



## ARTICLE 38(6) CSDR PARTICIPANT DISCLOSURE

### PART I

#### COMMON DISCLOSURE

##### 1. Introduction

The purpose of this document is to disclose the levels of protection associated with the different levels of segregation that Citibank N.A., acting directly through our head office in the United States or through one of our branches established in other jurisdictions (*we*), provides in respect of securities that we hold directly for clients with Central Securities Depositories within the EEA and the UK (*CSDs*), 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 (i) Article 38(6) of the EU Central Securities Depositories Regulation (*EU CSDR*) in relation to CSDs in the EEA and (ii) Article 38(6) of the UK Central Securities Depositories Regulation (*UK CSDR*) in relation to CSDs in the UK. References in this document to CSDR refer to EU CSDR and/or UK CSDR as the context so requires.

This disclosure is comprised of two Parts. The first Part contains information which will be relevant to clients regardless of whether they are contracting directly with us through our head office or one of our branches. The second Part contains information set out in the country annexes at the end of this document which will only be relevant to clients if they are contracting with us through one of our branches. Clients should refer to the relevant country annex for further information on the levels of segregation offered and treatment under applicable insolvency laws where they are dealing through one of our branches.

Under CSDR, the CSDs of which we are a direct participant (see glossary) have their own disclosure obligations and we include links to those disclosures in this document.

This document is not intended to constitute legal or other advice and should not be relied upon as such. Clients should seek their own legal advice if they require any guidance on the matters discussed in this document.

##### 2. Background

We record each client's individual entitlement to securities that we hold for that client in one or more client securities accounts established and maintained for such client in our own books and records pursuant to the terms of the custodial services agreement between the client and us. We also open accounts with the CSDs in which we hold clients' securities. We currently make two types of accounts with the CSDs available to clients: Individual Client Segregated Accounts (*ISAs*) and Omnibus Client Segregated Accounts (*OSAs*).

An ISA is used by us to hold the securities of a single client and therefore the client's securities are held by us in a CSD account which is separate from accounts used to hold the securities of other clients and our own proprietary securities.



An OSA is used by us 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 the CSD would not be affected by our insolvency, whether those securities were held in ISAs or OSAs.

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

#### ***Application of U.S. insolvency law***

As a U.S. insured depository institution, if we were to become insolvent or in certain other events, we would be subject to U.S. authority exercised by the FDIC, including its ability to institute U.S. resolution proceedings (see glossary) and, as receiver, act on our U.S. resolution plan (see glossary).

Under the provisions of law applicable to U.S. national banking associations (including requirements specified by the U.S. Office of the Comptroller of the Currency (*OCC*)) and the provisions of law applicable to national banks, structural risk mitigants which provide client protections include that client securities are not held on our balance sheet as our assets and client securities are required to be separately identifiable and fully segregated from our assets. Under the U.S. Federal Deposit Insurance Act and other applicable U.S. law with regard to insolvency, securities that we held on behalf of clients would not form part of our estate in resolution, would not be subject to the claims of our general creditors and would not be available to the FDIC, as receiver, for any purpose other than distribution to applicable clients or upon clients' instructions (except for transfer to a successor custodian appointed by the FDIC).

As a consequence, 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 held on behalf of clients would also not be subject to any authority of the FDIC, as receiver, which may be applied to us to limit or reduce any of our obligations in the implementation of our U.S. resolution plan.

#### ***Application of branch insolvency laws***

Our branches through which we participate in the relevant CSDs may also be subject to insolvency proceedings in the jurisdictions in which those branches are located. Such insolvency proceedings would be governed by local laws of those jurisdictions.

Under those local laws, securities that we held on behalf of clients would not form part of our estate on insolvency for distribution to creditors, subject to any security interest we may have and provided that they remained the property of the clients. Rather, they would be deliverable to clients in accordance with each client's proprietary interests 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 held on behalf of clients would also not be subject to any bail-in process (see glossary) in the United Kingdom, which may be applied to us if we were to become subject to UK resolution proceedings (see glossary). As of the date of this disclosure there is no bail-in process under Philippine law and securities that we held on behalf of clients through our Manila Branch would for that reason not be subject to any bail-in process in that jurisdiction.

Accordingly, where we hold securities in custody for clients and those securities are considered the property of those clients rather than our own property, they should be protected on our insolvency or resolution. This applies whether the securities are held in an OSA or an ISA.

#### *Nature of clients' interests*

Although our clients' securities are recorded in our name at the relevant CSD, we hold them on behalf of our clients, who are considered as a matter of law to have a beneficial ownership interest in those securities. This is in addition to any contractual right a client may have against us to have the securities delivered to them.

This applies both in the case of ISAs and OSAs. However, the nature of clients' interests in ISAs and OSAs is different. In relation to an ISA, each client is beneficially entitled to all of the securities held in the ISA attributable to that client. In the case of an OSA, as the securities are held collectively in a single account, each client is normally considered to have an undivided beneficial interest in all securities in the account proportionate to its holding of securities as recorded in our books and records.

Our books and records constitute evidence of our clients' beneficial interests in the securities. The ability to rely on such evidence would be particularly important on our insolvency and in the case of an OSA, since no records of individual clients' entitlements would be held by the relevant CSD.

We are subject to the OCC's supervisory guidance for the provision of custody services (*Custody Services Guidance*), the client asset rules in the UK and legal requirements applicable to us as a custodian of clients' securities in the Philippines (together the *CASS Rules*), which contain detailed requirements as to the maintenance of accurate books and records and the reconciliation of our records against those of the CSD with which accounts are held. We are also subject to regular examinations (in the US) and audits (in the branch jurisdictions) in respect of our compliance with those requirements. Subject to the maintenance of books and records in accordance with the Custody Services Guidance and the CASS Rules, clients should receive the same level of regulatory protection on insolvency from both ISAs and 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 would be different as between ISAs and OSAs (see further below).

#### *How a shortfall may arise*

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 obligation to reimburse the OSA for the securities used or borrowed.

Where we have been requested to settle a transaction for a client and that client has insufficient securities held with us to carry out that settlement, in the case of both an ISA and an OSA, we only carry out the settlement once the client has delivered to us the securities needed to meet the settlement obligation.

However, a shortfall could arise as a result of inadvertent administrative error or operational issues.

Nothing in this paragraph should be construed to override any obligation that the client owes us in respect of any irrevocable payment or delivery obligations (as these terms are defined in the custodial services agreement which we have in place with the client as amended or supplemented from time to time) which we incur in settling that client's trades.

#### *Treatment of a shortfall*

In the case of an ISA, 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 generally would be shared among the clients with an interest in the OSA, *pro rata* in accordance with the amounts of their respective interests. **Therefore, a client may be exposed to a shortfall even where securities have been lost in circumstances which are completely unrelated to that client.**

If a shortfall arose for which we are liable to clients, and we do not set aside our own cash or securities to cover the shortfall, the 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 (equal to the shortfall) would be borne by the client for whom the relevant account was held. If securities were held in an OSA, each of the clients with an interest in that account would bear a loss generally equal to the client's *pro rata* share of the shortfall.



In order to calculate clients' shares of any shortfall in respect of an OSA, each client's entitlement to securities held within that account 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.

### ***Security interests***

#### *Security interest granted to a third party other than a CSD*

Security interests granted over clients' securities (which for the avoidance of doubt must always be granted in accordance with the terms of the custodial services agreement and/or additional contractual agreements that we have in place with them) could have a different impact in the case of ISAs and OSAs.

Where the client purports to grant a security interest over its interest in securities held by us 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 from that account to all clients holding securities in the relevant account. However, in practice, we would expect that the beneficiary of a security interest 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 such CSD, with which it had no relationship. We would also expect the CSDs to refuse to recognise a claim asserted by anyone other than ourselves as account holder.

Furthermore, CASS Rules restrict the situations in which we may grant security interest over securities held in a client account.

#### *Security interest granted to CSD*

Whether or not the CSD may benefit from a security interest will be regulated by the CSD's own rules. Such rules may also regulate the CSD's approach to enforcement of such security interest. Should the CSD benefit from a security interest over securities held for a client, 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 the CSD and the security interest was enforced. This applies 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, the CASS Rules restrict the situations in which we may grant a security interest over securities held in a client account.



*Corporate actions*

Where securities are held in an ISA and the client is entitled to a fractional entitlement on a corporate action, it is possible that the client would not in practice benefit from that fractional entitlement. However, where securities are held in an OSA, fractional entitlements may be received on an aggregated basis and therefore it is more likely that the clients may be able to benefit from some or all of those fractional entitlements.

Our insolvency may also have an impact on our ability to collect any entitlements, such as dividends, due on clients' securities held in an ISA or OSA or exercise any voting rights in respect of those securities.

**4. CSD disclosures**

Where available, set out below are links to the disclosures which have been made by the CSDs in which we are participants as of the date of this document.

For those CSDs which have not yet prepared their disclosures, we have set out links to their websites where disclosures may be made available at a future date.

These disclosures have been provided by the relevant CSDs. We have not investigated or performed due diligence on the disclosures and clients rely on the CSD disclosures at their own risk.

<b>CSD Participant</b>	<b>Jurisdiction</b>	<b>CSDs</b>	<b>Links to CSD disclosures or websites</b>
Citibank N.A., Head Office	United States	Clearstream Banking SA	<a href="http://www.clearstream.com">http://www.clearstream.com</a>
		Euroclear Bank SA/NV	<a href="https://my.euroclear.com/apps/en/reference-search.html?q=eq:rights%20of%20participants&amp;entity=eq:ef:eui:eb&amp;limit=0">https://my.euroclear.com/apps/en/reference-search.html#q=eq:rights%20of%20participants&amp;entity=eq:ef:eui:eb&amp;limit=0</a>
Citibank N.A., Manila Branch	Philippines	Clearstream Banking SA	<a href="http://www.clearstream.com">http://www.clearstream.com</a>
Citibank N.A., London Branch	United Kingdom	Euroclear UK and Ireland LTD	<a href="https://my.euroclear.com/en/login.html#redirect=0">https://my.euroclear.com/en/login.html#redirect=0</a>



## GLOSSARY

***bail-in*** refers to the process under the Banking Act 2009 applicable to failing UK 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.

***EU Central Securities Depositories Regulation*** or ***EU CSDR*** refers to Regulation (EU) No 909/2014, which sets out rules applicable to EEA 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.

***FDIC*** means the U.S. Federal Deposit Insurance Corporation.

***UK Central Securities Depositories Regulation*** or ***EU CSDR*** refers to Regulation (EU) No 909/2014 as it forms part of domestic law of the United Kingdom by virtue of the European Union (Withdrawal) Act 2018 (as amended), which sets out rules applicable to UK CSDs and their participants.

***UK resolution proceedings*** are proceedings for the resolution of failing UK banks and investment firms under the Banking Act 2009.

***U.S. resolution proceedings*** are proceedings for the resolution of failing insured depository institutions under Sections 11 and 13 of the U.S. Federal Deposit Insurance Act.

***U.S. resolution plan*** means our resolution plan, commonly known as a living will, periodically submitted for approval to the FDIC pursuant to Part 360.10 of the FDIC's regulations, that describes our strategy for rapid and orderly resolution of our businesses (including, in whole or in part, continuation, reorganization, transfer or liquidation) in the event of our insolvency or similar event.





**PART II**  
**COUNTRY ANNEXES**

**1. Philippines - Citibank N.A., Manila Branch**

*Treatment of shortfall*

The risk of a shortfall arising is mitigated as a result of our obligation under the CASS Rules in the Philippines to set up allowances to cover potential losses.

*Security interest granted to a third party other than a CSD*

If the security interest is granted pursuant to a contract governed by Philippine law or the securities used as collateral are issued by a Philippine corporation, we would expect that the beneficiary of a security interest over client's securities would perfect its lien by requiring us to deliver the pledged securities to such beneficiary, or by registering a chattel mortgage over the securities with the appropriate register of deeds in the Philippines.

The CASS Rules in the Philippines also restrict the situations in which we may grant security interest over securities held in a client account.

**2. United Kingdom – Citibank N.A., London Branch**

*Treatment of shortfall*

The risk of a shortfall arising is mitigated as a result of our obligation under the CASS Rules in the United Kingdom in certain situations to set aside our own cash or securities to cover shortfalls identified during the process of reconciling our records with those of the CSD. The UK CASS Rules also require us to cover any shortfalls that may arise.

*Security interest granted to a third party other than a CSD*

The CASS Rules in the United Kingdom restrict the situations in which we may grant security interest over securities held in a client account.





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