

COMMERCIAL BANKING

**Lloyds Bank Corporate Markets
Wertpapierhandelsbank GmbH**

Terms of Business CSDR Annex

These terms are effective from 1 February 2022.



LLOYDS BANK

**CENTRAL SECURITIES DEPOSITORIES REGULATION (“CSDR”) ANNEX TO
Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH
TERMS OF BUSINESS**

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1 Application of the provisions of this CSDR Annex

- 1.1 This Annex sets out the additional terms and conditions regarding the EU Central Securities Depositories Regulation (Regulation (EU) No 909/2014/EU) (“**CSDR**” and relevant delegated regulation).
- 1.2 This Annex forms part of the Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH General Terms of Business which governs your client/ counterparty relationship with us. This Annex shall be governed by, and construed in accordance with, the same governing law of the relevant General Terms of Business regulating your client relationship with us.

2 Mandatory Buy-ins under the CSDR Settlement Discipline Regime

- 2.1 Commencing on and from the date on which the mandatory buy-in obligation enters into effect, for a Relevant Transaction, where a Delivering Party fails to deliver Relevant Financial Instruments to a Receiving Party on the intended settlement date (unless the date is extended by mutual agreement), an Extension Period will start. The start of the Extension Period is without prejudice to the obligations of the parties under the Relevant Transaction. Where settlement does not occur by the expiry of the Extension Period, the Receiving Party shall act in good faith and a commercially reasonable manner to verify if a buy-in is possible. For these purposes, a buy-in shall be considered possible, unless either: (a) the Relevant Financial Instruments do not exist anymore; and/or (b) the Delivering Party or their CSD participant is subject to Insolvency Proceedings. The Receiving Party shall accept any partial delivery of Relevant Financial Instruments under a Transaction by the Delivering Party until the end of the last Business Day of the Extension Period.
- 2.2 If a buy-in is not possible, the Receiving Party shall notify the Delivering Party that a buy-in is not possible and of the Cash Compensation Amount, following which the Delivering Party must pay to the Receiving Party the Cash Compensation Amount within 2 Business Days.
- 2.3 If a buy-in is possible, the Receiving Party shall:
 - (i) appoint a buy-in agent to buy the Relevant Financial Instruments on the Business Day following the expiry of the Extension Period;
 - (ii) notify the Delivering Party who the buy-in agent is; and
 - (iii) deliver a Buy-in Results Notification to the Delivering Party no later than the close of business on the Business Day on which the Relevant Financial Instruments are delivered to the Receiving Party.
- 2.4 When the Delivering Party is informed that a buy-in agent has been appointed, the Delivering Party:
 - (i) shall put on hold any relevant settlement instruction relating to the settlement fail; and
 - (ii) shall no longer be able to meet its obligations under the Relevant Transaction by delivering Relevant Financial Instruments directly to the Receiving Party (but may, with prior consent, make a delivery directly to the appointed buy-in agent).
- 2.5 Where a buy-in is (partly or fully) successful, the Receiving Party shall accept delivery of the Relevant Financial Instruments from, and pay to, the buy-in agent the amount for such financial instruments successfully bought in and any costs of the buy-in. The Delivering Party shall pay to the Receiving Party the relevant Price Difference and any costs of the buy-in within 2 Business Days of receipt of the Buy-in Results Notification.

- 2.6 If a buy-in fails (partly or fully), at the end of the Delivery Period, the Receiving Party may choose in the Buy-in Results Notification, either to:
 - 2.6.1 defer the execution of the buy-in for a period up to the relevant Deferral Period; or
 - 2.6.2 receive a Cash Compensation Amount from the Delivering Party.
- 2.7 If the Receiving Party elects to delay the buy-in under Clause 2.6, then to the extent:
 - 2.7.1 the deferred buy-in is successful (partly or fully), the Receiving Party shall provide a further Buy-in Results Notification to the Delivering Party within the Deferral Period and the provisions of Clause 2.5 shall apply; and
 - 2.7.2 the deferred buy-in fails (partly or fully), the Receiving Party shall provide a further Buy-in Results Notification to the Delivering Party on the first Business Day following the Deferral Period specifying the Cash Compensation Amount the Delivering Party must pay.
- 2.8 The Receiving Party must provide the relevant CSD the Buy-in Results Notification information specified in Clause 2.7 as soon as possible.
- 2.9 Where the Cash Compensation Amount is either elected under Clause 2.6 or payable under Clause 2.7.2, the Delivering Party shall pay the Receiving Party the Cash Compensation Amount within 2 Business Days of receipt of the Buy-in Results Notification.
- 2.10 In respect of Clauses 2.4 to 2.8 above, the Receiving Party and the Delivering Party shall ensure that:
 - 2.10.1 at the end of each Business Day on which the Receiving Party receives Relevant Financial Instruments from the buy-in agent following a successful buy-in:
 - (i) the settlement instructions for the initial settlement fail are cancelled; and
 - (ii) new (amended) settlement instructions are entered into the securities settlement system for any Relevant Financial Instruments still undelivered and the relevant CSD receives the information necessary to identify such new settlement instructions; and
 - 2.10.2 the relevant settlement instructions relating to the settlement fail are cancelled either upon payment of any Cash Compensation Amount or by the second Business Day after the notification of the Cash Compensation Amount.
- 2.11 Where a buy-in is completed and some or all of the Relevant Financial Instruments are delivered to the Receiving Party, or the Receiving Party receives a Cash Compensation Amount for some or all of the Relevant Financial Instruments, each party agrees that this shall extinguish:
 - (a) any contractual rights between the parties relating to the settlement fail in question, including
 - (b) any right to settlement of the Relevant Financial Instruments.If any amounts have been pre-paid by the Receiving Party to the Delivering Party before the buy-in of the Relevant Financial Instruments, the Delivering Party must immediately either return those prepayments or, if agreed with the Receiving Party, settle an equivalent amount of Relevant Financial Instruments, to the Receiving Party.
- 2.12 If you act as agent for an underlying principal in respect of a Relevant Transaction, and that underlying principal would be the Receiving Party or Delivering Party, you agree to comply with the provisions of this Annex as if you were the Receiving Party or Delivering Party (as appropriate).

3 Messaging protocols – Allocations and confirmations

- 3.1 Subject to clause 3.4 below, after we notify you of the Transaction's execution, you shall provide us a written allocation with all the information in the attached Schedule, each within the timeframes set out in Article 2 of the RTS. When you send us written allocations under this Clause 3, this also serves as written confirmation of your acceptance of the Transaction's terms.
- 3.2 You may send the written allocation and written confirmation referred to in Clause 3.1 by any communication method agreed between us.
- 3.3 Subject to clause 3.4, we shall confirm receipt of the written allocation and written confirmation referred to in Clause 3.1 within the timeframe required under Article 2 of the Settlement Discipline RTS. We may not confirm your allocation instructions if we receive them after the regulatory timeframes set out in Article 2 of the Settlement Discipline RTS.
- 3.4 We are not required to exchange the written allocation and written confirmation (referred to in Clause 3.1) upon execution of a Transaction where you allow us access to, or otherwise make available to us, on an ongoing basis, the information referred to in Article 2 of the Settlement Discipline RTS (see Schedule to this Annex at the end of this document).

4 Acknowledgement & undertakings of compliance with CSDR

- 4.1 You acknowledge and undertake to us as of the date of this Annex and on each subsequent date you settle securities transactions with us in EU CSDs that:
- (a) (*buy-in process compliance*) where applicable, you are able to and shall comply with the CSDR buy-in process requirements;
 - (b) (*ensuring adherence to the buy-in process in the settlement chain*) you impose contractual or other obligations on your counterparties with respect to any transaction, the settlement of which is linked and/or is connected to, your transaction with us, to ensure CSDR buy-in requirements are enforceable in all the jurisdictions for any parties in the settlement chain;
 - (c) (*appointment of buy-in agent*) you have appointed or have arrangements in place to appoint a buy-in agent, if/ when required;
 - (d) (*settlement discipline penalties regime*) you hold sufficient cash funds in the relevant settlement currencies at the relevant EU CSDs to meet any CSDR imposed penalty obligations, as may be charged and collected by the CSDs from time to time;
 - (e) (*hold and release and cancellations*) if you are a CSD participant, you have the operational capability to send appropriate instructions/ take the appropriate actions required by the Settlement Discipline RTS. If you are a custody client (i.e., an indirect participant at a CSD), you have the operational capability to instruct your direct custodian accordingly to satisfy the Settlement Discipline RTS requirements, as applicable;
 - (f) (*partial settlement*) you will partially settle transactions with us to the extent you hold less than 100% of the transacted notional amount of Relevant Financial Instruments and/or cash equivalents on the intended settlement date, but no later than the last Business Day of the Extension Period; and
 - (g) (*reliance on allocation and confirmation information provided*) we are entitled to rely on the information provided to us in accordance with this Annex.

5 Glossary

Terms used in this Annex which are capitalised but not defined shall be construed in accordance with their meaning under CSDR, the Settlement Discipline RTS and, where not defined therein, under the Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH Terms of Business, as applicable.

"Annex" means this document which forms part of the Lloyds Bank Corporate Markets Wertpapierhandelsbank GmbH Terms of Business pursuant to the terms thereof;

"Buy-in Results Notification" means a notification which advises the result of a buy-in, including:

- (a) if the buy-in has been successful, the quantity and price of the bought-in Relevant Financial Instruments;

- (b) if the buy-in has not been successful, the Cash Compensation Amount; or
- (c) if the buy-in has partly failed (as per to the situation in Clause 2.6), whether the Receiving Party elects to defer the execution of the buy-in;

"Cash Compensation Amount" with respect to any Relevant Financial Instrument's notional settlement amount as calculated on the Business Day immediately before its payment date, means:

- (i) if the Market Value has fallen compared to the trade date, zero; or
- (ii) if the Market Value has increased compared to the trade date, the difference between the Market Value as against the trade date,

provided that the Cash Compensation Amount will include a component reflecting exchange rates variation, corporate entitlements and accrued interest, where applicable, to appropriately compensate the Receiving Party;

"CCP" means central counterparty as construed in line with its use under CSDR;

"Collective Investment Undertakings" shall be construed in line with its use under CSDR;

"CSD" means a central securities depository as construed in accordance with its use under CSDR;

"CSDR" means Regulation (EU) No 909/2014;

"CSDR Securities" means each of transferable securities, money-market instruments, units in collective investment undertakings and emission allowances, as specified in Article 5(1) of Regulation (EU) No 909/2014;

"Deferral Period" means:

- (a) for shares that have a Liquid Market (except where such shares are traded on an SME Growth Market), four Business Days after the relevant Delivery Period;
- (b) for Relevant Financial Instruments traded on an SME growth market (including shares that have a Liquid Market and are traded on an SME growth market), 7 Business Days after the relevant Delivery Period; or
- (c) for Relevant Financial Instruments except shares that have a Liquid Market, 7 Business Days after the relevant Delivery Period;

"Delivering Party" means a party obliged to deliver Relevant Financial Instruments on an intended settlement date pursuant to the terms of a Relevant Transaction;

"Delivery Period" means:

- (a) for shares that have a Liquid Market (except where such shares are traded on an SME Growth Market), 4 Business Days after the relevant Extension Period;
- (b) for Relevant Financial Instruments other than shares that have a Liquid Market, 7 Business Days after the relevant Extension Period; or
- (c) for Relevant Financial Instruments traded on an SME growth market (including shares that have a Liquid Market and are traded on an SME growth market), 7 Business Days after the relevant Extension Period;

"Emission Allowances" shall be construed in line with its use under MiFID;

"EU Regulation on Short Selling" means; (i) Regulation (EU) No 236/2012 as it may be changed from time to time; or (ii) in relation to persons in the UK on and after the date that EU regulation ceases to apply in the UK, Regulation (EU) No 236/2012 as it forms part of UK domestic law by virtue of section 3 of the European Union (Withdrawal) Act 2018 (as amended) or as otherwise enacted, and as it is changed by domestic law from time to time;

"Extension Period" means:

- (a) for Relevant Financial Instruments other than shares that have a Liquid Market, 7 Business Days after the intended settlement date;
- (b) for Relevant Financial Instruments traded on an SME Growth Market, 15 Business Days after the intended settlement date; or
- (c) in all other cases, 4 Business Days after the intended settlement date;

"Insolvency Proceedings" means any collective measure provided for in the law of an EU Member State, or a third country, either to wind up the Delivering Party (and/or their CSD, as applicable) or to re-organise it, where such measure involves the suspension or imposition of limitations on transfers or payments;

"Liquid Market" shall be construed in line with its use under MiFIR;

"Market Value" shall be construed in line with its use under Commission Delegated Regulation (EU) 2018/1229 as it may be changed from time to time or, in respect of transactions settled on a CSD located in the UK on and after the date that EU regulation ceases to apply in the UK, Commission Delegated Regulation (EU) 2018/1229 as it forms part of UK domestic law by virtue of section 3 of the European Union (Withdrawal) Act 2018 (as amended) or as otherwise enacted, and as it is changed by domestic law from time to time;

"MiFID" means: (i) Directive 2014/65/EU 2014; and (ii) Directive 2014/65/EU 2014 as it may be changed from time to time or, in relation to persons in the UK on and after the date that EU regulation ceases to apply in the UK, Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of section 3 of the European Union (Withdrawal) Act 2018 (as amended) or as otherwise enacted, and as it is changed by domestic law from time to time;

"MiFIR" means Regulation (EU) No 600/2014 as it may be changed from time to time or, in relation to persons in the UK on and after the date that EU regulation ceases to apply in the UK, Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of section 3 of the European Union (Withdrawal) Act 2018 (as amended) or as otherwise enacted, and as it is changed by domestic law from time to time;

"Money-Market Instruments" means those classes of instruments which are normally dealt in on the money market, such as treasury bills, certificates of deposit and commercial papers and excluding instruments of payment as defined in MiFID;

"Price Difference" means any amount by which the price agreed for the Relevant Transaction is lower than the price paid by the buy-in agent to buy the equivalent instruments;

"Receiving Party" means a party expecting to receive instruments on an intended settlement date in line with the terms of a Relevant Transaction;

"Relevant Financial Instruments" means Transferable Securities, Money-Market Instruments, Units in Collective Investment Undertakings and Emission Allowances admitted to trading or traded on a Trading Venue in the EEA or cleared by a CCP in the EEA;

"Relevant Transaction" means a transaction for the Relevant Financial Instruments which is to be settled on a CSD located in the EEA, except in respect of:

- (a) transactions where the principal venue for the trading of shares is located in a third country as determined in accordance with the EU Regulation on Short Selling; and
- (b) operations composed of several transactions, including securities repurchase or lending agreements, where the intended settlement date of the second transaction is set within 30 Business Days after the intended settlement date of the first transaction;

"Settlement Discipline RTS" means Commission Delegated Regulation (EU) 2018/1229 as it may be changed from time to time or, in respect of transactions settled on a central securities depository located in the UK on and after the date that EU regulation ceases to apply in the UK, Commission Delegated Regulation (EU) 2018/1229 as it forms part of domestic law by virtue of section 3 of the European Union (Withdrawal) Act 2018 (as amended) or as otherwise enacted, and as it is changed by domestic law from time to time;

"SME Growth Market" shall be construed in line with its use under CSDR;

"Trading Venue" shall be construed in line with its use under MiFID;

"Transaction" means any transaction which you undertake with or through us which is within the scope of Article 5(1) CSDR, except where you hold the securities and cash relevant for the settlement with us; and

"Transferable Securities" means those classes of securities which are negotiable on the capital market, with the exception of instruments of payment, such as:

- (a) shares in companies and other securities equivalent to shares in companies, partnerships or other entities, and depositary receipts in respect of shares;
- (b) bonds or other forms of securitised debt, including depositary receipts in respect of such securities; or
- (c) any other securities giving the right to acquire or sell any such transferable securities or giving rise to a cash settlement determined by reference to transferable securities, currencies, interest rates or yields, commodities or other indices or measures.

SCHEDULE: ARTICLE 2 PRE-SETTLEMENT ALLOCATION INFORMATION

Subject to meeting the exemption criteria set out in Clause 3.4 of this Annex, you must provide us pre-settlement written allocation instructions to settle all transactions in CSDR Securities and for any associated cash consideration, identifying the settlement accounts to be credited or debited and further specifying the following:

- (a) the type of relevant transaction to be settled:
 - (i) purchase or sale of securities;
 - (ii) collateral management operations;
 - (iii) securities lending/borrowing operations;
 - (iv) repurchase transactions;
 - (v) other transactions, which can be identified by more granular ISO codes;
- (b) the International Securities Identification Number (ISIN) of the financial instrument or where the ISIN is not available, some other identifier of the financial instrument to be settled;
- (c) the delivery or the receipt of financial instruments or cash;
- (d) the nominal value for debt instruments, and the quantity for other financial instruments;
- (e) the trade date;
- (f) the trade price of the financial instrument;
- (g) the currency in which the transaction is expressed;
- (h) the intended settlement date of the transaction;
- (i) the total amount of cash that is to be delivered or received;
- (j) the identifier of the entity where the securities are held;
- (k) the identifier of the entity where the cash is held; and
- (l) the names and numbers of the securities or cash accounts to be credited or debited.

