

Client Asset Key Information Document ("CAKID")

Citibank Europe plc

1. Introduction

When providing investment services to you as our client, Citibank Europe Plc ("we", "our" or "us") may, in certain instances, be entrusted to keep your assets safe and secure.

2. Why are we sharing this information with you?

We have a regulatory obligation to provide you with a Client Assets Key Information Document ("CAKID") that:

- a) explains certain key features of the regulations that apply to the safeguarding of your assets;
- b) outlines information on the arrangements in place to ensure that your assets are protected; and
- c) highlights certain risks relating to your arrangements with us.

3. What client asset regime applies?

We are authorised by the Central Bank of Ireland (the "CBI") and are supervised by the CBI and the European Central Bank.

Effective 1 January 2024, we will be subject to certain requirements under Part 6 of the Central Bank (Supervision and Enforcement) Act 2013 (Section 48(1)) (Investment Firms) Regulations 2023¹ ("CAR 2023"). The CBI has published guidance, including an addendum, on the interpretation of CAR 2023² (the "Client Asset Guidance").

We are also subject to rules relating to the safeguarding of client assets which are set out under the Markets in Financial Instruments Directive (EU Directive 2014/65)³ ("MiFID II") and relevant delegated regulations. MiFID II was transposed into Irish law by the European Union (Markets in Financial Instruments) Regulations 2017⁴ (the "Irish MiFID II Regulations").

In this CAKID, CAR 2023 and the client asset rules under MiFID II and the Irish MiFID II Regulations are referred to collectively as the "Client Asset Requirements".

4. What are the key features and protections of the Client Asset Requirements?

The purpose of the Client Asset Requirements is to regulate and safeguard the handling of client assets to enable swift and safe return of these assets to clients.

The key features and protections of the Client Asset Requirements are that:

- a) client assets are segregated from a firms' own assets through the holding of client assets in designated client asset accounts and/or in client asset accounts open with relevant third parties;
- b) firms ensure the accuracy of both their records and those of the institutions holding the client assets through regular reviews and daily calculations;
- c) firms inform clients of the firm's client asset arrangements and, where relevant, obtain consent from clients to the manner in which client assets are held; and
- d) firms have appropriate risk management processes and systems in place (including documented policies and procedures) to meet the principles of the Client Asset Requirements.

While the Client Asset Requirements seek to safeguard your ownership of your assets, they do not seek to protect the inherent value of those assets.

5. What are client assets under the Client Asset Requirements?

Client assets include both "client financial instruments" and "client funds".

Client financial instruments are any financial assets (other than cash) which we, or a third party or nominee, may hold on your behalf. This includes, for example, shares, bonds and units held in collective investment schemes.

Client funds: means all cash in any currency, which you are beneficially entitled to, held for or payable to you by us or a third party.

Note: In the ordinary course of business, we do not hold client funds. We act as a banker and hold your cash as a deposit and not as client funds under the Client Asset Requirements. The only exception is if a shortfall is identified in your client financial instruments. If this happens, we will segregate an equivalent amount of funds from our own monies to cover the shortfall and we will treat that equivalent amount of funds as client funds under the Client Asset Requirements.

¹ <https://www.centralbank.ie/regulation/industry-market-sectors/client-assets/client-assets-legislation>

² <https://www.centralbank.ie/regulation/industry-market-sectors/client-assets/regulatory-requirements-and-guidance>

³ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX%3A32014L0065&qid=1678198042449>

⁴ <https://www.irishstatutebook.ie/eli/2017/si/375/made/en/print>

6. When do the Client Asset Requirements apply?

The Client Asset Requirements apply where we receive and hold client funds and client financial instruments that have been entrusted to us (or our nominee), and where we have the capacity to effect transactions over those assets.

The Client Asset Requirements apply:

- a) to financial instruments that have been received in respect of activities which are regulated financial services, including the advisory, managed investments and execution only services we offer;
- b) to client funds where we set aside our own funds to cover any shortfall events related to any client financial instruments.

The Client Asset Requirements do not apply:

- a) where we have received funds and those funds are held as banking deposit by us in accordance with Directive 2013/36/EU ("Capital Requirements Directive") and not under the Client Asset Requirements;
- b) where you have transferred full ownership of funds or financial instruments to us or another party to cover or secure present or future, actual, contingent or prospective obligations;
- c) where we receive an instruction from you to deliver financial instruments to you, or to a third party on your behalf, and we transmit that to you or to the third party;
- d) to financial instruments/funds that are due and payable to us in accordance with our terms of business;
- e) where you have your own separate custody arrangements and/or you hold your own financial instruments; and
- f) where the assets relate exclusively to activities which are not regulated financial services or where the asset is not a regulated financial instrument.

7. When do client assets cease to be client assets?

Client assets cease to be client assets where:

- a) they are paid, or transferred, to you, either directly or into an account in your name with a third party (not being an account which is also in our name); or
- b) where they are paid, or transferred, to a third party on your instructions and are no longer under our control. Acting in accordance with the terms of an agreement or the completion of an order or request to transfer will be considered to be a request from you to pay the client assets to the relevant third party.

8. Who holds my cash/funds and how?

Generally, we hold all cash as a deposit under the Capital Requirements Directive. Where your cash is held in this manner, it is held subject to the Irish Deposit Guarantee Scheme⁵ and you will receive a separate communication from us titled "Depositor Information Sheet".

In rare circumstances, we may hold client funds in pooled client asset accounts with third parties. Further information about the third parties we use is set out on our website <https://www.privatebank.citibank.com/tax-compliance-and-regulatory-information>.

Client funds are protected by the detailed rules laid out in the Client Asset Requirements, including obligations relating to the segregation of client funds from the firm's funds, accurate record keeping, regular reconciliations between the firm's records and the records of the third party holding them, and obligations to perform due diligence on any third parties. Where assets are to be held outside of Ireland or to be held in a pooled client asset account, specific client consents are obtained and these are reflected in our terms and conditions.

9. Who holds my financial instruments and how?

We deposit client financial instruments with two third party sub-custodians (Citibank (Switzerland) AG ("CIBS") and Allfunds Bank International, S.A. ("Allfunds")) outside Ireland. We have entered into sub-custody agreements with CIBS and Allfunds. The sub-custody agreements cover holding physical/dematerialised client assets and performing clearing, settlement, safe custody, and other associated services.

All client assets are held in an omnibus account with CIBS and the account is clearly designated as a "Client Asset Account" in both our internal records and the records of CIBS. CIBS is regulated by the Swiss Financial Market Supervisory Authority ("FINMA") and client assets are protected under Switzerland's client assets rules.

All client assets are held in a segregated account with Allfunds and the underlying account is in the name of the client and is clearly designated as a "Client Asset Account" in both our internal records and the records of Allfunds. Allfunds is regulated by the Spanish regulators; Bank of Spain and Comisión Nacional del Mercado de Valores ("CNMV") and client assets are protected under Spanish client assets rules. This ensures in the event of insolvency the assets are ring fenced and protected.

We perform annual due diligence on both CIBS and Allfunds. The due diligence considers things such as credit rating, capital requirements, financial strength and control environments. Both CIBS and Allfunds are independent of us, though CIBS is an affiliated entity of ours.

Client financial instruments which comprise of Guaranteed Money Market Notes are held in the client's name with the issuer.

For all client financial instruments, we maintain client specific records in books and records where client assets accounts are clearly designated as client assets.

⁵ <https://www.depositguarantee.ie/>

10. Are my funds protected by an Investor Compensation Scheme in Ireland?

We are a member of the Irish Investor Compensation Scheme which provides compensation to eligible investors should we become insolvent. Full details of the Investor Compensation Scheme are available on www.investorcompensation.ie.

11. How do we perform initial/ongoing assessment on third-party banks and custodians?

At the time of selection, we undertake an assessment of the relevant sub-custodian or third party. We perform further assessments annually. The initial and annual assessments, at minimum, cover the following points:

- a) the sub-custodian/institution's credit rating (where available);
- b) known service levels for the sub-custodian/institution (where we have past experience with them);
- c) whether the sub-custodian/institution is independent of us; and/or
- d) what clients' rights would be in the event of insolvency of the sub-custodian/institution.

Once an institution has been selected to hold client assets, a separate agreement is entered into with the institution. This agreement includes provisions required by CAR 2023 which governs the protection of your assets. No client assets will be lodged with the sub-custodian/third party prior to receipt of the agreement.

Where the sub-custodian/third party is not in the same jurisdiction as us, we pay particular attention to whether that jurisdiction has established an equivalent scheme to the Irish Deposit Guarantee Scheme and the Irish Investor Compensation Scheme. If a custodian or credit institution becomes insolvent, you may not receive back all or any of the assets or funds that that custodian or credit institution holds on your behalf.

12. What risks are associated with how my cash and financial instruments are held?

Although the purpose of the Client Assets Requirements is to regulate and safeguard client assets, it is never possible to fully eliminate all risks to client assets. The principal risks associated with holding your assets in this manner include exposures relating to:

- a) Misuse/loss of client financial instrument and /or client funds.
- b) Inaccurate/incomplete records due to administrative errors, e.g. failure to process corporate action events/trades.
- c) We or our nominees or an appointed sub-custodian/third party goes into liquidation.
- d) Loss/misappropriation of your assets due to negligence/fraud of our employees or the employees of the third party institution holding your assets.

e) We hold clients' assets in omnibus/pooled account at the sub-custodian/third party where client assets of more than one client are held in one account. The risks associated with this arrangement are:

- i. Assets held for one client could be used to settle obligations for another client.
- ii. In the event of an irreconcilable shortfall, clients may not receive their full entitlement and may share in the shortfall in proportion to their original share, or on some other basis in accordance with the applicable law.
- iii. You may not receive the same treatment or options when there is a corporate action or other event as you would if the investment were held in a separately designated account with a nominee company or custodian, or if held in your own name.
- iv. Investing in overseas securities may give rise to different settlement, legal and regulatory requirements from those in Ireland or the European Economic Area ("EEA") and different practices for the separate identification of investments. This means that your protection may be less should a default occur on the part of the custodian or sub-custodian. In certain jurisdictions where different laws/regulations apply, your investments will not necessarily be separately identifiable and may be subject to third party claims made against the relevant custodian or sub-custodian.

- f) All risks referred in a) to e) could also materialise in the event of insolvency.

We minimise these risks by:

- a) Undertaking risk assessments/due diligence of the sub-custodian/third parties with whom your assets are held.
- b) Having written confirmation from the sub-custodian/third parties in the form of an agreement prescribed by CAR 2023, that your assets will be segregated from the firm's own assets and will be held in a separately designated "Client Asset Account".
- c) Undertaking regular reconciliations of our client assets records with those of the sub-custodians/third parties and following up any differences in a timely manner.
- d) As regards to any funds in the shortfall account, undertaking daily calculations of such funds as per our records against the shortfall amount held with the bank or credit institution.
- e) Undertaking monthly calculations of the client financial instruments held for clients as per our records with the client financial instruments that should be held with the sub-custodian/third party.
- f) Ensuring instructions on your account are passed to the sub-custodian/third parties by appropriately authorised members of staff.
- g) Ensuring financial instruments are registered and designated as per the Client Asset Requirements.
- h) Maintaining documented procedures and controls to minimise the risk of loss for clients.

13. What are our governance arrangements?

We have in place adequate policies, procedures and controls designed to comply with the provisions of the Client Asset Requirements. We monitor and evaluate the adequacy and effectiveness of systems, internal control mechanisms and arrangements established, and ensure they are implemented and maintained in accordance with the Client Asset Requirements. We also take appropriate measures to address any deficiencies.

We have a comprehensive system of internal controls, policies and procedures that are evaluated for adequacy and effectiveness. In addition to external oversight of our control framework from such parties as our external auditors and the CBI, we have in place independent control functions that oversee the financial and operational controls in place. These are our Client Asset & Depositor Protection Oversight office, Independent Risk Management, Independent Compliance Risk Management, and Internal Audit:

- a) **Client Asset & Depositor Protection Oversight office ("CA&DPO"):** The CA&DPO team oversees and assesses the risks and controls with regard to our client asset processes. The 'Head of Client Asset Oversight' ("HCAO") is a pre-approved function under the fitness and probity regulatory regime and leads this function.

b) **Independent Risk Management Function:** is an independent control function responsible for independently identifying, measuring, monitoring and reporting aggregate risks and setting standards for the management and oversight of risk.

c) **Independent Compliance Risk Management Function:** is an independent control function responsible for monitoring and assessing our compliance with our legal and regulatory requirements.

d) **Independent Internal Audit function:** is an independent control function which has established, implemented and maintains an audit plan to examine and evaluate our internal systems, controls and arrangements.

There is strict segregation of duties between the product and operational function areas, with client asset oversight conducted by the HCAO.

Citibank Europe plc, Luxembourg Branch, registered with the Luxembourg Trade and Companies Register under number B 200204, is a branch of Citibank Europe plc. It is subject to the joint supervision of the European Central bank and the Central Bank of Ireland. It is furthermore subject to limited regulation by the Commission de Surveillance du Secateur Financier (the CSSF) in its role as host Member State authority and registered with the CSSF under number B00000395. Its business office is at 31, Z.A. Bourmicht, 8070 Bertrange, Grand Duchy of Luxembourg.

Citibank Europe plc is regulated by the Central Bank of Ireland. It appears on the Central Bank register with reference number C26553 and supervised by the European Central Bank. Its registered office is at 1 North Wall Quay, Dublin 1, Ireland. Citibank Europe plc is registered in Ireland with company registration number 132781. It is regulated by the Central Bank of Ireland under reference number C26553.

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