

# Information Statement Relating To Risks in Connection with Title Transfer Collateral Arrangements (“TTCA”)

This Information Statement is provided for information purposes only and does not amend or supersede the express terms of any Transaction, Collateral Arrangement or any rights or obligations clients may have under applicable law, it does not create any rights or obligations, or otherwise affect any liabilities and obligations of clients or Credit Suisse.

## 1 Introduction

Credit Suisse endeavors to comply, when applicable, with Directive 2014/65/EU (“MIFID II”) requirements and, in doing so, is required to inform its clients classified as Professional Clients and/or Eligible Counterparties which enter into a TTCA of the risks involved and the effects of the TTCA on their financial instruments or cash.

This Statement has been prepared to comply with Article 6(3) of the MiFID II Delegated Directive (EU) 2017/593, and so, it does not address any other risks or consequences that may arise as a result of particular circumstances of clients or as a result of the terms of particular transactions.

This Statement is not intended to be, and should not be relied upon as, legal, financial, tax, accounting or any other type of advice, so clients should consult their own advisors for advice on consenting to a right of use of collateral provided under a TTCA or on concluding a TTCA, including on the possible impact on their business and the requirements of, and results of, entering into any transaction.

In this Information Statement:

- “The bank” refers to Credit Suisse as the party that conducts transactions with its clients (or, where Credit Suisse is acting on behalf of another person, including where that person is an affiliate, that person)
- “Clients”, “they”, “their” and “them” refer to each of the persons to which this Information Statement is addressed in connection with entering into, continuing, executing or agreeing upon the terms of a TTCA with Credit Suisse (or, where such a person is acting on behalf of other persons, each of those persons)

## 2 Risks and Consequences of a right of re-use

- a) Where clients provide financial instruments or cash to the bank under a TTCA or if the bank exercises a right of use in relation to any financial instruments or cash that clients have provided to the bank by way of collateral, the following risks and consequences need to be considered:
  - i. Those financial instruments or cash will not be held by the bank in accordance with client asset rules, and, if such financial instruments or cash had benefited from any client asset protection rights, those protection rights will not apply (for example, the financial instruments or cash will not be segregated from other bank assets and will not be held subject to a trust)
  - ii. In case the bank faces insolvency or default under the relevant agreement, the rights of clients, including any proprietary rights that they may have had, in those financial instruments or cash will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments or cash, subject to the terms of the relevant TTCA and applicable law and, accordingly, clients may not receive such equivalent financial instruments or cash, or recover the full value of the financial instruments or cash (although their exposure may be reduced to the extent that they have liabilities to the bank which can be set off or netted against or discharged by reference to the obligation

- of the bank to deliver equivalent financial instruments or cash to them)
- iii. In the event that a resolution authority exercises its powers under any relevant resolution regime in relation to the bank, any rights clients may have to take any action against the bank, such as to terminate the agreement, may be subject to a stay framework by the relevant resolution authority and:
    - a) The claim of clients for delivery of equivalent financial instruments or cash may be reduced (in part or in full) or converted into equity; or
    - b) A transfer of assets or liabilities may result in this claim on the bank, or the claim of the bank on its clients, being transferred to different entities although clients may be protected to the extent that the exercise of resolution powers is restricted by the availability of set-off or netting rights
  - iv. As a result of clients ceasing to have a proprietary interest in those financial instruments, they will not be entitled to exercise any attached voting, consent or similar rights, and even if the bank has agreed to exercise voting, consent or similar rights attached to any equivalent financial instruments in accordance with instructions from clients or the relevant TTCA entitles clients to notify the bank that the equivalent financial instruments to be delivered by the bank to them should reflect their instructions with respect to the subject matter of such vote, consent or exercise of rights, in the event that the bank does not hold and is not able to readily obtain equivalent financial instruments, the bank may not be able to comply with such instructions (subject to any other solution that may have been agreed between the parties)
  - v. In the event that the bank is not able to readily obtain equivalent financial instruments or cash to deliver to clients at the time required, these clients may be unable to fulfil their settlement obligations under a hedging or other transaction they have entered into in relation to those financial instruments or cash; a counterparty, exchange or other person may exercise a right to buy-in the relevant financial instruments; and clients may be unable to exercise rights or take other action in relation to those financial instruments or cash
  - vi. Subject to any express agreement between the bank and its clients, the bank will have no obligation to inform them of any corporate events or actions in relation to those financial instruments
  - vii. Clients will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to those financial instruments or cash, although the express written terms of the relevant TTCA or transaction may provide for them to receive or be credited with a payment by reference to such dividend, coupon or other payment (a "manufactured payment")
  - viii. The provision of title transfer collateral to the bank, the exercise of a right of use by the bank in respect of any financial collateral provided by clients and the delivery by the bank to such clients of equivalent financial instruments may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by them or by the bank for their account of those financial instruments or cash
  - ix. Where clients receive or are credited with a manufactured payment, their tax treatment may differ in respect of the original dividend, coupon or other payment in relation to those financial instruments or cash
  - b) Where the bank provides clients with clearing services (whether directly as a clearing member or otherwise), the following additional risks and consequences need to be considered:
    - i. If the bank is declared to be in default by a central counterparty ("CCP"), the CCP will try to transfer ("port") the transactions and assets of clients to another clearing broker or, if this cannot be achieved, the CCP may terminate their transactions
    - ii. In the event that other parties in the clearing structure default (e.g., a CCP, a custodian, settlement agent or any clearing broker that the bank may instruct), clients may not receive all of their assets back and their rights may differ depending on the law of the country in which the party is incorporated and the specific protections that such party has put in place
    - iii. In some cases a CCP may benefit from legislation which protects actions it may take under its default rules in relation to a defaulting clearing member (e.g., to port transactions and related assets) from being challenged under relevant insolvency law

## Appendix 1: Defined Terms

**“Financial instrument”** means the instruments set out in Section C of Annex I to Directive 2014/65/EU on markets in financial instruments, and includes without limitation:

- 1) Transferable securities
- 2) Money-market instruments
- 3) Units in collective investment undertakings

**“Title transfer collateral arrangement”** means an arrangement, including repurchase agreements, under which a collateral provider transfers full ownership of financial collateral to a collateral taker for the purpose of securing or otherwise covering the performance of relevant financial obligations.