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HOW WE HOLD  
YOUR ASSETS  
AT A CENTRAL  
SECURITIES  
DEPOSITORY (CSD)

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LLOYDS BANK

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# How we hold your assets at a Central Securities Depository (CSD)

## 1. Why we have produced this document

As part of our Share Dealing service, we agree to carry out transactions in investments for you. We record each of our clients' individual entitlements to investments that we hold for that client in a separate client account. We also use a "Central Securities Depository", or CSD, to settle some types of securities transactions. A CSD is a type of financial institution which holds financial instruments, such as shares or bonds. CSDs offer settlement services, which allow for the securities they hold to be transferred electronically by updating the CSD's electronic records. We use these services.

A CSD is required to meet certain regulatory requirements, including the Central Securities Depositories Regulation ("**CSDR**"). We are also subject to certain requirements, because we use the CSD services.

For securities that we hold for you with a CSD in the UK, we shall hold your securities with Euroclear UK and Ireland Limited, which is the UK CSD that operates the CREST Settlement System.

To use the settlement services offered by the CSD, we need to open accounts with the CSD. The CSD will hold your securities in one of our accounts. There are two types of accounts which we can open with the CSD, and you can choose which type of account your securities are placed in.

This disclosure gives you information about the types of accounts available to you, and the differences between the types of account. This document is not legal advice, and you should not rely on it as legal advice. You should contact your legal advisor if you think you need more guidance about this document.

In this document we use the words "we", "our" or "us" to mean Halifax Share Dealing Limited, the provider of the Lloyds Bank Direct Investments service or any nominee company which we appoint to hold your securities.

If you have any questions about the information provided in this document, please contact us using our Web Chat facility once you're securely logged into your account. Click on 'Help & Support' and then 'Contact us online'. Alternatively, you can contact us on **0345 606 0560** or call us from abroad on **+44 113 279 7518**. Available Monday to Friday, 8am-9pm (closed English bank holidays).

## 2. Who this document applies to

This document is applicable to customers who have already opened or would like to open a Share Dealing Account or Share Dealing ISA and trade in UK shares or bonds.

This disclosure document does not apply to the following types of transactions which you might ask us to make for you:

- Purchases and sales of international stocks
- Purchases and sales of funds

The information in this document only applies to the securities we hold for you. You can find information about how we hold your cash in our Share Dealing Service terms and conditions.

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### 3. What types of account are available at the CSD?

We can open two different types of account with the CSD for your securities. You can choose the type of account into which we will put your securities. However, it is important you note that accounts with a CSD are our accounts and you will not have a direct relationship with the CSD.

The types of accounts you can choose between are:

- a. Omnibus client segregated (“**OCS**”) account  
An OCS account means that we pool the securities we hold for a number of clients together in one client account with the CSD. You will not be entitled to any particular securities held in this pooled account. However, you will continue to be beneficially entitled to the securities we hold for you (see paragraph 3.1 for more information about ownership of the securities). When you apply for a Share Dealing Account or Share Dealing ISA online we will open this type of account for you.
- b. Individual client segregated (“**ICS**”) account  
An ICS account means that we shall open an account with the CSD which will only contain the securities we hold for you. You will be beneficially entitled to all of the securities in that ICS account (see paragraph 3.1 for an explanation of beneficial ownership). When you apply for a Share Dealing Account or Share Dealing ISA online we will open an OCS account. Should you wish to have an ICS account further documentation and charges are applicable for the service which are fully detailed for you at [lloydsbank.com/ics-service](https://lloydsbank.com/ics-service)

### Information which is not affected by your choice of account

#### 3.1 How are securities held in these accounts?

In both types of account the securities are held by us on your behalf. The securities will be registered in our name or the name of our nominee company. This means that you do not have legal ownership over the securities but you will remain the beneficial owner of the securities.

#### 3.2 Regulatory obligations for client assets

Whatever type of account you choose, we shall continue to be subject to regulatory requirements relating to the safe custody of client assets and client money. These include requirements about how we keep records of your securities, and how we hold your securities. In simple terms, this means keeping your cash and assets separate to ours so we know exactly what belongs to you. This means that if we were to stop trading, your cash and assets could be returned to you:

- Stock – We register all customer stock we hold in the name of a nominee company. This is a non-trading company and the record of accounts clearly identifies which stock are held on behalf of customers.
- Cash – All client money held is held in bank accounts that are only used for holding client money. This clearly keeps client money accounts separate from accounts we use for our own money.

#### 3.3 Financial Services Compensation Scheme

If we stop trading and the segregation arrangements above didn't work, as explained in the Share Dealing Service terms and conditions, you may be able to make a claim under the UK Financial Services Compensation Scheme (“FSCS”) if we default on our obligations to you. Your right to claim under the FSCS is unaffected by whether you choose an ICS or OCS account.

### 3.4 How trades involving regular investments, corporate actions and dividend reinvestment are carried out

Regardless of which type of account you choose the shares we receive as a result of our regular investment service, a corporate action or our dividend reinvestment service will settle in our OCS account first. If you have an ICS account, your shares will be then transferred over to you. This means that there is a short period of time where your shares are pooled together with other customers and so could delay them being available to you or being transferred to your ICS in the event that something should happen to mean we can no longer operate as a service.

## 4. What are the differences between the types of account?

There are some differences between the two types of account you can choose. These include differences relating to:

- If there were any shortfalls in securities within the account, if we become insolvent and unable to act in order to remedy any shortfall
- Charges – when we open an account for you our standard process is to open an OCS. Standard charges apply for that account. An ICS account requires a greater amount of time to set up and service on an ongoing basis and so there are additional costs for this type of account. Both our standard charges and additional charges for the ICS service are detailed at the end of this document

We have set out more information below about each of these differences.

### 4.1 Insolvency

If we become insolvent, your entitlement to the investments held by us on your behalf will be unaffected. This is the case for both ICS and OCS. However, the way in which the investments are distributed may differ, especially if there is a shortfall. More information is set out below.

### 4.2 General information about insolvency

If we become insolvent, our insolvency proceedings should take place in England and be governed by English insolvency law. We are part of the Lloyds Banking Group, which means that we may also be subject to 'resolution proceedings', which are special procedures which apply to certain firms in the UK, including failing banks, under the Banking Act 2009.

Where we hold your investments and those investments are considered to be your property rather than our own (or someone else's property), they should be protected if we become subject to insolvency or resolution proceedings. This applies for investments which are held in an OCS or an ICS.

Investments held by us on your behalf, would not form part of our property on our insolvency for distribution to our creditors (provided that the investments remain your property and have not been transferred to us). Instead, the investments would be delivered back to you in accordance with the interests you held in those investments. It would therefore be unnecessary for you to make a claim in our insolvency for your investments unless there was a shortfall (see paragraph 4.3). Securities that we held for you would also not be subject to any 'bail in' process, which may be applied if we were to become subject to resolution proceedings. Bail-in refers to a process under which a bank's debts to its clients may be reduced or modified.

### 4.3 Shortfalls

#### What is a shortfall?

A shortfall occurs when we do not hold enough securities to be able to deliver to you all the securities which you are the beneficial owner of. If we were to become insolvent, this could result in fewer securities being returned to you than you were entitled to receive.

As explained above, we are subject to regulatory requirements relating to the safe

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custody of client assets and client money. These rules aim to protect your securities against a shortfall.

### **Why might a shortfall occur?**

As part of our regulatory obligations for safe custody of client money and client assets, we are required to take action to remedy any shortfall. However, we may be unable to take this action if we become subject to insolvency or resolution proceedings.

In these circumstances, a shortfall could happen for a number of reasons. For example, if there were market changes which impacted the value of the securities, or if a counterparty to a transaction defaulted. There are other reasons for a shortfall occurring in complex transactions undertaken by large institutional investors that we do not offer as part of our service to you.

You should seek financial or legal advice if you want to understand more about these types of risks.

### **What happens if there is a shortfall?**

If we become subject to insolvency or resolution proceedings and there is a shortfall, you could make a claim for the shortfall i.e. the difference between the number of securities recorded in your account and the number of securities you actually got back. You would rank as a general unsecured creditor in the insolvency. Unsecured creditors are only paid after the claims of secured creditors have been paid in the insolvency. In an insolvency, there is rarely enough money to pay all those owed money (because the business has less assets than liabilities). This means that you are exposed to the risk of our insolvency and you may not be able to recover all or part of any shortfall, if we become insolvent.

- If your securities were held in an ICS, you would bear the shortfall in that account. This means your loss would be the difference between the securities you were beneficially entitled to, and the securities which were held in that ICS account at the time of the insolvency.
- If your securities were held in an OCS, it is likely that any loss would be shared proportionally between you and the other investors with an interest in the OCS. This would require, among other things, referring to our books and records to determine the proportion of your loss. There may be a dispute in certain circumstances about how a particular shortfall should be shared between customers who have securities in that OCS account. It may take time to resolve such disputes and cost money.

#### 4.4 Charges

If you choose the ICS service then additional charges will apply on top of the standard charges that all customers pay. These costs are reflective of the additional time and effort taken to create and maintain the ICS for you.

The key charges are detailed below along with an example.

a. **ICS Service – additional charges**

Set Up charge – £1,000

This charge is reflective of the work involved to set up the ICS service for you and is therefore **non-refundable**.

Annual Charge – £6,500

b. **Plus, Standard Account charges. Key charges are detailed below:**

- £20 per half year for a Share Dealing Account or ISA
- £11 per online trade for your first 7 trades per quarter then £8 thereafter
- £35 per telephone trade
- Charges for other services can be found on our website at [lloydsbank.com/investing/ways-to-invest/share-dealing-services/charges](https://www.lloydsbank.com/investing/ways-to-invest/share-dealing-services/charges)

An example of all the charges you may pay as a user of the ICS service:

#### Ian the ICS User

Ian has opened a Lloyds Bank Share Dealing ISA and intends to trade periodically, clocking up one trade per quarter; he's decided to use the ICS service.

This year, Ian will pay:

Charge	Amount
ICS set up charge	£1,000.00
Share Dealing ISA Charge	£40.00 per year
ICS annual service charge (Charged each October and pro-rated from account opening)	£6,500.00 per year
Online dealing commission (4 trades x £11 each)	£44.00
Stamp duty (0.5% of £19,956 – his investments minus dealing commission)	£99.78
<b>Total</b>	<b>£7,683.78</b>

Ian's investments total £20,000, which means that his charges are 38.42% of this.

## Find out more

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 Go to [lloydsbank.com/investing](https://lloydsbank.com/investing)

 Call us on 0345 606 0560

If you'd like this in another format such as large print, Braille or audio please contact us.

If you have a hearing or speech impairment you can use Relay UK. On a smartphone, computer or tablet, you can call through the Relay UK app, our lines are open Monday to Friday, 9am to 8pm except on Public holidays where lines are open 9am to 5pm (closed Christmas day).

If you're deaf and a BSL user, you can use the SignVideo service at [lloydsbank.com/help-guidance/accessibility/signvideo](https://lloydsbank.com/help-guidance/accessibility/signvideo), Monday to Friday 9am to 5pm.

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### Important information

The Lloyds Bank Direct Investments Service is operated by Halifax Share Dealing Limited.

Halifax Share Dealing Limited. Registered in England and Wales No. 3195646. Registered Office: Trinity Road, Halifax, West Yorkshire HX1 2RG. Halifax Share Dealing Limited is authorised and regulated by the Financial Conduct Authority under Registration number 183332.

A Member of the London Stock Exchange and an HM Revenue & Customs Approved ISA Manager.

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Calls may be monitored or recorded in case we need to check we have carried out your instructions correctly and to help improve our quality of service.

Information correct as of October 2021.



**LLOYDS BANK**

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