

CLEAR STREET
INFORMATION STATEMENT RELATING TO RISKS IN CONNECTION WITH TITLE TRANSFER
COLLATERAL ARRANGEMENTS ("INFORMATION STATEMENT")

This Information Statement is published by Clear Street UK Limited ("**we**", "**us**" or "**our**") and is relevant if you have entered into, or may in future enter into, a title transfer collateral arrangement or TTCA (as defined below) during the course of your relationship with us.

This Information Statement is provided for information purposes only and does not amend or supersede the express terms of any transaction or agreement between us, or any rights or obligations you may have under applicable law, create any rights or obligations, or otherwise affect your or our liabilities and obligations.

1. INTRODUCTION

This Information Statement has been prepared to comply with the FCA Rules (as defined below) in relation to client money and custody assets by informing you of the risks involved and the effects of any title transfer collateral arrangement with respect to money or non-cash assets belonging to you ("**TTCA Risks**").¹ This Information Statement relates only to TTCA Risks and does not address any other risks or consequences that may arise as a result of your particular circumstances or as a result of the terms of a particular transaction or agreement.

Separately, we have provided you with specific information and disclosures in relation to securities financing transactions and a general description of the nature and risks of the products and services we offer. These details will be updated on our website.

This Information Statement is not intended to be, and should not be relied upon as, legal, financial, tax, accounting or other advice. Unless otherwise expressly agreed in writing, we are not providing you with any such legal, financial, tax, accounting or other advice and you should consult your own advisors for advice on concluding a title transfer collateral arrangement, including the impact on your business and the requirements of, and results of, entering any related transaction or agreement.

2. TTCA RISKS

Where full ownership in your cash or non-cash assets is transferred by you to us under a title transfer collateral arrangement ("**Relevant Assets**"), we draw your attention to the following TTCA Risks:

your rights, including any proprietary rights that you may have had, in those Relevant Assets will be replaced by an unsecured contractual claim for delivery of equivalent cash or non-cash assets subject to the terms of the relevant TTCA;

those Relevant Assets will not be held by us in accordance with client money or client asset rules, and, if they had benefited from any client money or client asset protection rights, those protection rights will not apply (for example, the Relevant Assets will not be segregated from our assets and will not be held subject to a trust);

in the event of our insolvency or default under the relevant transaction or agreement your claim against us for delivery of equivalent cash or non-cash assets will not be secured and will be subject to the terms of the relevant TTCA and applicable law and, accordingly, you may not receive such equivalent cash or non-cash assets or recover the full value of the Relevant Assets (although your

¹ Specifically, CASS 6.1.6D R and CASS 7.11.4A R, Client Assets sourcebook, FCA Handbook.

exposure may be reduced to the extent that you have liabilities to us which can be set off or netted against or discharged by reference to our obligation to deliver equivalent cash or non-cash assets to you);

in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to us, any rights you may have to take any action against us, such as to terminate our agreement, may be subject to a stay by the relevant resolution authority and:

your claim for delivery of equivalent cash or non-cash assets may be reduced (in part or in full) or converted into equity; or

a transfer of assets or liabilities may result in your claim on us, or our claim on you, being transferred to different entities,

although you may be protected to the extent that the exercise of resolution powers is restricted by the availability of set-off or netting rights;

as a result of your ceasing to have a proprietary interest in those Relevant Assets you will not be entitled to exercise any voting, consent or similar rights attached to the Relevant Assets, and even if we have agreed to exercise voting, consent or similar rights attached to any equivalent assets in accordance with your instructions or the relevant TTCA entitles you to notify us that the equivalent assets to be delivered by us to you should reflect your instructions with respect to the subject matter of such vote, consent or exercise of rights, in the event that we do not hold and are not able to readily obtain equivalent assets, we may not be able to comply (subject to any other solution that may have been agreed between the parties);

in the event that we are not able to readily obtain equivalent assets to deliver to you at the time required: you may be unable to fulfil your settlement obligations under a hedging or other transaction you have entered into in relation to those Relevant Assets; a counterparty, exchange or other person may exercise a right to buy-in the Relevant Assets; and you may be unable to exercise rights or take other action in relation to those Relevant Assets;

subject to any express agreement between you and us, we will have no obligation to inform you of any corporate events or actions in relation to those Relevant Assets;

you 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 Relevant Assets, although the express written terms of the relevant TTCA may provide for you to receive or be credited with a payment by reference to such dividend, coupon or other payment (a “**manufactured payment**”);

a TTCA in respect of any Relevant Assets and the delivery by us to you of equivalent assets may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by you or by us for your account of those Relevant Assets; and

where you receive or are credited with a manufactured payment, your tax treatment may differ from your tax treatment in respect of the original dividend, coupon or other payment in relation to those Relevant Assets.

Where we provide you with clearing services (whether directly as a clearing member or otherwise), we draw your attention to the following additional TTCA Risks:

if we are declared to be in default by a CCP, the CCP may, pursuant to applicable law, try to transfer (“**port**”) your transactions and cash or non-cash assets to another clearing member or, if this cannot be achieved, the CCP may terminate your transactions;

in the event that other parties in the clearing structure default (including (but not limited to) a CCP, a custodian, a settlement agent or any clearing broker that we may instruct) you may not receive all of your cash or non-cash assets back and your rights may differ depending on the law of the country in which the relevant party is incorporated (which may not necessarily be English law) and the specific protections that such party has put in place;

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.

3. DEFINITIONS

In this Information Statement:

“**CCP**” means an entity authorised by the relevant regulatory authority to act as a central counterparty or clearing house;

“**FCA Rules**” means the Handbook issued by the FCA; and

“**title transfer collateral arrangement**” or “**TTCA**” means an arrangement by which a client transfers full ownership of (as applicable): (i) a safe custody asset (or an asset which would be a safe custody asset but for the arrangement) to a firm for the purpose of securing or otherwise covering present or future, actual, contingent or prospective obligations; and/or (ii) money to a firm for the purpose of securing or otherwise covering present or future, actual, contingent or prospective obligations.