearing agreement between us.

Title Transfer

Where the client clearing agreement provides for the transfer of assets by way of title transfer, when you transfer assets (**Transferred Assets**) to us, we become the *full owner* of such assets and you lose all rights in such assets. We will record in our books and records that we have received such Transferred Assets from you with respect to the applicable Client Transaction. We will be obliged to deliver to you equivalent assets to such Transferred Assets (**Equivalent Assets**) in the circumstances set out in the client clearing agreement.

We may either transfer such Transferred Assets on to the CCP with respect to the CCP Transaction related to the Client Transaction or any Indirect Client Transaction, or we may transfer other assets to the CCP with respect to such CCP Transaction.

You bear our credit risk with respect to our obligation to deliver Equivalent Assets to you. This means that if we were to fail, unless we are declared to be in default by the CCP, you will have no right of recourse to the CCP or to any assets that we transfer to the CCP and you will instead have a claim against our estate for a return of the assets along with all our other general creditors. Even if we are declared to be in default by the CCP, the extent of your rights in relation to the CCP, if any, will depend on the particular CCP.

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Security Interest

Where the client clearing agreement provides for the transfer of assets by way of security interest, when you transfer assets to us, you *retain* full beneficial ownership of such assets. Such assets are transferred to us on the basis that the assets still belong to you, but you have granted us a security interest with respect to such assets.

We may enforce that security interest if you default in your obligations to us. Absent the exercise of any right of use by us (see below), only at the point of such enforcement would title in such assets or their liquidation value transfer to us. We will record in our books and records that we have received such assets from you with respect to the applicable Client Transaction.

Prior to any such default, you may also give us a right to use such assets. Until such time as we exercise such right of use, the assets continue to belong to you. Once we exercise the right of use (e.g. by posting the assets to a CCP), the assets will cease to belong to you and in effect become our assets, at which point you will bear our credit risk in a similar way to the title transfer arrangements. The circumstances in which we may exercise such right of use and the purposes for which we may use any assets will be set out in the client clearing agreement between us.

What is the impact if we treat cash you transfer to us as client money in accordance with the Spanish client money rules?

This question is separate to the question of what level of segregation you want and results from the Spanish client money regime rather than EMIR or the Indirect Clearing RTS. However, if we hold your cash as client money, your choice of account type could impact how any cash balance returned to us (or our insolvency practitioner) on our default is treated. Whether or not we will treat cash collateral that we receive from you or on your behalf as client money will be set out in the client clearing agreement related to the applicable Client Transaction. We will generally treat all client money we receive from you as client money unless otherwise stated in the client clearing agreement and in accordance with Spanish client money rules. We will not treat cash as client money where you provide cash to us on a title transfer basis (see under "*Do you provide assets to us on a title transfer or a security interest basis?*" above).

If we do treat cash transferred to us as client money, then we will follow the Spanish client money rules in respect of such cash. In this case, unless we are declared to be in default by a CCP, the Spanish client money rules apply in the same way to cash you provide to us as margin for Client Transactions as they apply to cash we treat as client money in relation to other types of business. However, if we transfer client money held as margin to a CCP, as such cash will cease to be under our control, our fiduciary duties to you will be reduced compared to client money not transferred as margin.

However, if we are declared to be in default by a CCP, and the CCP cannot port or return the balance to you directly and the balance has instead to be returned to us (or our insolvency practitioner) for the account of our clients (see "*What happens if porting is not achieved*" in Part One A above), our internal records would allow us to identify cash belonging to each client. In the event of a shortfall, each client for which we hold client cash will have a pro rata share in the balances obtained proportional to its entitlement alongside other clients for which we hold client money. This will not be the case

- With respect to an Individual Client Account, to the extent that any cash is paid to us by the CCP for your account, it will not form part of the client money pool and will instead be distributed to you.

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- With respect to an Omnibus Client Account, Basic Omnibus Indirect Client Account or Gross Omnibus Indirect Client Account, under some circumstances, including where (a) we do not hold any excess margin (see under "How will any excess margin we call from you be treated?" below) in relation to the relevant account and (b) the CCP can tell us how the money paid to us should be allocated between the clients in the relevant account.

How will any excess margin we call from you be treated?

We are required to treat excess margin in a particular way in relation to an Individual Client Account. Excess margin is any amount of assets we require from you or you provide to us in respect of a Client Transaction that is over and above the amount of assets the CCP requires from us in respect of the related CCP Transaction.

If you choose an Individual Client Account we are required to pass all excess margin on to a CCP. If you provide us with assets which are not related to your individually segregated clearing activities at a particular CCP and such assets are not dedicated to cover your current positions with that CCP, then we do not need to post such assets on to that CCP. Also, if the excess margin you provide to us is not in the form of assets which are eligible to be posted to the CCP (in accordance with the CCP's rules), unless we agree otherwise, we have no obligation to transform such assets into assets that would be eligible to be posted to the CCP.

In relation to an Omnibus Client Account, a Basic Omnibus Indirect Client or a Gross Omnibus Indirect Client Account, we are not required to pass any excess margin on to the CCP. Depending on the terms on which we hold excess margin, you may take credit risk on us in respect of it.

Will you get back the same type of asset as you originally provided to us as margin for a Client Transaction?

In a business as usual situation, whether we will deliver the same type of asset to you that you originally provided to us will be governed by the client clearing agreement between us.

In the event of our default, if you are due a payment, you may not receive back the same type of asset that you originally provided to us. This is because the CCP is likely to have wide discretion to liquidate and value assets and make payments in various forms, and also because the CCP may not know what form of asset you originally provided to us as margin for the Client Transaction and as a result of any asset transformation services we may provide. This risk is present regardless of what type of client account you select.

Please see Part One C for a consideration of the main insolvency considerations.

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Part One C: What are the main insolvency considerations?

General insolvency risks

If we enter into insolvency proceedings, you may not receive all of your assets back or retain the benefit of your positions and there are likely to be time delays and costs (e.g. funding costs and legal fees) connected with recovering those assets. These risks arise in relation to Individual Client Accounts, Omnibus Client Accounts, Basic Omnibus Indirect Client Accounts and Gross Omnibus Indirect Client Accounts because:

- except for CCP-specific porting solutions described earlier and the comments below under "*Margin rights*", you will not have any rights directly against the CCP; and you will only have contractual claims against us (i.e. rather than being able to recover particular assets as owner);
- our insolvency proceeding is most likely to result in the appointment of a receiver by the insolvency judge which will supervise or replace our management during the course of the insolvency process, although it is possible for us to enter into liquidation and other proceedings. Once the insolvency proceeding is opened, subject to certain exceptions, your actions against us will be solved by the insolvency judge (which can be a time consuming process with an uncertain outcome); and

any stage of a cleared transaction (e.g. Indirect Client Transactions, Client Transactions, CCP Transactions and porting) executed during the two years prior to the declaration of insolvency may be challenged by our insolvency receiver if it is deemed prejudicial for the insolvency estate. If successful, the court has broad powers to unwind or vary all of those stages. However, should the transactions fall within the scope of Royal Decree-law 5/2005⁸ these could only be challenged if the insolvency receiver proves that it was carried out fraudulently.

Please also note that:

- insolvency law may override the terms of contractual agreements, so you should consider the legal framework as well as the terms of disclosures and legal agreements; and
- a large part of your protection comes from CCP arrangements and the legal regimes surrounding them. Therefore, you should understand these in order to evaluate the level of protection that you have on our default. It is important that you review the relevant disclosures by the CCP in this respect.

Insolvency of CCPs and others

Except as set out in this section "*Insolvency of CCPs and others*", this disclosure deals only with our insolvency. You may also not receive all of your assets back or retain the benefit of your positions if other parties in the clearing structure default – e.g. the CCP itself, a custodian or a settlement agent.

In relation to CCP insolvency, broadly speaking our (and therefore your) rights will depend on the law of the country in which the CCP is incorporated (i.e. not necessarily English law) and the specific protections that the CCP has put in place. You should review the relevant CCP disclosures carefully in this respect and take legal advice to fully understand the risks in this scenario.

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In addition, please note the following:

- we expect that an insolvency official will be appointed to manage the CCP. Our rights against the CCP will depend on the relevant insolvency law and/or that official;
- it will be difficult or impossible to port CCP Transactions and related margin, so it would be reasonable to expect that they will be terminated at CCP level. The steps, timing, level of control and risks relating to that process will depend on the CCP, its rules and the relevant insolvency law. However, it is likely that there will be material delay and uncertainty around when and how much assets or cash we will receive back from the CCP. Subject to the bullet points below, it is likely that we will receive back only a percentage of assets available depending on the overall assets and liabilities of the CCP;
- it is unlikely that you will have a direct claim against the CCP because of the principal-to-principal model described in Part One A;
- under the client clearing agreement, Client Transactions will terminate at the same time as the matching CCP Transactions unless the relevant CCP rules provide otherwise. This will result in a net sum owing between you and us. However, your claims against us are limited recourse so that you will only receive amounts from us in relation to Client Transactions if we receive equivalent amounts from the CCP in relation to relevant CCP Transactions;
- if recovery of margin in this scenario is important, then you should explore "bankruptcy remote" or "physical segregation" structures offered by some CCPs. These tend to be offered only in relation to Individual Client Accounts and generally involve either:
 - you or us retaining assets in your/our name and only giving a security interest over that margin to the CCP (i.e. it allows the CCP to apply margin if we default but should keep the assets out of the CCP's insolvency if it defaults); or
 - the CCP holding the assets in a blocked or controlled margin account and giving a security interest (or similar legal right) over the margin back to us, to you and/or to a trustee on our behalf.

It is beyond the scope of this disclosure to analyse such options but your due diligence on them should include analysis of matters such as whether other creditors of the type described in "*Porting – preferential creditors*" below will have priority claims to margin; whether margin or positions on one account could be applied against margin or positions on another account (notwithstanding the contractual agreement in the CCP's rules); the likely time needed to recover margin; whether the margin will be recovered as assets or cash equivalent; and any likely challenges to the legal effectiveness of the structure (especially as a result of the CCP's insolvency).

Margin rights

If you provide assets to us by way of security interest and we have not exercised a right of use over those assets, then you should have a legal right to recover the balance of those assets (after settling your obligations to us) ahead of other creditors. This may also apply in the event that we are declared insolvent where you have provided assets to us as margin by way of title transfer and we have not disposed of them. In this case, you should have a legal right to recover the balance of those assets (after settling your obligations to us) ahead of other creditors. This is due to the fact that a Spanish

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court dealing with our insolvency will have regard to the guaranteeing purpose of the title transfer arrangement. However, please note that, depending on the exact set up of our security arrangements, it may be that some preferential creditors will still have a prior claim to your assets (please see "*Porting – preferential creditors*" below which deals with a similar point).

If you have retained the assets (e.g. in a custody account over which you have given us a security interest) then you will have the best chance of recovering them. Generally speaking, your risk of loss will be highest in relation to non-client money cash margin; lower in relation to securities held by us in an omnibus account; and lower still if securities are segregated in our books and records and at custody level identifying you as the client.

The actual result will be highly fact specific and will depend on, amongst other things, the exact terms of our legal arrangements; how we have operated accounts; and claims that other intermediaries (e.g. custodians and settlement systems) have to those assets.

As an exception to this general position, we would also expect client money protection (please see Part One B) to be effective in our insolvency.

If you provide assets to us by way of Title Transfer, you bear our credit risk with respect to our obligation to deliver Equivalent Assets to you and if we were to fail, unless we are declared to be in default by the CCP, you will have no right of recourse to the CCP or to any assets that we transfer to the CCP and you will instead have a claim against our estate for a return of the assets along with all our other general creditors. Even if we are declared to be in default by the CCP, the extent of your rights in relation to the CCP, if any, will depend on the particular CCP.

We do not expect the above position to change materially if you have an Individual Client Account, Omnibus Client Account, Basic Omnibus Indirect Client Account or Gross Omnibus Indirect Client Account.

Close-out netting

If we default and the CCP cannot port the CCP Transactions and collateral (e.g. because a back-up clearing broker cannot be found or, ordinarily, because the relevant positions are in a Basic Omnibus Indirect Client Account) then we would expect it to terminate and net our CCP Transactions and apply related assets.

Your freedom to close out Client Transactions is more limited under the client clearing agreement than in other arrangements that you may be used to. In particular, the main termination event under our client clearing agreement is that the relevant CCP has declared us to be in default under the CCP's rules. The intention is to match the treatment of CCP Transactions and Client Transactions as much as possible. However, this may mean that – unless the CCP declares a default under its rules – you cannot terminate Client Transactions for common reasons such as a payment or insolvency default on our part.

Porting - prohibition

As mentioned above, except in specific (e.g. physically segregated) structures, a CCP only owes us (not you) obligations in relation to CCP Transactions and related assets.

As a result, when these contracts and assets are transferred to a back-up clearing broker, there is a risk of insolvency challenge because our rights have effectively been taken from us on or around the time of our insolvency. Applicable laws may not permit this and there is a risk that the courts may

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therefore not permit, or may unwind, any porting and related Client Transactions with your back-up clearing broker.

Porting - preferential creditors

As mentioned under "*What happens if we are declared to be in default by a CCP?*" in Part One A, a CCP's porting structure may be based on or supported by a security interest. This can take different forms but generally involves us creating security over our rights against the CCP in relation to an Individual Client Account, Omnibus Client account or Gross Omnibus Indirect Client Account in your favour or in favour of another person (e.g. an independent trustee) to hold the security on your behalf. Broadly speaking, the security interest should support the argument that these assets are not part of our insolvency estate (i.e. are not to be shared with our other creditors).

However, depending on the exact structure, insolvency law gives certain statutory creditors priority over secured creditors. This means that some creditors may have a claim on client account assets ahead of you. Statutory creditors are likely to include, amongst others, our insolvency official (e.g. in respect of its costs and expenses), a relatively small amount of unsecured creditors, some employee salaries and pension contributions.

Mismatch of CCP/Client Transactions and assets

It could be that our net assets in relation to CCP Transactions do not match our net obligations to each other in relation to the matching Client Transactions. This can slow down or make porting impossible either operationally or legally.

For example, it may occur at CCP level as a result of Fellow Client Risk (see the explanation of this term in Part Two of this document) in an Omnibus Client Account or a Gross Omnibus Indirect Client Account, with the result that there are insufficient assets available for porting to satisfy our obligations to you in relation to the Client Transactions.

Spanish legislation on resolution and recovery of credit institutions

As a Spanish credit institution (*entidad de crédito*), we are subject to Spanish Law 11/2015⁹. As a result, we may be subject to resolution if we are declared failing or likely to fail by the relevant resolution authorities and certain other circumstances are met and, as a result of the application of resolution tools, we (or all or any of our assets and liabilities) may be transferred to a third party. In that case, your counterparty and/or your counterparty risk may change. It is unlikely that you will be able to stop such transfer or to enforce any early termination rights against us as a result of such transfer.

Part One D: The terms and conditions on which we may offer indirect clearing services to you

In accordance with the provisions of the Regulatory Technical Standards on Indirect Clearing Arrangements under MiFIR¹⁰ and EMIR¹¹ (the "**Indirect Clearing RTS**"), we are required to disclose

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the general terms and conditions pursuant to which we provide our clients indirect clearing services with respect to derivatives contracts that are cleared by us through a clearing broker on a CCP. Such terms and conditions are set out in detail in the indirect client clearing agreement, including all schedules and appendices thereto, that we enter into with you (the “**Agreement**”).

The term “**indirect clearing services**” refers to the circumstances where we access a CCP through a clearing member of that CCP as set out above in Part One A: A brief background to indirect clearing. A general description of the principal terms and conditions governing our relationship with our clients is set out below. The actual provisions of the Agreement are more detailed. Moreover, please note that the specific terms and conditions of the Agreement that we enter into with any client may differ depending on our analysis of the risks that such client’s trading activities may present.

Terms between Credit Suisse and our Client (you)

Before providing indirect client services to you, we will generally require, subject to the terms and conditions contained in the Agreement, that you:

- provide us with such information that we may request in order to verify your identity as required by law or as we may otherwise require for account opening purposes.
- confirm to our satisfaction that you meet our minimum financial and operational requirements appropriate for your business, experience and the nature of the trading in which you intend to engage; you must agree to provide us with such financial information, including a current financial statement, as we may request from time to time and to notify us promptly of any material change in your financial condition.
- confirm to our satisfaction that you have full power and authority to enter into the Agreement and to enter into the transactions contemplated thereby for your account or on your behalf.
- confirm to our satisfaction that you have obtained all registrations or licenses, if any, that you may require to conduct business and that you remain in good standing with all relevant regulatory and self-regulatory authorities.
- acknowledge that you have read and understood all disclosure statements with respect to your trading activities that we have provided you, including the appropriate disclosure statement on indirect clearing.
- acknowledge that all derivatives transactions effected for your account or on your behalf are subject to “**Applicable Regulations**” (as defined in the Agreement), including exchange and clearing organisation rules that require your consent to be subject to the jurisdiction of the markets on which you trade, and that you will conduct all activities subject to the Agreement in accordance with such Applicable Regulations.
- agree that we may, in our sole discretion, limit the size of your positions, refuse to accept any order or transaction, or require you to transfer your account to another firm.
- agree to meet all margin calls with respect to derivatives contracts that we clear for your account or on your behalf in such form and amounts and within such time as we may determine, consistent with Applicable Regulations.

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- provide margin to us under the Agreement on either a Title Transfer basis and/or to grant us a first fixed security interest in margin held under the Agreement.
- acknowledge that, upon an event of default, as that term is defined in the Agreement, we will have certain rights as set out in the Agreement, including the right, in addition to any remedy otherwise available in law or equity, to liquidate any or all derivatives contracts held in your name or on your behalf by any lawful means and to apply any margin to meet any amounts you owe us.
- acknowledge that we will not be liable to you for any losses that may be incurred and, further, that in no event will we be liable for any consequential, indirect or special damages.
- agree that the Agreement will be interpreted in accordance with the laws of England and Wales and submit to the exclusive jurisdiction of the courts of England and Wales.

Terms between our Client (you) and the Indirect Client (your client)

- Under the Indirect Clearing RTS we are required to agree the general terms and conditions that you have in place with the Indirect Client governing the provision of services to that Client. As such, you will need to demonstrate you have sufficient arrangements in place that will give effect to the Indirect Clearing RTS.

Due Diligence criteria

- We will conduct enhanced due diligence under the requirements of MiFIR to assess the suitability of any prospective client that may choose to offer indirect clearing services, taking into account the nature, scale and complexity of the prospective client's business. We will assess the client against certain criteria which will include, but not be limited to:
 - (a) credit strength, including any guarantees given;
 - (b) internal risk control systems;
 - (c) intended trading strategy;
 - (d) payment systems and arrangements that enable you to ensure a timely transfer of assets or cash as margin, as required by us in relation to the clearing services we provide;
 - (e) systems settings and access to information that helps you to respect any maximum trading limit agreed with us;
 - (f) any collateral provided to us by you;
 - (g) operational resources, including technological interfaces and connectivity;
 - (h) any involvement of you in a breach of the rules ensuring the integrity of the financial markets, including involvement in market abuse, financial crime or money laundering activities; and

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- (i) any other criteria that we may determine in our sole discretion from time to time.

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Part Two: CCP client account structures¹²

As noted in Part One B, each CCP may offer at least one Omnibus Client Account and/or at least one Individual Client Account by changing some of the features. This Part Two contains an overview of the main levels of segregation within each account type of which we are aware that the CCPs offer with respect to direct clearing, and indirect clearing, together with an overview of the main protections afforded by and the main legal implications of each.

The descriptions given in this Part Two are very high level and consider the typical features of these client account types and the minimum requirements for indirect client account types under the Indirect Clearing RTS, and the respective levels of segregation. However, the particular characteristics of the accounts will affect the exact levels of protection they offer and the legal implications so you must review the information provided by the CCPs to fully understand the risks of the specific account we maintain in relation to you at each CCP.

Each CCP is required to publish information about the client account structures it offers under EMIR and we have provided a link to the relevant part of the website of each CCP we use¹³. You may also need to seek professional advice to understand the differences in detail. However, we hope that the questions raised and factors described in both parts of this document will help you to know which questions to ask and to understand the impact of the answers you receive.

The descriptions of the client accounts have been prepared on the basis of publicly available disclosure documents made available by a selection of CCPs. We are not responsible for, and do not accept any liability whatsoever, for any content or omissions or inaccuracies contained in the information produced by any CCP. The descriptions of the indirect client accounts have been prepared on the basis of the minimum requirements in the Indirect Clearing RTS.

The Annex seeks to compare the main account types and levels of segregation against the following risks:

| Risks used to compare each account type and level of segregation | Explanation of risk |
|---|---|
| Transit Risk | Whether you are exposed to us at any point in the process of providing or receiving margin in respect of Client Transactions. |
| Fellow Client Risk | Whether assets provided to the CCP in respect of CCP Transactions related to you/ your clients could be used to cover losses in CCP Transactions relating to another client/ clients of another client. |
| Liquidation Risk | Whether, if the CCP Transactions and assets relating to them were to be ported, there is a risk that any non-cash assets would be liquidated into cash. If this were to happen, the value given to such assets by the CCP may differ from what you perceive to be the full value of the assets. |

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| Risks used to compare each account type and level of segregation | Explanation of risk |
|--|---|
| Haircut Risk | Whether the value of the assets that relate to CCP Transactions might be reduced or not increase by as much as you expect because the CCP applied a haircut that did not properly reflect the value of the asset. |
| Valuation Mutualisation Risk | Whether the value of the assets that relate to CCP Transactions could be reduced or not increase by as much as you expect because the assets posted in relation to other clients' CCP Transactions have decreased in value. |
| CCP Insolvency Risk | Whether you are exposed to the insolvency or other failure of the CCP. |

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Typical account characteristics at the CCP level

| | Net Omnibus Client Account | Basic Omnibus Indirect Client Account | Gross Omnibus Client Account | Gross Omnibus Indirect Client Account | Individual Client Account |
|---|--|---|--|---|---|
| Who will the CCP Transactions recorded in the account relate to? | Net Omnibus Client Accounts record both assets and CCP Transactions that relate to you and the assets and CCP Transactions that relate to one or more of our other clients. | Basic Omnibus Indirect Client Accounts record both assets and CCP Transactions that relate to your clients that have opted for a Basic Omnibus Indirect Client Account and the assets and CCP Transactions that relate to the clients of our other clients that have opted for Basic Omnibus Indirect Client Account. | Gross Omnibus Client Accounts record assets and CCP Transactions that relate to you and the assets and CCP Transactions that relate to one or more of our other clients. | Gross Omnibus Indirect Client Accounts record assets and CCP Transactions that relate to your clients that have opted for a Gross Omnibus Indirect Client Account. | Only assets and CCP Transactions that relate to you should be recorded in an Individual Client Account. |
| Which losses can assets recorded in the account be used for? | Assets that are provided to the CCP as margin for a CCP Transaction recorded in a net Omnibus Client Account may be used to cover any losses in that account, whether such losses relate to the CCP Transactions relating to | Assets that are provided to the CCP as margin for a CCP Transaction recorded in a Basic Omnibus Indirect Client Account may be used to cover any losses in that account, whether such losses relate to the CCP Transactions relating to | Assets that are provided to the CCP as margin for the CCP Transactions recorded in a gross Omnibus Client Account may be used to cover any losses in that account, whether such losses relate to the CCP | Assets that are provided to the CCP as margin for the CCP Transactions recorded in a Gross Omnibus Indirect Client Account may be used to cover any losses of any of your clients in that | Assets that are provided to the CCP as margin for CCP Transactions recorded in an Individual Client Account may only be used to cover losses in that account. |

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| | Net Omnibus Client Account | Basic Omnibus Indirect Client Account | Gross Omnibus Client Account | Gross Omnibus Indirect Client Account | Individual Client Account |
|--|---|--|--|---|---|
| | you or CCP Transactions relating to another client. | your clients or CCP Transactions relating to clients of our other clients. | Transactions relating to you or CCP Transactions relating to another client. | account. | |
| Will the CCP know which CCP Transactions and types of assets relate to you/ your clients? | The CCP may not know which CCP Transactions and assets recorded in a net Omnibus Client Account relate to you. | The CCP may not know which CCP Transactions and assets recorded in a Basic Omnibus Indirect Client Account relate to your individual clients. | The CCP may not know which CCP Transactions and assets recorded in a gross Omnibus Client Account relate to you. | The CCP will know which CCP Transactions relate to your clients, but may not know which types of assets relate to your clients. | Yes |
| Will the CCP record the assets provided by value only or will it identify the type of asset provided? | The CCP may identify in its records the type of asset provided as margin for the net Omnibus Client Account but will not be able to identify which type of assets relate to any client's CCP Transactions within that net Omnibus Client Account. | The CCP may identify in its records the type of asset provided as margin for the Basic Omnibus Indirect Client Account but will not be able to identify which type of assets relate to any indirect client's CCP Transactions within that Basic Omnibus Indirect Client Account. | The CCP may identify in its records the type of asset provided as margin for the gross Omnibus Client Account but is unlikely to be able to identify anything other than the value of the assets provided in respect of any client's CCP Transactions within that gross Omnibus Client | The CCP may identify in its records the type of asset provided as margin for the Gross Omnibus Indirect Client Account but is unlikely to be able to identify anything other than the value of assets provided in respect of any of your client's CCP Transactions within that Gross Omnibus Indirect | The CCP should identify in its records the type of asset provided as margin for an Individual Client Account. |

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| | Net Omnibus Client Account | Basic Omnibus Indirect Client Account | Gross Omnibus Client Account | Gross Omnibus Indirect Client Account | Individual Client Account |
|---|---|--|--|---|---|
| | | | Account. | Client Account. | |
| Will the CCP Transactions recorded in the account be netted? | It is likely that the CCP Transactions recorded in the account will be netted. This means that CCP Transactions that relate to you may be netted with CCP Transactions that relate to our other clients whose CCP Transactions are recorded in the same net Omnibus Client Account. | It is likely that the CCP Transactions recorded in the account will be netted. This means that CCP Transactions that relate to your clients may be netted with CCP Transactions that relate to clients of our other clients whose CCP Transactions are recorded in the same Basic Omnibus Indirect Client Account. | CCP Transactions relating you in the account will be netted with other CCP Transactions relating to you. However CCP Transactions relating to you should not be netted with CCP Transactions relating to any of our other clients recorded in the same Gross Omnibus Client Account. | CCP Transactions relating to any one of your clients in the account will be netted with other CCP Transactions relating to that same client. However, CCP Transactions relating to that client should not be netted with CCP Transactions relating to any of your other clients recorded in the same Gross Omnibus Indirect Client Account. | CCP Transactions are likely to be netted, but should not be netted against the CCP Transactions relating to any of our other clients. |
| Will the margin be calculated on a gross or net basis? | The margin will be calculated on a net basis. | The margin will be calculated on a net basis. | The margin will be calculated on a gross basis. | The margin will be calculated on a gross basis. | The margin requirement for an Individual Client Account will typically be calculated on a net basis. |
| Will you have to enter into any | You may have to enter into legal | You may have to enter into legal | You may have to enter into legal | You may have to enter into legal | You may have to enter into legal |

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| | Net Omnibus Client Account | Basic Omnibus Indirect Client Account | Gross Omnibus Client Account | Gross Omnibus Indirect Client Account | Individual Client Account |
|---|--|--|---|--|--|
| documentation or operational arrangements directly with the CCP? | documentation to which the CCP is party. It is unlikely that you will have to set up any operational arrangements with the CCP directly. | documentation to which the CCP is party. It is unlikely that you will have to set up any operational arrangements with the CCP directly. | documentation to which the CCP is a party. It is possible but unlikely that you will have to set up operational arrangements with the CCP directly. | documentation to which the CCP is party. It is possible but unlikely that you will have to set up some operational arrangements with the CCP directly. | documentation to which the CCP is a party. It is also possible that you will have to set up some operational arrangements with the CCP directly. |

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| | Net Omnibus Client Account | Basic Omnibus Indirect Client Account | Gross Omnibus Client Account | Gross Omnibus Indirect Client Account | Individual Client Account |
|--|--|---------------------------------------|--|--|--|
| Transit Risk | Yes | Yes | Yes | Yes | Yes |
| Fellow Client Risk | Yes | Yes | Yes | Yes | No |
| Liquidation Risk | Yes (unless the CCP is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first). | Yes | Yes (unless the CCP is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first). | Yes (unless the CCP is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first). | Yes (unless the CCP is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first). |
| Haircut Risk | Yes | Yes | Yes | Yes | Yes |
| Valuation Mutualisation Risk | Yes | Yes | Yes | Yes | No |
| CCP Insolvency Risk | Yes | Yes | Yes | Yes | Yes |
| How likely it is that porting will be achieved if we default? | There is a significant risk that porting will not be achieved in respect of positions and assets recorded in a net Omnibus Client | Unlikely | There is a significant risk that porting will not be achieved in respect of positions and assets recorded in a gross Omnibus Client | If you have satisfied all of the CCP's and back-up clearing member's conditions, porting is more readily facilitated in the event of our | If you have satisfied all of the CCP's and back-up clearing member's conditions, porting is more readily facilitated in the event of our |

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| | Net Omnibus Client Account | Basic Omnibus Indirect Client Account | Gross Omnibus Client Account | Gross Omnibus Indirect Client Account | Individual Client Account |
|--|----------------------------|---------------------------------------|------------------------------|---------------------------------------|---------------------------|
| | Account. | | Account. | default. | default. |

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Additional features that may be available for Individual Client Accounts

Some CCPs may offer additional Individual Client Accounts with special features that have been designed to mitigate certain of the risks identified under "Typical account structures" above. Below is a high level overview of some of the common additional features. The extent to which any risks are mitigated by these additional features, if at all, will depend on the structures used by an individual CCP. Again, therefore, you must review the information provided by the CCPs in order to evaluate the actual risks to you and you may need some professional advice. It is likely that these additional features will only be available to certain types of clients that meet each CCP's requirements. These additional features are not required by EMIR. Accordingly, not all CCPs will offer them nor are we obliged to facilitate access to them.

| Additional feature | High level overview of the additional feature | Which risks might this feature mitigate? |
|---------------------------------------|---|--|
| <p>Extended porting period</p> | <p>In the event of our default, this feature has been designed to allow more time for porting to be achieved.</p> <p>For a set period of time (decided by the CCP) following our default, the CCP Transactions and assets that relate to you will continue to be held in an account which the CCP will identify as directly relating to you. If you find a back-up clearing broker, these CCP Transactions and assets will then be transferred to one of their client accounts. If you do not find a back-up clearing broker, they will be terminated and the close-out value returned to you.</p> <p>Where the CCP treats the Client as an interim Clearing Member, it is possible that the CCP may expect you to contribute to the default fund and may require additional margin, including variation margin, to be provided in respect of the CCP Transactions transferred to you.</p> <p>It is possible that you may have to set up such accounts as the CCP requires and have the ability to make payments directly to the CCP. The CCP may also have an additional list of requirements that you will have to satisfy to be able to use the extended porting</p> | <p>This may make porting more likely to be achieved.</p> |

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| Additional feature | High level overview of the additional feature | Which risks might this feature mitigate? |
|---|--|---|
| | period. | |
| Separate custody account (in the name of the CCP) for the assets that have been provided as margin for positions relating to you | <p>The assets relating to your positions are held in a separate account (in the CCP's name) at the CCP's custodian from any other assets held for the CCP.</p> <p>It is likely that you will have to enter into additional legal documentation with us and the CCP.</p> | This may make porting more likely to be achieved. |
| Ability for you to keep assets required as margin for positions relating to you in a custody account in your name. | <p>It is likely that you will have to enter into additional legal documentation and security arrangements with us and the CCP, and any custodian or settlement bank used under this structure.</p> <p>This additional feature may be restricted to certain types of non-cash assets.</p> <p>The custodian may be specified by or require the approval of the CCP.</p> <p>There will be additional operational requirements that you will need to meet in order to use this type of additional feature.</p> | <p>Transit Risk</p> <p>CCP Insolvency Risk</p> <p>This may make porting more likely to be achieved.</p> |
| Ability for you to post margin directly to the CCP. | <p>You may be able to post margin directly to the CCP rather than you posting it to us, and us in turn posting it on to the CCP.</p> <p>This form of account may require you to have an account with particular custodians and settlement banks. The custodians and settlement banks are likely to be specified by the CCP.</p> <p>You will have to enter into additional legal documentation with us and the CCP.</p> <p>There will be additional operational requirements which you will need to meet in order to use this type of additional feature.</p> | Transit Risk |

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CLEARING MEMBER DISCLOSURE DOCUMENT: BME SUPPLEMENT¹⁴

Introduction¹⁵

References to the "Disclosure Document" are to our main Disclosure Document above. References to this "Disclosure Supplement" are to this BME Supplement.

What is the purpose of this document?

As described in the Disclosure Document, EMIR¹⁶ requires that, where we are providing services to you that involve us clearing derivatives through an EU central counterparty (**CCP**), we must provide certain information to you about the choice of accounts, the levels of protection and the implications of different levels of segregation.

This Disclosure Supplement is intended to supplement the information set out in the Disclosure Document in circumstances where we provide clearing services to you through the BME Financial Assets Contract Group or the BME Power Derivatives Contract Group (each, to the extent applicable between us, a **BME Clearing Service**) at BME Clearing S.A., Sociedad Unipersonal (**BME**) and you intend to select an Individual Client Account for such service. In such circumstances, the contents of the Disclosure Document will apply subject to, and as supplemented and amended by, this Disclosure Supplement and you must review the information provided in this Disclosure Supplement, and the relevant disclosures published by BME, together and in conjunction with the Disclosure Document prior to confirming to us that you would like us to provide such service to you.

Important¹⁷

Whilst this Disclosure Supplement will be helpful to you when making the above decision, this Disclosure Supplement does not constitute legal or any other form of advice and must not be relied on as such. This Disclosure Supplement when read in conjunction with the Disclosure Document provides a high level analysis of several complex and/or new areas of law, whose effect will vary depending on the specific facts of any particular case, some of which have not been tested in the courts. It does not provide all the information you may need to make your decision on which account type or level of segregation is suitable for you. Further, the information in this Disclosure Supplement is based on our understanding of the Individual Client Account offered by BME in relation to each BME Clearing Service based on BME's rules and other disclosures made by BME (see, for example, the BME disclosure document at the link at the end of this Disclosure Supplement). We would point out that it is sometimes difficult to reconcile this understanding with the provisions of the rule book for the Individual Client Account at each BME Clearing Service. It is your responsibility to review and conduct your own due diligence on the relevant rules, legal documentation and any other information provided to you on each of our client account offerings and those of BME. You may wish to appoint your own professional advisors to assist you with this.

We shall not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise for any losses or damages that may be suffered as a result of using this document. Such losses or damages include (a) any loss of profit or revenue, damage to reputation or loss of any contract or other business opportunity or goodwill and (b) any indirect loss or consequential loss. No responsibility or liability is accepted for any differences of interpretation of legislative provisions and related guidance on which it is based. This paragraph does not extend to an exclusion of liability for, or remedy in respect of, fraudulent misrepresentation.

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Please note that this disclosure has been prepared on the basis of English law save as otherwise stated. However, issues under other laws may be relevant to your due diligence. For example, the law governing the BME rules or related agreements; the law governing our insolvency; the law of the jurisdiction of incorporation of BME; and the law of the location of any assets.

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Part One: Application of the Disclosure Document to each BME Clearing Service

The “Agency” Clearing Model

In the context of clearing through a BME Clearing Service using an Individual Client Account, the first three paragraphs of the section of Part One A of the Disclosure Document entitled “*The principal-to-principal clearing model*” will not apply and the following will apply instead.

As described in the first paragraph of Part One A of the Disclosure Document, most of the CCPs we use adopt the “principal-to-principal” model; however, when an Individual Client Account is used with a BME Clearing Service, BME’s rules provide that an “agency” model applies. This means that, when clearing a transaction for you through each BME Clearing Service, we will only enter into a single transaction, acting as agent for and on behalf of you as principal, with BME (the **Client Transaction**). There will be no back-to-back transaction (i.e. a CCP Transaction as described in the Disclosure Document) as there is where the “principal-to-principal” clearing model applies.

Consequently, each Client Transaction under a BME Clearing Service where an Individual Client Account is used will be a transaction directly between you and BME, albeit with us acting as your agent. Therefore, although we, as your agent, will make payments and deliveries to BME, and accept payments and deliveries from BME, on your behalf, you will be the principal to the trade with BME and will retain primary liability and responsibility for such Client Transactions. However, we are also liable with you for any such Client Transaction on your default, but also on our default, if, following any termination of the Client Transactions, the net amount is owed to BME. In both of these circumstances, BME is entitled to seek recourse against us meaning that we would seek recourse for any such amount from you.

Once a Client Transaction of the type described above has been submitted to and accepted by BME, such Client Transaction will be considered to be “cleared”.

The terms of each such Client Transaction will be governed by BME’s rules and a client clearing agreement between you and us.¹⁸

Margin

Although we will be acting as your agent in respect of the Client Transactions described above, the discussion in the fourth and fifth paragraphs of the section of Part One A of the Disclosure Document entitled “*The “principal-to-principal” clearing model*”, in respect of how margin will be called from you and transferred to the CCP and the associated transit risk and the discussion from and including the section of Part One B of the Disclosure Document entitled “*Will you provide cash or non-cash assets as margin for the Client Transactions?*” to the end of Part One B, will continue to apply except we will be asking you to deliver us margin to transfer to BME on your behalf and we will receive margin from BME on your behalf in respect of the relevant Client Transactions.

Porting

The discussion in the Disclosure Document in relation to the transfer of Client Transactions on a business as usual basis and following our default will continue to apply although, as the Individual Client Account follows the agency model, this will be dependent on any back-up clearing broker agreeing to take the Client Transaction on the same basis.

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CCP Transactions

As described above, when clearing a transaction for you through a BME Clearing Service using an Individual Client Account, there is just one transaction, the Client Transaction. There is no back-to-back arrangement and consequently there is no CCP Transaction. Therefore, when reviewing the Disclosure Document in the context of this service, you should read each reference to a “CCP Transaction”, a “CCP Transaction relating to a Client Transaction” or a “CCP Transaction and a matching Client Transaction” (or any equivalent language) as a reference to a “Client Transaction”.

Omnibus Client Accounts

As this Disclosure Supplement relates specifically to us providing clearing services to you through a BME Clearing Service where you have selected to use an Individual Client Account, the provisions of the Disclosure Document that relate to Omnibus Client Accounts will not be applicable in the context of this service.

Insolvency Risks – Our Insolvency

The section of Part One C of the Disclosure Document entitled “*General insolvency risks*” will, in general, continue to apply in the context of clearing through a BME Clearing Service using an Individual Client Account, subject to the following:

- as discussed above, the “agency” clearing model applies here which result in a principal-to-principal relationship between you and BME and therefore, notwithstanding the first bullet point of that section, you may have applicable direct rights and contractual claims against BME and BME may have direct rights and contractual claims against you (although we understand that BME would not, or is unlikely to, seek recourse against you); and
- it should also be noted that the insolvency judge may decide to terminate our appointment by you as your agent in respect of the relevant Client Transactions in the interest of the insolvency proceeding.

Insolvency Risks – BME Insolvency

The section of Part One C of the Disclosure Document entitled “*Insolvency of CCPs and others*” will, in general, continue to apply in the context of clearing through a BME Clearing Service using an Individual Client Account, subject to the following:

- as noted in the second paragraph of that section, in relation to BME insolvency, broadly speaking your rights will depend on the law of the country in which BME is incorporated (i.e. Spanish law and not necessarily English law) and the specific protections that BME has put in place. You should therefore review the relevant BME disclosures carefully in this respect and take legal advice to fully understand the risks in this scenario;
- that section should be read in the light that there is no back-to-back CCP Transaction in respect of any Client Transaction;
- as the “agency” clearing model means that there is no principal-to-principal relationship between us and BME, the rights and obligations described in that section will generally apply as between you and BME, not between us and BME (other than in the context of us acting as your agent); and

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- for the reasons discussed above, notwithstanding the third bullet point of that section, you may have applicable direct rights and contractual claims against BME.

Margin rights

In the context of clearing through a BME Clearing Service using an Individual Client Account, the section of Part One C of the Disclosure Document entitled “*Margin Rights*” will apply in respect of assets provided by you to us and to assets provided by us, on your behalf, to BME.

Close-out netting

In the context of clearing through a BME Clearing Service using an Individual Client Account, the section of Part One C of the Disclosure Document entitled “*Close-out netting*” will generally apply. However, as discussed above, the “agency” clearing model applies here which results in a principal-to-principal relationship between you and BME. Therefore, the netting of Client Transactions takes place pursuant to the BME rules. There is no netting of transactions between you and us as there are no back-to-back transactions to be netted. The section entitled “close-out netting” should be construed accordingly.

Porting – prohibition and preferential creditors

In the context of clearing through a BME Clearing Service using an Individual Client Account, the section of Part One C of the Disclosure Document entitled “*Porting – prohibition*” and “*Porting – preferential creditors*” will not be relevant.

Mismatch of CCP/Client Transaction and Assets

In the context of clearing through a BME Clearing Service using an Individual Client Account, the section of Part One C of the Disclosure Document entitled “*Mismatch of CCP/Client Transaction and Assets*” will not be relevant.

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Part Two: CCP client account structures – BME Individual Client Account

The column below is inserted into the table entitled “*Typical client account characteristics at the CCP level*” in Part Two of the Disclosure Document (provided that each reference to “CCP Transactions” in the first column of the table shall be deemed to be a reference to “Client Transactions” in the context of this new column) in order to provide an overview of the main protections afforded by and the main legal implications of the use of an Individual Client Account at BME in the context of us providing clearing services to you through a BME Clearing Service.

The qualifications and comments set out at the start of Part Two of the Disclosure Document apply equally to the descriptions given below and these descriptions have been prepared on the basis of publicly available disclosure documents made available by BME. We are not responsible for, and do not accept any liability whatsoever, for any content or omissions or inaccuracies contained in the information produced by BME.

| | Individual Client Account - BME Clearing Service |
|--|--|
| Who will the CCP Transactions recorded in the account relate to? | Only assets and Client Transactions that relate to you should be recorded in this type of Individual Client Account. |
| Which losses can assets recorded in the account be used for? | Assets that are provided to BME as margin for Client Transactions recorded in this type of Individual Client Account may only be used to cover losses in that account. |
| Will the CCP know which CCP Transactions and types of assets relate to you? | Yes |
| Will the CCP record the assets provided by value only or will it identify the type of asset provided? | BME should identify in its records the type of asset provided as margin for this type of Individual Client Account. |
| Will the CCP Transactions recorded in the account be netted? | Client Transactions are likely to be netted, but should not be netted against the Client Transactions relating to any of our other clients. |
| Will the margin be calculated on a gross or net basis? | The margin requirement for this type of Individual Client Account will typically be calculated on a net basis. |
| Will you have to enter into any documentation or operational arrangements | You may have to enter into legal documentation to which BME is a party. It is also possible that you will have to set up some operational arrangements with |

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| | Individual Client Account - BME Clearing Service |
|--|--|
| directly with the CCP? | BME directly. |
| Transit Risk | Yes |
| Fellow Client Risk | No |
| Liquidation Risk | Yes (unless BME is able to port the assets recorded in the account or is able to transfer the assets to you without needing to liquidate some or all of them first). |
| Haircut Risk | Yes |
| Valuation Mutualisation Risk | No |
| CCP Insolvency Risk | Yes |
| How likely it is that porting will be achieved if we default? | If you have satisfied all of BME's and back-up clearing broker's conditions, porting is more readily facilitated in the event of our default. |

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Links to CCP disclosure documents

Please note that these links have been included for convenience only. In the event that any of them do not work, you should contact the relevant CCP directly.

Eurex Clearing AG:

<https://www.eurex.com/ec-en/services/risk-management/client-asset-protection-emir>

LCH Clearnet Ltd:

<https://www.lch.com/membership/end-user-notice>

LCH Clearnet SA:

<https://www.lch.com/collateral-management/sa-collateral-management/sa-customer-protection>

Ice Clear Europe:

<https://www.theice.com/clear-europe/regulation>

Nasdaq OMX:

<https://www.nasdaq.com/solutions/nasdaq-clearing-clearing-model>

CC&G:

<https://www.euronext.com/en/post-trade/ccg/membership>

LME Clear Ltd:

<http://www.lme.com/lme-clear/rules-and-regulations/client-information/>

BME Clearing:

<https://www.bmeclearing.es/ing/Risk-Management/Client-Asset-Protection-Under-EMIR>

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- ¹ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives central counterparties and trade repositories
- ² The ESMA Questions and Answers on EMIR dated November 2013 confirm that EU clearing members of non-EU CCPs are not required to comply with Article 39 when offering client clearing on non-EU CCPs.
- ³ Commission Delegated Regulation (EU) No 2017/2154 supplementing Regulation (EU) No 600/2014 with regard to regulatory technical standards on indirect clearing arrangements, and Commission Delegated Regulation (EU) No 2017/2155 amending Commission Delegated Regulation (EU) No 149/2013 with regard to regulatory technical standards on indirect clearing arrangements.
- ⁴ ESMA confirms in paragraphs 9, 10 and 92 of the May 2016 Final Report on the Indirect Clearing RTS that (indirect) clearing on recognised non-EU CCPs is out of scope of the Indirect Clearing RTS requirements.
- ⁵ Recast text of the Insolvency Law approved by Royal Legislative Decree 1/2020, of 5 May (*Texto refundido de la Ley Concursal aprobado por el Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*).
- ⁶ This document has not been drafted with indirect client clearing arrangements in mind where Credit Suisse is the client of another clearing member. Such arrangements are addressed in the separate Client Disclosure Document. Please also refer to the explanation of Long Chain Arrangements on page 4.
- ⁷ This paragraph refers to porting not being available "ordinarily" with regard to Basic Omnibus Indirect Client Accounts. This is because porting with respect to such accounts is not required under the Indirect Clearing RTS but may be envisaged under local insolvency law for all relevant accounts, including Basic Omnibus Indirect Client Accounts.
- ⁸ Royal Decree-law 5/2005, of 11 March (*Real Decreto-ley 5/2005, de 11 de marzo, de reformas urgentes para el impulso a la productividad y para la mejora de la contratación pública*).
- ⁹ Law 11/2015 of 18 June, of recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión*), which transposes Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms.
- ¹⁰ Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No 648/2012
- ¹¹ Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives central counterparties and trade repositories
- ¹² In preparing this document with regard to direct clearing reference has been made to the client account disclosure documentation made available on the websites of the following CCPs: LCH Clearnet Limited, Eurex Clearing AG, NASDAQ OMX Clearing and CME Clearing Europe Limited as at 24 October 2013.
- In preparing the overview of typical indirect client account characteristics, the analysis is based on the minimum requirements as set out in the Indirect Clearing RTS. Therefore, it has been assumed that clients would be offered the choice between a net-margined Basic Omnibus Indirect Client Account and a Gross Omnibus Indirect Client Account. Please note that it would nevertheless be permitted to offer clients additional types of account structures and segregation models, including ISAs, as long as they provide at least the level of segregation prescribed in the Indirect Clearing RTS (see Article 5(1) of the Indirect Clearing RTS, paragraphs 33 and 34 of ESMA's November 2015 Consultation Paper on the Indirect Clearing RTS, and paragraph 35 of ESMA's May 2016 Final Report on the Indirect Clearing RTS).
- ¹³ Please note that these links have been included for convenience only. In the event that any of them do not work, you should contact the relevant CCP directly.
- ¹⁴ This document has been drafted to assist firms to implement a requirement under Article 39(7) EMIR in connection with the provision of clearing services through the BME Financial Assets Contract Group or the BME Power Derivatives Contract Group at BME Clearing S.A., Sociedad Unipersonal where a client is using an Individual Client Account for such service. The explanations included in the document are high level summaries and analyses of several complex and/or new areas of law and regulation and arrangements put in place by BME, many of which are not yet finalised or fully explained in the public domain. This work is based on the interpretation of these matters by Allen & Overy LLP (as influenced by members of the FOA) as at 25 November 2014 but the underlying law and CCP arrangements may change over time and it will not necessarily be updated. The document as drafted

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may not be sufficient to enable any particular firm to comply with Article 39(7) and may need tailoring to reflect its needs and those of its clients. In particular, the document has been prepared on the basis of English law and it should be noted that issues under other laws may be relevant: for example, the law governing the CCP rules or related agreements; the law governing the firm's insolvency; the law of the jurisdiction of incorporation of the CCP; and the law of the location of any assets. This Disclosure Supplement does not constitute legal advice and, if in doubt, users of the Disclosure Supplement should seek legal advice.

- 15 The document has been drafted as a template that can be used as a starting point for firms seeking to comply with their obligations under Article 39(7) EMIR. Firms may wish to amend certain parts of the document by deleting, changing, expanding or supplementing certain sections to reflect the nature of their own organisation, the way in which they organise the derivatives clearing activity and the terms of their relationships with clients. Users may include the FIA Europe logo on the Disclosure Supplement provided that no amendments are made to the text as is set out in this document. If users make any other amendments to the document, they are not permitted to use the FIA Europe logo.
- 16 Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives central counterparties and trade repositories
- 17 See footnote 12 above.
- 18 The document assumes there is a contractual relationship in place between the clearing broker and the client which sets out certain arrangements that are referred to throughout the document. This contractual relationship is described as a "client clearing agreement". Firms may wish to amend these references to better reflect their contractual documentation and what it covers

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