

Disclosure Account Segregation

Under article 39(7) EMIR and article 38(6) CSDR

Table of Contents

PART 1: DISCLOSURE UNDER ARTICLE 39(7) EMIR	3
1.INTRODUCTION	3
2.ACCOUNT STRUCTURES	3
2.1. GENERAL	3
2.2. HOUSE ACCOUNT	3
2.3. OMNIBUS (INDIRECT) CLIENT ACCOUNT.....	4
2.3.1. <i>Net Omnibus (Indirect) Client Account</i>	4
2.3.2. <i>Gross Omnibus (Indirect) Client Account</i>	4
2.4. INDIVIDUAL CLIENT ACCOUNT	5
3.PROTECTION ACCOUNT STRUCTURES	5
3.1. GENERAL	5
3.2. CASH EQUITY CLEARING SERVICES.....	5
3.2.1. <i>Cboe Clear default</i>	5
3.2.2. <i>Clearing Participant default</i>	6
3.2.3. <i>Client default</i>	7
3.3. DERIVATIVES CLEARING SERVICES.....	7
3.3.1. <i>Cboe Clear default</i>	7
3.3.2. <i>Clearing Participant default</i>	7
3.3.3. <i>Client default</i>	9
4.ADMINISTRATIVE COSTS	9
5.INVESTMENT POLICY	9
PART 2: DISCLOSURE UNDER ARTICLE 38(6) CSDR	9
1.ACCOUNT SEGREGATION	9
2.ADMINISTRATIVE COSTS	10
3.INSOLVENCY OF THE CCP	10

PART 1: Disclosure under article 39(7) EMIR

1. Introduction

This document provides information on (i) the different levels of account segregation, (ii) the main legal implications of the respective levels of segregation provided by the account structures, including information on the insolvency law applicable, and (iii) the costs associated with the different levels of account segregation.

Capitalised terms used herein shall have the meaning given thereto in the Clearing Rule Book of Cboe Clear.

2. Account Structures

2.1. General

Cboe Clear offers the Accounts set out in article 5.2 of the Clearing Rule Book and as further explained in par. 2.2-2.4 of this Disclosure, in accordance with its obligations under article 39 of the European Market Infrastructure Regulation, "EMIR" (Regulation No (EU) 648/2012) and article 3 of EMIR Regulatory Technical Standards, "EMIR RTS" (Regulation No (EU) 149/2013)¹. A Clearing Participant can make use of a combination of these Accounts.

Cboe Clear maintains a principal-to-principal relationship with its Clearing Participants, as is customary for CCPs in both common law and civil law jurisdictions. The Clearing Rules of Cboe Clear do not create a contractual relationship between Cboe Clear and the clients of Clearing Participants.

Consequently, from a Dutch legal perspective which is the law governing the Clearing Rules of Cboe Clear, the designation of Position Accounts and Collateral Accounts in the books of Cboe Clear as Client Accounts is a segregation of administrative nature and does not identify or record ownership.

Clearing Participants that only clear positions for their own proprietary trading will only have a House Account as described under par. 2.2 of this Disclosure, whereas Clearing Participants providing (Indirect) Client clearing can choose from the Client Accounts described under par. 2.3 and 2.4 of this Disclosure.

2.2. House Account

A House Position Account is an Account opened by Cboe Clear in the name of the Clearing Participant, for registration of Trade Legs held for the account of the Clearing Participant. A House Collateral Account is an Account opened by Cboe Clear in the name of the Clearing Participant, holding Collateral deposited by the Clearing Participant to cover the Margin for the corresponding House Position Account.

¹ As amended by CDR 2017/2155

For each Clearing Participant, Cboe Clear will open a House Position Account and a House Collateral Account.

2.3. Omnibus (Indirect) Client Account

In line with article 39(2) of EMIR, Cboe Clear offers a type of Account that enables a Clearing Participant to distinguish the Collateral and positions held for the joint account of (Indirect) Clients of the Clearing Participant from the Collateral and positions of the Clearing Participant. Cboe Clear offers the following types of Accounts:

2.3.1. Net Omnibus (Indirect) Client Account

A Net Omnibus (Indirect) Client Position Account is an Account opened by Cboe Clear in the name of the Clearing Participant, for registration of Trade Legs held for the joint account of (Indirect) Clients of the Clearing Participant, where Trade Legs are margined on a net basis. A Net Omnibus (Indirect) Client Collateral Account is an Account opened by Cboe Clear in the name of the Clearing Participant, holding the Collateral deposited by the Clearing Participant to cover the Margin for the corresponding Net Omnibus (Indirect) Client Position Account.

The (Indirect) Clients within this type of Account Structure may or may not be known to Cboe Clear. The Margin for the Trade Legs within a Net Omnibus (Indirect) Client Position Account is calculated over all Trade Legs held in the Account, disregarding that those are held by the Clearing Participant for more than one (Indirect) Client.

Collateral posted to Cboe Clear in respect of the Net Omnibus (Indirect) Client Account serves as security for all Trade Legs registered in the Net Omnibus (Indirect) Client Position Account, and Cboe Clear will not attribute any portion of the Collateral to a specific (Indirect) Client.

2.3.2. Gross Omnibus (Indirect) Client Account

A Gross Omnibus (Indirect) Client Position Account is an Account opened by Cboe Clear in the name of the Clearing Participant, for registration of Trade Legs held for the joint account of (Indirect) Clients of the Clearing Participant, where Trade Legs are margined on a gross basis. A Gross Omnibus (Indirect) Client Collateral Account is an Account opened by Cboe Clear in the name of the Clearing Participant, holding Collateral deposited by the Clearing Participant to cover the Margin for the corresponding Gross Omnibus (Indirect) Client Position Account.

The (Indirect) Clients within this type of Account may or may not be known to Cboe Clear. The Clearing Participant provides information to Cboe Clear that enables Cboe Clear to establish sub-accounts holding Trade Legs. Cboe Clear will calculate Margin separately for each such sub-account. All calculated amounts of Margin are aggregated to determine the total Margin for that Gross Omnibus (Indirect) Client Account.

Collateral posted to Cboe Clear in respect of such Gross Omnibus (Indirect) Client Account serves as security for all Trade Legs registered in the Gross Omnibus (Indirect) Client Position Account, and Cboe Clear will not attribute any portion of the Collateral to a specific (Indirect) Client.

As such, the main difference between a Net Omnibus (Indirect) Client Account and a Gross Omnibus (Indirect) Client Account lies in the method of the calculation of the required amount of Collateral. For a Gross Omnibus (Indirect) Client Account, a higher amount of Collateral will normally be required to be posted by the Clearing Participant than for a Net Omnibus (Indirect) Client Account.

2.4. Individual Client Account

In line with article 39(3) of EMIR, Cboe Clear offers a type of Account that enables a Clearing Participant to distinguish in accounts with Cboe Clear the Collateral and positions held for the account of a single Client of that Clearing Participant from those held for the account of its other Clients.

An Individual Client Position Account is an Account opened by Cboe Clear in the name of the Clearing Participant, for registration of Trade Legs held for the account of an individual Client, who may or may not be known by Cboe Clear. An Individual Client Collateral Account is an Account the Collateral Account holding Collateral to cover the Margin for the Individual Client Position Account and on which Collateral for that individual Client will be posted.

3. Protection Account Structures

3.1. General

Matters relating to the insolvency of a Clearing Participant will in general be assessed under the insolvency laws of the jurisdiction of incorporation of the Clearing Participant. In addition, the applicable laws on property aspects (such as the law of the location of the assets or the law governing the security rights on the assets) and the laws which govern the relationship between the Clearing Participant and its clients may also be of relevance in determining the rights of the clients vis-à-vis the Clearing Participant in case of its insolvency.

Clients and indirect clients of Clearing Participants should consider whether and how the contractual arrangements between them and their Clearing Participant and Client, and their property rights could be affected by the default of insolvency of the Clearing Participant or Client. Therefore, it is important that Clients and indirect clients review information disclosed (as required under EMIR) by the Clearing Participant and the Client.

The following information is based on the laws of the Netherlands.

3.2. Cash equity clearing services

3.2.1. Cboe Clear default

Article 39(1) EMIR requires a CCP to keep separate records and accounts that shall enable it to distinguish the assets and positions held for the account of its clearing members from the assets and positions held for the account of the CCP itself. Cboe Clear is a limited liability company (naamloze vennootschap) incorporated under the laws of the Netherlands. As such Dutch law will apply.

As there is no provision in Dutch law that recognises the EMIR segregation requirements in case of the

insolvency of a CCP, the positions and Collateral held with Cboe Clear, regardless in which Accounts these are held, will form part of the bankruptcy estate of Cboe Clear and Clearing Participants will rank *pari passu* with other creditors of Cboe Clear.

To mitigate this risk, Cboe Clear can provide a pledge to a Clearing Participant over the collateral posted by the Clearing Participant to Cboe Clear.

Collateral deposited with a third-party agent under a pledge arrangement with Cboe Clear will not form part of the Cboe Clear estate, but any right of Cboe Clear under such pledge arrangement will remain in force.

3.2.2. Clearing Participant default

House Account

In the event that a Clearing Participant is declared to be in default by Cboe Clear, Cboe Clear will proceed with its default procedures, following which all positions of the defaulting Clearing Participant will be closed. Any residual balance will be returned to the Clearing participant.

Omnibus (Indirect) Client Account

Cboe Clear offers the possibility to port positions and Collateral held in Omnibus (Indirect) Client Accounts to another Clearing Participant, subject to the requirements set out in Regulation Portability having been met. Given the short lifecycle of equity positions, the complexity of porting a multi-client omnibus account and the absence of provisions in Dutch law that provide for porting of equity transactions, porting of positions and Collateral in Omnibus (Indirect) Client Accounts may not be possible.

Where porting is not attempted or is unsuccessful, Cboe Clear, in accordance with its Clearing Rulebook section 11.4, will liquidate the positions and Collateral within the defaulting Clearing Participant's Omnibus (Indirect) Client Accounts. Collateral and positions held in an Omnibus (Indirect) Client Account, will only be used by Cboe Clear to cover the positions in that same Omnibus (Indirect) Client Account. After all obligations to Cboe Clear under such Omnibus (Indirect) Client Account have been met, Cboe Clear will return any remaining balance to the (Bankruptcy trustee of the) defaulting Clearing Participant. In relation to Clearing Participants that have their seat or centre of main interests² in the Netherlands, such remaining balance will likely form part of the bankruptcy estate of the Clearing Participant. Consequently, Clients will rank *pari passu* with the other creditors of the Clearing Participant.

Upon request, Cboe Clear can facilitate a security arrangement whereby a Clearing Participant provides a pledge to a trustee acting on behalf of the joint clients of the Clearing Participant, over the rights of the Clearing Participant to cash and securities standing to the credit of the relevant Omnibus (Indirect) Client Account remaining after completion of the default handling processes by Cboe Clear.

Individual Client Account

² In accordance with Regulation (EU) 2015/848 of 20 May 2015

Cboe Clear offers the possibility to port positions and Collateral held in Individual Client Accounts to another Clearing Participant, subject to the requirements set out in Regulation Portability having been met. Given the short lifecycle of equity positions and the absence of provisions in Dutch law that provide for porting of equity transactions, porting of positions and Collateral in Individual Client Accounts may not be possible.

Where porting is not attempted or is unsuccessful, Cboe Clear, in accordance with its Clearing Rulebook section 11.4, will liquidate the positions and Collateral within the defaulting Clearing Participant's Individual Client Accounts. Collateral and positions held in an Individual Client Account, will only be used by Cboe Clear to cover the positions in that same Individual Client Account. After all obligations to Cboe Clear under such Individual Client Account have been met, Cboe Clear will return any remaining balance to the (Bankruptcy trustee of the) defaulting Clearing Participant. In relation to Clearing Participants that have their seat centre of main interests³ in the Netherlands, such remaining balance will likely form part of the bankruptcy estate of the Clearing Participant. Consequently, Clients will rank *pari passu* with the other creditors of the Clearing Participant.

Upon request, Cboe Clear can provide a Clearing Participant with a template pledge agreement whereby the Clearing Participant can pledge the right to cash and securities standing to the credit of the Individual Client Account remaining after completion of the default handling processes by Cboe Clear to the relevant Client.

3.2.3. Client default

In the event of the default or insolvency of a Client, Cboe Clear will act on the instructions of the Clearing Participant connected to the Client.

3.3. Derivatives clearing services

3.3.1. Cboe Clear default

Please refer to par. 3.2.1.

3.3.2. Clearing Participant default

House account

Please refer to par. 3.2.2.

Omnibus (Indirect) Client Account

Cboe Clear offers the possibility to port positions and Collateral held in Omnibus (Indirect) Client Accounts to another Clearing Participant, subject to the requirements set out in Regulation Portability having been met.

³ In accordance with Regulation (EU) 2015/848 of 20 May 2015

With respect to a defaulting Clearing Participant with seat or centre of main interests⁴ in the Netherlands, and licensed to act as a bank, investment firm or clearing participant under the Wft (Dutch financial services act), according to article 49(h)(2) Wge (Dutch Securities Giro Act), the bankruptcy administrator of the bankrupt Clearing Participant is required to provide its cooperation to the porting of positions and Collateral.

Where porting is not attempted or is unsuccessful, Cboe Clear, in accordance with its Clearing Rulebook section 11.4, will liquidate the positions and Collateral within the defaulting Clearing Participant's Omnibus (Indirect) Client Accounts. Collateral and positions held in an Omnibus (Indirect) Client Account, will only be used by Cboe Clear to cover the positions in that same Omnibus (Indirect) Client Account. After all obligations to Cboe Clear under such Client Omnibus Account have been met, Cboe Clear will return any remaining balance to the (Bankruptcy trustee of the) defaulting Clearing Participant.

With respect to a defaulting Clearing Participant with seat or centre of main interests⁵ in the Netherlands and licensed to act as a bank, investment firm or clearing participant under the Wft (the Dutch financial services act), article 49(g)(5) Wge (the Dutch securities Giro Act) stipulates that any such remaining balance will be available for the Clients of the Clearing Participant for whose account the positions and Collateral were held by that Clearing Participant.

On request, Cboe Clear can facilitate a security arrangement whereby a Clearing Participant provides a pledge to a trustee acting on behalf of the joint clients of the Clearing Participant, over the rights of the Clearing Participant to cash and securities standing to the credit of the Omnibus (Indirect) Client Account remaining after completion of the default handling processes by Cboe Clear.

Individual Client Account

Cboe Clear offers the possibility to port positions and Collateral held in Individual Client Accounts to another non-defaulting Clearing Participant, subject to the requirements set out in Regulation Portability having been met.

With respect to a defaulting Clearing Participant with seat or centre of main interests⁶ in the Netherlands, and licensed to act as a bank, investment firm or clearing participant under the Wft (Dutch financial services act), according to article 49(h)(2) Wge (Dutch Securities Giro Act), the bankruptcy administrator of the bankrupt Clearing Participant is required to provide its cooperation to the porting of positions and Collateral.

Where porting is not attempted or is unsuccessful, Cboe Clear, in accordance with its Clearing Rulebook section 11.4, will liquidate the positions and Collateral within the defaulting Clearing Participant's Individual Client Accounts. Collateral and positions held in an Individual Client Account, will only be used by Cboe Clear to cover the positions in that same Individual Client Account. After all obligations to Cboe Clear under such Individual Client Account have been met, Cboe Clear will return any remaining balance to the (Bankruptcy trustee of the) defaulting Clearing Participant.

⁴ In accordance with Regulation (EU) 2015/848 of 20 May 2015

⁵ In accordance with Regulation (EU) 2015/848 of 20 May 2015

⁶ In accordance with Regulation (EU) 2015/848 of 20 May 2015

With respect to a defaulting Clearing Participant with seat or centre of main interests⁷ in the Netherlands and licensed to act as a bank, investment firm or clearing participant under the Wft (the Dutch financial services act), article 49(g)(5) Wge (the Dutch Securities Giro Act) stipulates that any such remaining balance will be available for the Clients of the Clearing Participant for whose account the positions and Collateral were held by that Clearing Participant.

Upon request, Cboe Clear can facilitate a security arrangement whereby the Clearing Participant can pledge its rights to cash and securities standing to the credit of the Individual Client Account remaining after completion of the default handling processes by Cboe Clear to the relevant Client.

3.3.3. Client default

Please refer to par. 3.2.3.

4. Administrative costs

Cboe Clear offers House Accounts and Omnibus (Indirect) Client Accounts as part of its standard membership service. For Individual Client Accounts a charge of EUR 500 per calendar month applies per account to defray the additional administration and monitoring required. Further information is set out in the Regulation Fees and Penalties published on the Cboe Clear website.

5. Investment policy

Assets posted by Clearing Participants to Cboe Clear are invested and held in accordance with article 47 of EMIR and chapter XI of Regulation No (EU) 153/2013 respectively. For further information related to investment losses Cboe Clear refers to the Cboe Clear EMIR article 38 Risk Disclosure Statement published on the Cboe Clear website.

PART 2: Disclosure under article 38(6) CSDR

1. Account segregation

Cboe Clear is a participant of multiple central securities depositories (CSDs) in the European Union (EU) and as such is obliged to comply with the requirements of article 38(5) of the Central Securities Regulation known as “CSDR” (Regulation No (EU) 909/2014). Specifically, a participant of a CSD shall offer its clients the possibility to choose between omnibus client segregation and individual client segregation at the CSD.

⁷ In accordance with Regulation (EU) 2015/848 of 20 May 2015

Cboe Clear maintains accounts in its own name and for its own account and does not act as a custodian providing custody services. In its capacity as a CCP, assets posted to Cboe Clear are completed under a title transfer arrangement.

If a Clearing Participant wishes, it may request that the assets are held at the CSD level in an:

1. omnibus client collateral account; or
2. individual segregated client collateral account

These accounts will be maintained as Cboe Clear's own accounts, on behalf of Clearing Participants. This means that this level of segregation is administrative in nature and does not legally identify or record ownership of the assets within the relevant account. The risks of these CSD account segregation options are no different from the risks associated with the accounts offered by Cboe Clear in accordance with article 39 of EMIR.

2. Administrative costs

Cboe Clear will levy a charge of EUR 500 per calendar month per account to cover the increased administration and monitoring required. The relevant CSD may also apply charges which Cboe Clear will pass on to the relevant Clearing Participant.

3. Insolvency of the CCP

As mentioned under the disclosure under article 39(7) of EMIR, the bankruptcy of Cboe Clear will be dealt with under Dutch law. Therefore, assets held by Cboe Clear will form part of the bankruptcy estate of Cboe Clear and Clearing Participants will rank *pari passu* with other creditors of Cboe Clear.

IMPORTANT NOTICE

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 complex matters. 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 to review and conduct your own due diligence and assessment on the relevant rules, legal documentation and any other relevant information. You may wish to appoint your own professional advisors to assist you in this assessment.

Cboe Clear shall under no circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise, for any loss or damages (whether direct, indirect or consequential loss or loss of profit or revenue, damage to reputation or loss of any contract or other business opportunity or goodwill) that may be suffered as a result of this document or the information contained herein.