



Introduction to CSDR requirements to offer the choice of segregated nominee accounts to Intermediary clients

1. What is CSDR?

The Central Securities Depositories Regulation (CSDR) in principle, is focused on improving securities settlement in the European Union (EU) and on central securities depositories is one of the key regulations adopted in the aftermath of the financial crisis.

It aims to:

- (i) increase the safety and efficiency of securities settlement and settlement infrastructures in the EU;
- (ii) harmonise the way Central Securities Depositories (CSDs) across EU operate;
- (iii) enhance the legal and operational conditions for cross-border settlement; and
- (iv) enhance the protection of the assets of CSD participants and those of their clients.

2. Choice of segregated client nominee account

As set out in Article 38 (5) of CSDR, RBC Brewin Dolphin (RBCBD) – as a CSD participant in the EEA at Euroclear UK and International and Euroclear Bank (EB), through which we hold the securities of your clients – is required to offer you the choice to hold your clients' securities in either an:

- a) omnibus client nominee account (also known as a pooled nominee):
where your clients' securities are recorded with the CSD separately from the holdings of RBCBD but together with the holdings of a number of other clients.

OR

- b) individual segregated client nominee account:
Your clients' securities are recorded with the CSD separately from the holdings of RBCBD and separately from the financial instruments of other clients.

Unless instructed by you or your client otherwise, RBCBD applies omnibus client segregation (option A above) as standard.

3. Laws and regulations to protect your assets

The Financial Conduct Authority Sourcebook on Client Assets is designed to establish strict and detailed requirements as to the maintenance of accurate books and records about client money and assets and the reconciliation of our records against those of the CSDs where accounts are held. These rules ensure that your clients will receive the same level of protection for their assets in respect of both omnibus and individual segregated accounts.

If RBCBD were to become insolvent, the legal proceedings would be governed by English law. Securities held in custody by RBCBD on your clients' behalf do not form part of RBCBD's estate, and would not be subject to distribution to creditors, therefore it would not be necessary for your clients to make a claim in case of RBCBD's insolvency as a general unsecured creditor in respect of those securities.

4. Information about the nominee account segregation options

The table on the next page summarises

- (i) the levels of protection;
- (ii) the risks and the benefits; and describes
- (iii) the main legal implications of the different levels of segregation options offered by RBCBD to you and your clients.

	TOPIC	OMNIBUS ACCOUNT	INDIVIDUAL ACCOUNT
ACCOUNT STRUCTURE	Account set up at RBCBD level	We record each of your client's individual entitlement to securities that we hold for that client in a separate client account in our books.	
	Account set up at CSD level	<p>We open accounts with CSDs in our own / in our nominee's name on a pooled basis in which we hold your clients' securities.</p> <p>This means that we hold the securities of a number of our clients on a collective basis. Our own proprietary securities are always held in a separate account at the CSD.</p>	<p>We open accounts with CSDs in our own / in our nominee's name on a single basis in which we hold your clients' securities.</p> <p>This means that we hold the securities of a single client and therefore the client's securities are held separately from the securities of other clients and our own proprietary securities.</p>
RISKS	Client beneficial interest	<p>All of your clients have a beneficial proprietary interest over the securities we hold for them under our name at the relevant CSD.</p> <p>However, in case of an omnibus account each of your clients is considered to have beneficial interest proportionate to their holdings in all of the securities in the account as the securities are held collectively.</p>	<p>All of your clients have a beneficial proprietary interest over the securities we hold for them under our name at the relevant CSD.</p> <p>However, in case of an individual account each of your clients is entitled to all of the securities held in that individual account at the CSD.</p>
	Delay in settlement	<p>Under an omnibus arrangement, due to the timing of transaction settlements, it is possible that a situation may arise where the assets held for one of your clients are temporarily used to meet the settlement obligations of another client for intraday settlement purposes.</p> <p>This could increase the risks to clients holding securities in the omnibus account as it makes it more likely that a shortfall in the account could arise as a result of the relevant client failing to meet its obligation to deliver the securities.</p>	<p>The individual account segregation would prevent the use of securities in that account for other clients and therefore any resulting shortfall.</p> <p>However, it also increases the risk of settlement failure which in turn may incur additional buy in costs or penalties and/or may delay settlement as we would be unable to settle where there are insufficient securities in the account.</p>
	RBCBD's shortfall due to administrative error, settlement defects, intraday movements, or counterparty default	<p>In case of an omnibus account the shortfall would be shared among the clients with an interest in the securities held in the account proportionate to their holdings.</p> <p>Therefore, a client may be exposed to a shortfall even where securities have been lost in circumstances which are completely unrelated to that client.</p>	<p>In the case of an individual account, the whole of any shortfall on that 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.</p> <p>Similarly, the client would not be exposed to a shortfall on an account held for another client or clients.</p>
	Insolvency of the CSD	<p>The failure of the CSD may also result in a detriment on the rights of your clients in relation to their securities. Rights and obligations of the CSD and RBCBD in that scenario is determined by the law of the country in which the CSD is located.</p> <p>The CSDs are also required by law to publish their information document about the account segregation options and the level of protection.</p>	

	TOPIC	OMNIBUS ACCOUNT	INDIVIDUAL ACCOUNT
OTHER RISKS	Corporate actions	<p>When your clients' investments are pooled they may not receive the same treatment or options when there is a corporate action or other event as they would if the investment were held in an individually segregated nominee account with a nominee company or custodian, or held in their own name.</p> <p>For example, following an allocation or share issue that favours the small investor, their allocation may be less than it otherwise would have been if their investments had been registered in their own name.</p>	<p>Where your clients' investments are held in an individually segregated nominee account, they may receive a more favourable allocation of shares than the individual investors following a distribution to those in a pool.</p> <p>For example, following an allocation or share issue that favours the small investor, their allocation may be more than it otherwise would have been if their investments had been registered as part of a larger pool.</p>
	Fractional entitlements	<p>Where our nominee company holds your clients' investments on a pooled basis, it will usually receive one allocation of shares or units for all of your clients using our nominee company who participate in an open offer, new issue, bonus, entitlement, rights issue or similar corporate action.</p> <p>The shares or units received by the nominee company will be allocated by us as follows: where the shares or units can only be transferred or registered in a whole number of shares or units, then we will allocate to your clients' accounts such number of shares or units rounded down to the nearest whole number that we calculate are due to them, using the relevant company's basis of allocation.</p>	<p>Where your clients have an individual segregated account, the shares, and any cash payment in respect of corporate actions, including fractional entitlements distributed by the relevant company will be posted to their account.</p> <p>However, where that distribution would result in fractional entitlement the issuer may round down the allocation to the nearest whole share. In that event the account holder will not benefit from any fractional distribution that may be available to accounts in the pooled nominee.</p>
COST	Cost	<p>Cost for holding securities in safekeeping in an omnibus account are included in the service charges that RBCBD applies for its services, so no additional cost will be incurred or charged.</p>	<p>Costs for holding securities in safekeeping in an individual account will carry considerable extra cost and be charged separately, per account, according to our Service and Charges document.</p> <p>These costs reflect the third-party costs applied by the CSDs for opening and maintain individual accounts and RBCBD's increased servicing cost.</p>
SCOPE	Instruments covered	<p>The service of omnibus account segregation is available for all type of instruments and at all CSDs in any jurisdiction.</p>	<p>The facility of an individual client segregated nominee account is only available for instruments issued in the EU and at CSDs located in the EU.</p> <p>Other instruments, including unit trusts, are out of scope and held on a pooled basis.</p>
<p>The above information is intended to serve as guidance and shall not constitute legal advice. We recommend your clients to seek legal advice to choose the appropriate account segregation option in case of any doubt.</p>			