



Levels of Segregation

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1. Introduction

ID2S is a Central Securities Depository (CSD) performing three core services:

- Initial recording of securities in a book-entry system (“**notary service**”);
- Operating a securities settlement system (“**settlement service**”)
- Providing and maintaining Current Accounts at the top tier level (“**central maintenance service**”).

These functions will be performed in accordance with Regulation (EU) 909/2014 (“**CSDR**”) and Delegated Regulation (EU) 2017/392 with respect to the rules wherein around segregation.

2. How ID2S will adhere to each part of the regulation

In order to meet the requirements of Article 38 of CSDR and Articles 26(b) and (c) of Delegated Regulation (EU) 2017/392, the CSD ID2S will:

- (i) keep records and accounts that enable ID2S, any time and without delay, to segregate in the Current Accounts at the CSD the securities of a Participant from those of any other Participant;
- (ii) keep records and accounts that will allow, at any time and without delay, a Participant to segregate their own securities from the securities of the same Participants clients;
- (iii) keep records and accounts that enable any Participant to:
 - a. hold in a single Current Account the securities belonging to different clients of that Participant (“**omnibus client segregation**”) by allowing Participants to have OSA’s where the securities of a number of a Participant’s clients are held on a collective basis;
 - b. segregate the securities of any of the Participant’s clients (“**individual client segregation**”) by allowing Participants to have ISA’s where the ISA account will be for the securities of a specific client only, if and as required by the Participant.

For the avoidance of doubt, a Participant will be able, simultaneously, to hold one or more OSAs and one or more ISAs.

- (iv) publicly disclose the levels of protection and the costs associated with the different levels of segregation that ID2S provides and will offer all of these services on reasonable commercial terms. The description shall include the main legal implications of the respective levels of segregation offered, including information on the applicable insolvency law for the relevant jurisdictions.
- (v) not use for any purpose any securities that do not belong to it, without exception (this in regard to regulation Article 38 (7) of CSDR and Article 26 (c) of Delegated Regulation 2017/392).

How (i) and (ii) above will be achieved by ID2S:

The ability of ID2S to keep records and accounts that enable ID2S, at any time and without delay, to segregate in Current Accounts at ID2S to the level required by the aforementioned regulation will be made possible:

- Firstly, by strictly requiring Participants, via the terms and conditions of a legal contract with ID2S, to maintain separate accounts depending on the level of segregation and on the ownership of the securities, such that the required level of segregation is enforced through separate accounts, each with a unique account identifier. ID2S will have a flat account structure with no sub-accounts or account hierarchy. A Participant will be able to open one or more accounts at ID2S, each with its own unique account number within ID2S;
- Secondly by the referential static data of each account, that will allow the segregation regulation related attributes of each account to be clearly, exhaustively and easily identified. This will be achieved by including in the account referential static data the attribute "segregation mode". In addition to being part of the referential data of every ID2S Current Account, the segregation mode will also be represented and identifiable from a single digit at a specific fixed place in the account number.

The parameter '**Segregation mode**' in the account number will be 1 digit in length and can take one of the three following values:

- 0 if the account will be for assets that belong exclusively to the account holder ("**Own Account**");
- 1 for an "**Omnibus Segregated Account**" ("**OSA**") - an account in which are held securities that can belong to multiple clients of the Participant, the account holder (but never directly to the Participant).
- 2 for an "**Individually Segregated Account**" ("**ISA**") - an account in which are held securities that belong exclusively to a single client of a Participant, the account holder.

How (iii) above will be achieved by ID2S:

The following levels of segregation are made available to ID2S Participants and will be contractually enforced between ID2S and each Participant as a condition of each Participant becoming and remaining a Participant of ID2S:

Level 1: Omnibus client segregation

The term "omnibus client segregation" is defined in Article 38 of the CSDR. At this level of segregation any Participant must always use a separate account for holding its own securities, from the account used to hold the securities of the same Participants clients. At this level the Participant can hold securities that belong to different clients in one Current Account.

Level 2: Individual client segregation

The term "individual client segregation" is defined in Article 38 of the CSDR. For this level of segregation any Participant must always use a separate account for holding its own securities, from the account used to hold the securities of the same Participants clients. If a Participant offers its clients individual client segregation, the Participant maintains separate accounts at ID2S for individual clients. The client may be an end-investor, an intermediary holding securities on behalf of other investors, such as a custodian acting as a registered intermediary within the meaning of Article L. 228-1 of the French commercial Code.

How (iv) above will be achieved by ID2S:

The levels of protection and the costs associated with the different levels of segregation that ID2S will provide will be publicly disclosed on the ID2S website. The information on this website shall include a description of the main legal implications of the respective levels of segregation offered, including information on the applicable insolvency law for the relevant jurisdictions.

ID2S will not charge any fees to Participants in relation to the opening or the maintenance of securities accounts. ID2S only charges fees to Participants based on the aggregate amount of NEU CP held by a Participant on its own behalf or on behalf of its clients, irrespective of the number of accounts in which these NEU CP are held. Please refer to the document CDBR0004 Pricing Policy for a detailed description of the fees charged by ID2S.

Main legal Implications of the respective levels of segregation offered:

The applicable insolvency law to ID2S is French law. Attachment by garnishment on the accounts opened at ID2S is prohibited under the applicable legislation in France (art. L. 211-11 of the French monetary and financial code).

In France, proprietary rights are not represented at the level of the CSD (i.e. ID2S) but at the level of the authorised account keeper (Teneur de Compte Conservateur), i.e. Participants acting in this capacity. As a result, when securities are credited to an account held at ID2S, proprietary rights over said securities remains determined by reference to the individual account opened in the books of the entity acting as an authorised account keeper. Therefore, under French laws and regulations, the asset protection regime is ensured at the level of the authorised account keeper.

However, in certain circumstances (i.e. in case of default of the authorised account keeper) the potential risk of loss of securities incurred by the Participant's clients may vary on the level of segregation. Where the Current Account held by the Participant is an OSA, a potential risk of loss is shared proportionally amongst all the clients of the account holder whose securities are credited to this Current Account. Conversely, where the Current Account held by the Participant is an ISA, there is no potential risk of sharing a loss of securities incurred by the client for the benefit of which the ISA has been opened as the ISA exactly reflects, at any time, the number of securities as recorded at the authorised account keeper level for that client (save for any accounting error made by the authorised account keeper).