Central Securities Depository Regulation
Legally Required Participant Disclosure

CREDIT SUISSE (LUXEMBOURG) S.A.

1 Introduction[1]

The purpose of this document is to disclose the levels of protection associated with the different levels of segregation in respect of securities held directly for clients with Central Securities Depositories (CSDs) within the European Economic Area (EEA), including a description of the main legal implications of the respective levels of segregation offered and information on the insolvency law applicable.

This disclosure is required under the Central Securities Depositories Regulation (CSDR) in relation to CSDs domiciled in the EEA. The information provided herein is subject to Luxembourg law.

This document is not intended to constitute legal or other advice and should not be relied upon as such. You should seek your own legal advice if you require any guidance on the matters stated herein.

2 Background

In our own books and records, we record each client's individual entitlement to securities that it holds for that client in a separate client account. We also open accounts with a CSD in our own name (i.e. the account is held in our name but designated as client account) in which it holds clients' securities. As a general rule, we make two types of accounts with CSDs available to clients: Individual Client Segregated Accounts (ISAs) and Omnibus Client Segregated Accounts (OSAs).

An ISA is used to hold the securities of a single client and therefore the client's securities are held separately from the securities of other clients and our own proprietary securities.

An OSA is used to hold the securities of a number of clients on a collective basis. However, we do not hold our own proprietary securities in OSAs.

3 Main legal implications of levels of segregation

Insolvency

Clients' legal entitlement to the securities that we hold for them directly with CSDs would not be affected by our insolvency, whether those securities were held in ISAs or OSAs.

The distribution of the securities in practice on an insolvency would depend on a number of factors, the most relevant of which are discussed below.

Application of Luxembourg insolvency law

Were we to become insolvent, our insolvency proceedings would take place in Luxembourg and be governed by Luxembourg insolvency law. A trustee would be appointed to liquidate our assets and distribute them to customers and creditors under court supervision.

Nevertheless, foreign branches of a Luxembourg bank may also be subject to insolvency proceedings in the foreign location in question governed by local insolvency law.

Under Luxembourg law, securities that we hold on behalf of clients would not form part of our estate on insolvency for distribution to creditors. Rather, they would be deliverable to clients in accordance with each client's in rem rights in the securities.

As a result, it would not be necessary for clients to make a claim in our insolvency as a general unsecured creditor in respect of those securities. Securities that we hold on behalf of clients would also not be subject to any bail-in process (see glossary), which may be applied to us if we were to become subject to resolution proceedings (see glossary).

Accordingly, where we hold securities in custody for clients, they should be protected on our insolvency or resolution. This applies whether the securities are held in an OSA or an ISA. Insolvency proceedings may, however, delay the restitution of the securities to the client, among other reasons because an insolvency practitioner may require a full reconciliation of the books and records in respect of all securities accounts prior to the release of any securities from those accounts.

Nature of clients' interests

Luxembourg law provides a protective measure in favour of clients holding book entry securities in an account with us, which consists in granting the clients a right in rem in such securities and not merely a personal claim. The client has a right in rem of an intangible nature, up to the number of securities booked to its securities account held with us, on the entirety of the securities of the same kind held in accounts by us (the "securities entitlement") as the immediate account provider, i.e. as the account provider who has opened the client's securities account. This is in addition to any contractual right a client may have against us to have the securities delivered to them.

[1] At the end of this document is a glossary explaining some of the technical terms used in the document.

According to Luxembourg law, the securities entitlement can only be exercised by the client against its immediate account provider unless otherwise provided by law, even if the latter has sub-deposited the securities in its name with a higher tier intermediary. This means that the client can generally only exercise its rights in relation to the securities entitlements against us and not against CSDs with which we hold accounts, whether the client's securities are held in ISAs or OSAs.

Shortfalls

If there were a shortfall between the number of securities that we are obliged to deliver to clients and the number of securities that we hold on their behalf in either an ISA or an OSA, this could result in fewer securities than clients are entitled to being returned to them on our insolvency. The way in which a shortfall could arise and would be treated may be different as between ISAs and OSAs.

How a shortfall may arise

A shortfall could arise for a number of reasons including as a result of administrative error, intraday movements or counterparty default.

We do not permit clients to make use of or borrow securities belonging to other clients for intra-day settlement purposes, even where the securities are held in an OSA, in order to reduce the chances of a shortfall arising as a result of the relevant client failing to meet its obligations to reimburse the OSA for the securities used or borrowed.

Treatment of a shortfall

In case of an ISA[2] the whole of any shortfall on the relevant account would be attributable to the client for whom the account is held and would not be shared with other clients for whom we hold securities. Similarly, the client would not be exposed to a shortfall on an account held for another client or clients.

In the case of an OSA, the shortfall would be shared among the clients in relation to the securities held in the OSA. Therefore, a client may be exposed to a shortfall even where securities have been lost in circumstances which are completely unrelated to that client.

The risk of a shortfall arising is, however, mitigated as a result of our obligation, in case the available quantity of specific securities is insufficient, to cover the loss by securities of the same nature belonging to us in certain circumstances and within the limits set out by law.

If a shortfall arose and we would not hold a sufficient amount of securities of the same nature belonging to us, clients may have a claim against us for any loss suffered. If we were to become insolvent prior to covering a shortfall, clients would rank as general unsecured creditors for any amounts owing to them in connection with such a claim. Clients would therefore be exposed to the risks of our insolvency, including the risk that they may not be able to recover all or part of any amounts claimed.

In these circumstances, clients could be exposed to the risk of loss on our insolvency. If securities were held in an ISA, the entire loss would be borne by the client for whom the relevant account was held. If securities were held in an OSA, the loss would be allocated between the clients with an interest in that account.

In order to calculate clients' shares of any shortfall in respect of an OSA, each client's securities entitlement would need to be established as a matter of law and fact based on our books and records. Any shortfall in a particular security held in an OSA would then be allocated among all clients with an interest in that security in the account. It is likely that this allocation would be made rateably between clients with an interest in that security in the OSA, although arguments could be made that in certain circumstances a shortfall in a particular security in an OSA should be attributed to a particular client or clients. It may therefore be a time consuming process to confirm each client's entitlement. This could give rise to delays in returning securities and initial uncertainty for a client as to its actual entitlement on an insolvency.

4 Security interests

Security interests granted over clients' securities could have a different impact in the case of ISAs and OSAs.

Security interest granted to a CSD

Where a CSD benefits from a security interest (either it benefits from a statutory right or a contractual right based on its terms and conditions) over securities held by us with it (including securities held for clients), there could be a delay in the return of securities to a client (and a possible shortfall) in the event that we failed to satisfy our obligations to a CSD and the security interest was enforced. This applies regardless of whether the securities are held in an ISA or an OSA. However, in practice, we would expect that a CSD would first seek recourse to any securities held in our own proprietary accounts to satisfy our obligations and only then make use of securities in client accounts. We would also expect a CSD to enforce its security rateably across client accounts held with it.

Furthermore, restrictions apply in relation to the situations in which we may grant a security interest over securities held in a client account.

Security interest granted to third party

Where a client purported to grant a security interest over its interest in securities held in an OSA and the security interest was asserted against the CSD with which the account was held, there could be a delay in the return of securities to all clients holding securities in the relevant account (and a possible shortfall in the account). However, in practice, we would expect that the beneficiary of a security interest (pledgee) over a client's securities would perfect its security by notifying us rather than the relevant CSD and would seek to enforce the security against us rather than against the CSD, with which it had no relationship.

[2] Clients should note that for the purposes of this section if a client elects for an ISA as part of an intra-fund arrangement whereby the assets of that client and any assets of any of its related funds are "ring-fenced" from the assets of other clients that are not related funds, then this type of ISA may be treated as an OSA if there is a shortfall notwithstanding the client's election of an ISA.

CSD disclosures

Set out below are links to the disclosures made by CSDs in the EEA in which we are a Participant:

LuxCSD S.A.

(Link will be included as soon as it is available)

If you click on those links, you leave this information/website. These disclosures have been provided by relevant CSD. We have not investigated or performed due diligence on the disclosures and websites and clients rely on the CSD disclosures and websites at their own risk.

Glossary

Bail-in refers to the process under the law of 18 December 2015 on the resolution, reorganisation and winding up measures of credit institutions and certain investment firms and on deposit guarantee and investor compensation schemes (the 2015 Law) applicable to failing Luxembourg banks and investment firms under which the firm's liabilities to clients may be modified, for example by being written down or converted into equity.

Central Securities Depository or **CSD** is an entity which records legal entitlements to dematerialised securities and operates a system for the settlement of transactions in those securities.

Central Securities Depositories Regulation or **CSDR** refers to EU Regulation 909/2014 which sets out rules applicable to CSDs and their participants.

Direct participant means an entity that holds securities in an account with a CSD and is responsible for settling transactions in securities that take place within a CSD. A direct participant should be distinguished from an indirect participant, which is an entity, such as a global custodian, which appoints a direct participant to hold securities for it with a CSD.

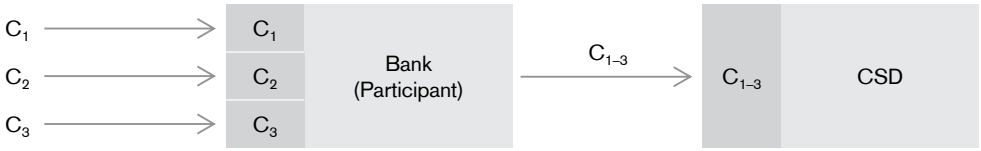
EEA means the European Economic Area.

Resolution proceedings are proceedings for the resolution of failing Luxembourg banks and investment firms under the 2015 Law.

Segregated Accounts means an ISA and/or an OSA, as the case may be.

Graphic representation of OSA and ISA

OSA (example with three clients C_1–C_3)



ISA (Example with client C_1)