



## **CUSTODY MODULE FOR RETAIL CLIENTS**

### **1. SCOPE**

- 1.1 ***Appointment of Custodian:*** You agree that we act as custodian of your assets which we may from time to time safeguard and administer under this Agreement.
- 1.2 ***Types of accounts:*** We shall open in your name one or more custody accounts recording any shares, stocks, debentures, bonds, securities, or other similar property (including evidence of or title to securities and all rights in respect of securities) deposited or transferred by you or on your behalf with or to us or our sub-custodian or collected by us or our sub-custodian for your account ("**Custody Assets**"). We at all times reserve the right to reverse any provisional or erroneous entries (including reversals necessary to reflect adjustments by our sub-custodian to its records as a result of bad deliveries) to the custody accounts with effect back-valued to the date upon which the final or correct entry (or no entry) should have been made.

### **2. ARRANGEMENTS FOR CUSTODY**

- 2.1 ***Registration:*** Custody Assets which are in registrable form may be registered in your name, in the name of a nominee company, in the name of a third party or in our name.
- 2.2 ***Statements:*** You are entitled to request at any time a statement of Custody Assets held by us for you under this Agreement. You agree that for the provision of any such statement we may charge you such amount as we determine to be a commercial cost for providing such statement.

### **3. SUB-CUSTODIANS**

- 3.1 ***Use of Third Parties:*** We may from time to time delegate to sub-custodians, nominees, agents, depositories, clearing houses and clearing systems inside or outside the United Kingdom, which may include entities within the same group as us, any of our duties under these custody terms including (without limitation) the safekeeping of the Custody Assets (together "**Third Parties**"). We are not liable for the acts or omissions or insolvency of any Third Party, except that we accept responsibility to you for any nominee company controlled by us, or controlled by any of our affiliates, to the extent required by the FCA Rules. Consequently, if a Third Party becomes insolvent, there may (except to the extent stated in the preceding sentence) be some risk to your Custody Assets if all or part of your Custody Assets held by such Third Party are not delivered to our order by the Third Party's insolvency official.
- 3.2 ***Custody Assets held by Third Parties:*** Your Custody Assets may be held overseas by a third party on our behalf. Furthermore:

- (a) Your Custody Assets may be held in an omnibus account by the third party, and there is a risk that your Custody Assets could be withdrawn or used to meet obligations of other persons, or that the balance of assets held by the third party does not reconcile with the quantity which the third party is required to hold, and you may not in such circumstances receive your full entitlement of Custody Assets;
- (b) In some jurisdictions it may not be possible to identify separately the Custody Assets which a third party holds for clients from those which it holds for itself or for us, and there is a risk that your Custody Assets could be withdrawn or used to meet the obligations of the third party, or lost altogether if the third party becomes insolvent;
- (c) Legal and regulatory requirements may be different from those applying in the United Kingdom particularly where an account containing your Custody Assets is subject to the laws of a non-EEA jurisdiction.

3.3 ***Liens and set-off rights:*** Where any of your Custody Assets are held with a Third Party (including a depository), such Third Party (or any person to whom the holding of your Custody Assets is delegated) may have a security interest, lien, right of set-off, or similar rights over your Custody Assets. Where your Custody Assets are held by a Third Party (or any person to whom the holding of your Custody Assets is delegated), and such Third Party or other person has a security interest, lien, right of set-off, or similar rights over your Custody Assets, you are exposed to the risk that such Third Party or other person may exercise such rights over your Custody Assets and reduce the amount of your Custody Assets even where you have not breached any of your obligations under this Agreement.

3.4 ***Third Parties in Non-EEA States:*** We may use a Third Party in a country which is not an EEA state and where the holding and safekeeping of financial instruments is not regulated. We will only do so when the nature of the Custody Assets or of the services provided to you connected with those Custody Assets requires them to be deposited with such a Third Party.

#### 4. INSTRUCTIONS

4.1 ***Authorised Persons:*** You shall provide us with a list of the officers, employees or agents who are authorised, either alone or with others, to act on your behalf in the giving of Instructions (as defined below) and performance of any other acts, discretions or duties under these custody terms ("**Authorised Person(s)**") together with specimens of their signatures if written instructions are to be given. We shall be entitled to rely upon the continued authority of an Authorised Person for those purposes until we receive notice from you to the contrary.

4.2 ***Instructions:*** Notwithstanding any agreement between you and us, we may act upon instructions ("**Instructions**") in respect of the safe custody service provided by us to you under these custody terms from an Authorised Person received by us via telephone, telex, facsimile transmission or other teleprocess or electronic instruction system acceptable to us and transmitted with such testing or authentication as we may specify. Instructions shall continue in full force and effect until cancelled or superseded. If any instructions are received by us by telephone you shall confirm

them before the close of business on the same day by another method acceptable to us. We shall be authorised to follow Instructions notwithstanding your failure to confirm them in writing.

- 4.3 ***Acting on Instructions:*** We may in our absolute discretion refuse to act on Instructions. If any Instructions are incomplete, unclear, ambiguous, and/or in conflict with others we may in our absolute discretion and without any liability on our part, act upon what we believe in good faith them to be or refuse to act on them until any incompleteness, unclarity, ambiguity or conflict has been resolved to our satisfaction. Any Instruction shall be conclusively deemed to be a valid Instruction from you to us if we believe it to be genuine. You are responsible for any loss, claim or expense incurred by us for following or attempting to follow any Instructions.
- 4.4 ***Actions not requiring Instructions:*** You agree that we may without any further Instructions from you carry out the following actions relating to the Custody Assets:
- (a) collect and receive, for your account, any payments (whether income or capital) and distributions in respect of the Custody Assets, and take any action necessary and proper in connection with them, including (without limitation) the presentation of coupons and other interest items, the endorsement for collection of cheques, drafts and other negotiable instruments and the deduction or withholding of any sum on account of any tax (i) required (or which in our view is required) to be so deducted or withheld or (ii) for which we are, in relation to your account, liable or accountable by law or practice of any relevant revenue authority of any jurisdiction;
  - (b) execute in your name such ownership and other certificates as may be required to obtain payment in respect of the Custody Assets; and
  - (c) exchange interim or temporary documents of title to Custody Assets for definitive ones.

## 5. SCOPE OF OUR RESPONSIBILITY

- 5.1 ***Dividends and other income:*** We shall as soon as reasonably practicable pay to you all dividends, interest payments or other entitlements accruing to you in relation to the Custody Assets, subject to deductions and to the exercise of any of our rights under these custody terms.
- 5.2 ***Corporate actions:*** Provided we receive the relevant information, we will use reasonable endeavours to notify you of all matters in respect of which you have voting rights and of all calls for redemption, grants or expirations of conversion rights, takeovers, grants or expirations of subscription rights, mergers, offers, consolidations, reorganisations and capitalisations or such other corporate actions or any other administrative or supervisory matters affecting the Custody Assets. Unless otherwise agreed with you in writing, we will not take any action in relation to such matters except in accordance with Instructions.

## 6. LIEN

- 6.1 **General lien over Custody Assets:** In addition to any general lien or other rights to which we may be entitled under any applicable law, we shall have a general lien over the Custody Assets until the satisfaction of all liabilities and obligations (whether actual or contingent) owed by you to us (whether under these custody terms or otherwise). The lien is a continuing security regardless of any intermediate payment or settlement of account.
- 6.2 **Realising Custody Assets:** If you fail to pay any sum or liability you owe to us, we are entitled at any time, without notice to you and without prejudice to any other right or remedy which we may have, to sell all or any of the Custody Assets in such manner and at such price as we may deem expedient without being responsible for any loss and to apply the net proceeds thereof in or towards payment or discharge of any sum or liability as we may think fit. The restrictions contained in Sections 93 and 103 of the Law of Property Act 1925 shall not apply to these custody terms or to any exercise by us of our power of sale.
- 6.3 **Further Assurance:** You agree to execute such further documents and to take such further steps as we may reasonably require to perfect our security interest over, be registered as owner of or obtain legal title to Custody Assets, secure further liabilities and obligations (whether actual or contingent) owed by you to us and enable us to exercise our rights.

## 7. SECURITIES LENDING AND OTHER USE OF CUSTODY ASSETS

- 7.1 **Authority to lend:** You agree that we may use your Custody Assets for the purposes of any Securities Loan to us, to an Affiliated Company, to another client of ours, or to a third party. Where we arrange a Securities Loan in respect of your Custody Assets, full title and ownership to the assets lent will be transferred to the borrower free and clear of any liens, claims, charges or encumbrances or any other interest of yours or any third party. You will no longer have a proprietary claim to such Custody Assets and the borrower shall, accordingly, have the right to deal with them in its own right. You will have a right to redelivery of equivalent assets, but these will not be identical to the assets lent. For these purposes "**Securities Loan**" means a loan or borrowing of securities, and includes sale-and-repurchase (repo) transactions, a reverse repo, a buy/sell-back and a sell/buy back.
- 7.2 **Authority to use:** We may not use your Custody Assets for other purposes other than a Securities Loan.
- 7.3 **Borrowers:** Securities Loans shall be entered into with any of a list of borrowers selected by you. We do not accept liability for the default of any borrower.
- 7.4 **Terms and conditions:** Securities Loans shall be documented on market standard documentation. You authorise us to negotiate and execute such documentation on your behalf. We shall require that cash or securities collateral is provided to us, for your benefit, in respect of each Securities Loan, including where we ourselves act as borrower. You do not require us to provide collateral from our own resources where the value of collateral provided to us falls below that of the lent Custody Assets, except where we ourselves are borrower.

## 8. DVP EXEMPTION

8.1 **DVP exemption:** You agree that assets will not be treated as Custody Assets in respect of any delivery versus payment transactions that we settle through a Commercial Settlement System (in our capacity as a direct member or participant of such Commercial Settlement System or where we are sponsored by such a direct member or participant), if:

(a) in respect of a purchase, we intend the asset in question to be due to you within one business day following the fulfilment of your payment obligation to us; or

(b) in respect of a sale, we intend the asset in question to be due to us within one business day following the fulfilment of our payment obligation to you,

(the “**DVP exemption**”), provided that we will stop using the DVP exemption in respect of any particular transaction if the relevant payment or delivery by us to you has not occurred by the close of business on the third business day following the date on which we make use of the DVP exemption in respect of that transaction.

## 9. UNCLAIMED CUSTODY ASSETS

9.1 **Unclaimed Custody Assets:** You agree that we may, in our sole discretion, decide to (i) liquidate any unclaimed Custody Asset at market value, and pay away the proceeds, or (ii) pay away any such unclaimed Custody Asset, in either case to a registered charity of our choice if we have held the relevant Custody Asset for at least twelve years; in the twelve years preceding the divestment of that Custody Asset we have not received instructions relating to any Custody Asset from you or on your behalf; and we have been unable to contact you having taken reasonable steps in accordance with the Custody Rules to trace you and return the Custody Asset, in which case we shall cease to treat such assets as Custody Assets. In such circumstances, we (or a member of our group) will unconditionally undertake to pay you a sum equal to the value of the Custody Asset at the time it was liquidated or paid away in the event that you seek to claim the Custody Asset in future.