

Dated: 18 December 2017

Citibank Europe Plc

Disclosure document relating to our conditions for clearing securities transactions

Throughout this document references to "Citi", "we", "our" and "us" are references to Citibank Europe plc.

As part of our obligations under MIFID II¹, as a general clearing member we are required to publish the conditions under which we offer our clearing services. This document sets out the conditions under which the Citi Direct Custody and Clearing business offers clearing services in respect of securities and contracts for difference (CFD) transactions.

1. Due diligence assessment of prospective clearing clients

We will conduct a due diligence assessment of each prospective clearing client, taking into account the nature, scale and complexity of the client's business. Each prospective client will be assessed against the following criteria (the "**Clearing Criteria**"):

- (a) credit strength, including any guarantees given;
- (b) internal risk control systems;
- (c) intended trading strategy;
- (d) payment systems and arrangements that enable the prospective clearing client to ensure a timely transfer of assets or cash as margin, as required by the Citi in relation to the clearing services Citi provides;
- (e) systems settings and access to information that helps the prospective clearing client to respect any maximum trading limit agreed with Citi;
- (f) any collateral provided to Citi by the prospective clearing client;
- (g) operational resources including technological interfaces and connectivity; and
- (h) any involvement of the prospective client in a breach of the rules ensuring the integrity of the financial markets, including involvement in market abuse, financial crime or money laundering activities.

2. Periodic reviews of clearing clients

In addition to any other monitoring we may perform, we are required periodically to repeat the review of our clearing clients against the Clearing Criteria. The clearing agreement will specify the frequency of this review and set out the consequences for the client if the Clearing Criteria cease to be met.

3. The clearing agreement

¹ Directive 2014/65/EU on markets in financial instruments (in particular Article 17(6) of MiFID II and Article 27(1) of Commission Delegated Regulation (EU) 2017/589)



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Where we are satisfied as a result of our initial due diligence assessment that a prospective clearing client is suitable and meets the Clearing Criteria, we will enter into a binding written agreement with the prospective clearing client setting out the essential rights and obligations arising from the provision of our clearing services.

The terms of our clearing agreements may vary depending on a number of factors, such as the scope of the clearing services to be provided, the nature and circumstances of the relevant client and the nature of any other services provided by Citi to the client. However, we will typically only agree to provide clearing services to a prospective client where the following matters are addressed in the clearing agreement:

- (a) The central counterparties ("CCPs") in respect of which Citi will provide the client with clearing services.
- (b) The clearing model(s) under which Citi will provide the client with clearing services. The market distinguishes two main types of clearing models: the "agency" model and the "principal-to-principal" model. Most of the CCPs we use adopt the "principal-to-principal" model and we will typically only provide clearing services under this model. For further information about the differences between these types of clearing models, please see our *EMIR Disclosure Document* at <https://www.citibank.com/mss/dcc/emir.html>
- (c) The client will comply with all laws, regulations and rules applicable to the client and/or its transactions, including the rules of the relevant CCP.
- (d) Appropriate trading and position limits must be put in place in respect of the client to mitigate and manage Citi's credit risk in relation to that client and the clearing services provided.
- (e) The client's obligations in respect of the posting of margin to Citi pursuant to the rules of the relevant CCP and any right Citi has to request from the client additional margin above the margin required by the CCP. The agreement should specify type(s) of collateral (securities and/or cash) that will be accepted by Citi and the basis upon which collateral is to be transferred to Citi. For cash collateral, this will typically be on a title transfer basis, whereby full ownership of the collateral is transferred to Citi.
- (f) Citi's obligations in respect of the return of cash margin. This will typically be when Citi has determined that the provision of cash margin is no longer necessary and any obligation Citi has to return cash margin posted by the client will be limited by and contingent on the return by relevant CCP of the related margin to Citi.
- (g) The terms of any security interests or rights of set-off granted by the client in favour of Citi in relation to the clearing services provided.
- (h) The circumstances under which Citi will be responsible for any loss or damage suffered by the client as a result of any act or failure of Citi to act in the performance of the clearing services.



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- (i) The terms of any indemnity provided by the client in favour of Citi in respect of any losses, costs, damages and expenses incurred by Citi in the performance of the clearing services.
- (j) Miscellaneous other contractual provisions which are typically contained in commercial contracts, such as representations and warranties, events of default, termination rights and governing law and jurisdiction.