



# KBC Bank NV – Custody Account

## Regulations

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### 1. Preamble

**1.1.** KBC Bank NV ('bank') acts as custodian of financial instruments that are held by it on open deposit on behalf of a depositor-customer ('customer') in one or more KBC Custody Accounts.

**1.2.** These regulations form a supplement to the General Banking Terms & Conditions of the bank. In the event of a conflict with the General Banking Terms & Conditions, these regulations prevail. By agreeing to these regulations, customers consent to the custody service taking immediate effect.

### 2. Records retention

**2.1.** The financial instruments within contemplation will be held in a custody account at the bank.

**2.2.** De bank may bail the financial instruments deposited with it for open deposit in the hands of third parties ('subcustodians'). Subcustodians may, but need not, be members of the KBC group. Main possibilities in this respect would be Euroclear Belgium, the National Bank of Belgium or some other financial institution.

Subcustodians may be located in Belgium, another member state of the European Economic Area or elsewhere. Subcustodians may in turn engage sub-subcustodians, which need not be situated in the same country.

Consequently, different legal systems can apply. Applicable law, regulation by supervisory authorities and relevant legislation (e.g., on investor protection mechanisms) can differ from one country to another. This can affect the rights that customers can exercise in relation to their financial instruments.

The bank will not entrust financial instruments for safekeeping to a subcustodian established in a country where the safekeeping of securities is not subject to specific regulation and specific prudential supervision unless the nature of those financial instruments or the investment service being requested so demands. The bank itself bears no liability if a subcustodian should breach a

relevant duty of care or insolvency proceedings be commenced against it, other than in cases of gross negligence, fraud or wilful acts or omissions on the bank's part, such as in the selection, appointment or periodic review of its subcustodians. Apart from exceptions in the local statutes and regulations of countries outside the European Union, a subcustodian's insolvency in principle has no consequences as regards customers' rights.

The bank will exercise the requisite caution, care and diligence when selecting, appointing and conducting reviews of its subcustodians, and with regard to legal and contractual stipulations governing safekeeping of financial instruments by the subcustodian. In particular, account will be taken of the expertise and market reputation of the appointed subcustodians and of the relevant legal and regulatory requirements and market practices relating to custody of financial instruments, especially those that could affect customers' rights in relation to those financial instruments.

To safeguard customers' rights, the bank ensures a clear distinction by each subcustodian between financial instruments of the bank's customers that are entered on an account and (i) the bank's own financial instruments on an account held with that subcustodian and (ii) the subcustodian's own financial instruments, unless drawing such distinctions is contrary to, and therefore proscribed by, the municipal law of the jurisdiction where the financial instruments are held.

Subcustodians can distinguish financial instruments of the bank's customers from their own and the bank's financial instruments by using separate accounts for customer financial instruments or by taking similar measures to achieve the same level of protection. When separate accounts are used, they may be joint omnibus accounts (in which, instead of being held in the name of each individual customer, the financial instruments are held for all customers together), as well as individual customer accounts. Individual segregated customer accounts – at CSD (Central Securities Depositories) where the bank is also a participant – are possible (under Art. 38(5) and (6) of CSDR). See Article 38(5) and (6) in annex.

When book-entry or fungible securities are posted to a custody account, the customer acquires a shared right of joint ownership by virtue of which each customer acquires a right to the joint asset comprising all the book-entry or fungible securities of a given sort relative proportional to the number of book-entry or fungible securities held by that customer with the bank. The risk of loss or deficiency of book-entry or fungible securities, such as due to the bankruptcy of the subcustodian, is borne proportionally by all co-owners, subject to whether or not they shall have given the bank permission to utilise the deposited securities. Whether omnibus accounts or individual accounts in the name of each customer are used has no effect on the customer's joint ownership rights, though the risk of administrative error can be greater where omnibus accounts are used.

If the subcustodian is prevented under the financial instruments legislation from distinguishing financial instruments of the bank's customers from its own, customers consent to the bank keeping the relevant financial instruments belonging to them in an account at the subcustodian on which financial instruments belonging to the bank are also posted. In the event of the bank's insolvency, this could adversely affect customers' rights over their financial instruments because of the risk that they could be subsumed within the bank's bankruptcy assets.

Bailed financial instruments are subject to the relevant subcustodian's rules and the agreements contracted between the bank and the subcustodian.

**2.3.** Customers irrevocably authorise the bank to provide full information and all documents on securities that they have deposited for safekeeping or that have been deposited for safekeeping on their behalf to the authorities and bodies that are entitled to demand such information under prevailing legislation and regulations, including requisite information under the Foreign Tax Compliance Act ('FATCA') and the resulting rules concerning Common Reporting Standards ('CRS'). Data that may be disclosed includes the customer's identity and home address, account balances, gross income (dividends, interest, etc.) and gross proceeds of disposal (sales, acquisitions, maturity, etc.) of the securities held in bailment.

By way of illustration, the bank points out that in certain countries, companies that issue shares may be entitled to gather information on the identity, address, other contact details and shareholdings of the shareholders or the

ultimate owners of these shares. As a result, if the bank acts as the custodian of shares that are issued or listed in such countries may have to provide this information to such companies.

Customers acknowledge this duty and undertake – if the bank does not have all the information requested – to provide all the relevant missing information at the bank's request. Customers failing to meet this request are obliged to indemnify the bank for any prejudicial consequences arising from such failure, including any indirect loss or damage.

**2.4.** The bank participates in the deposit protection and investor protection schemes in Belgium. In the event of failure on the bank's part, these schemes provide for remedies in a number of forms including compensation of up to 20 000 euros to cover financial instruments that the bank holds on behalf of a customer and might be unable to return. The terms, conditions and provisions governing these schemes can be viewed at <https://www.fondsdegarantie.belgium.be/en/protection-system>. The 'Protection of deposits, life insurance and financial instruments in Belgium' brochure is available at [www.kbc.be](http://www.kbc.be) or from any branch.

### 3. Depositing financial instruments and items

**3.1.** Customers can deposit book-entry or fungible financial instruments by causing them to be entered on a custody account held with the bank. Customers may deposit for safekeeping physical financial instruments issued abroad or governed by foreign law or issued by a foreign issuer by depositing them themselves in return for a receipt at any branch (both forms of deposit are known as 'bailment' or 'deposit' here). Once deposited, the bank can no longer deliver the physical financial instruments to customers. They are returned only in the manner described in Article 4.

The bank reserves the right, at its sole discretion, to refuse or only under certain conditions (any type of) financial instruments and items for bailment and safekeeping. Financial instruments and items with visible or hidden defects will not be accepted. The bailment of financial instruments is effected subject to acceptance of the financial instruments and items by the relevant (sub)custodians and/or the issuer.

Foreign tangible financial instruments are posted in a custody account and frozen until the bank has received

relevant confirmation from the (sub-)custodians and/or issuer.

Financial instruments transferred from a custody account with another financial institution are posted on a custody account with the bank and frozen until after the bank has received confirmation of the transfer from the other financial institution, which may be given via a subcustodian appointed by the bank.

Bailments made by post are not permitted save in exceptional circumstances, which is a matter for the bank to decide in its absolute discretion. Where customers effect a bailment by post, all financial instruments and items will be transported at their own risk.

Upon the bailment of tangible financial instruments or items, a slip or statement will be remitted to the customer describing and indicating the number of tangible financial instruments deposited.

Customers acknowledge that, by bailing financial instruments in a custody account, they expressly authorise the bank to carry out all transactions in those financial instruments that are covered by the bank's mandate in respect of the custody account. Save as otherwise agreed in writing and provided the characteristics and nature of the financial instruments allow, customers accept that financial instruments posted to a custody account are subject to the principle of fungibility, i.e. the bank is not required to return financial instruments bearing numbers identical to those of the financial instruments bailed. It is sufficient that the financial instruments and items that are returned should be of the same type and value as those that were bailed.

**3.2.** The bank will not be liable for any defects associated with the financial instruments deposited by the customer, including defects originating prior to deposit.

Customers must compensate the bank for any loss it might incur as a result of defective or irregular financial instruments having been bailed with it. The following, inter alia, will be deemed to be defects:

- Irregularities in or damage of financial instruments;
- Financial instruments from which coupons are missing that have not yet fallen due;
- Coupon sheets for fixed-income financial instruments without the accompanying corpuses;
- Corpuses without coupon sheets and coupon sheets without corpuses for variable-yield financial instruments;

- Financial instruments that have been drawn by lot for redemption or have been subject to a split or have been called in;
- Financial instruments, the title to which is disputed;
- Financial instruments that have been stopped or attached;
- Non-genuine, forged or counterfeit financial instruments or items.

**3.3.** Customers bear all the consequences arising from depositing or negotiating defective financial instruments or financial instruments that have ceased to be negotiable or that have been stopped in Belgium or another country, even if they are no longer credited to their custody account.

If the bank ascertains that the financial instruments are defective after they have been deposited, it is entitled either to request non-defective financial instruments from customers or to debit their account automatically for such financial instruments and need not serve notice of their intention to do so.

If, despite a stop order, the bank renders payment or grants an advance against such financial instruments, customers must on request repay the bank all amounts they receive, plus any other losses they are liable for.

The bank may without notice at any time debit current or savings accounts held by customers with the bank by all aforesaid amounts.

Stopping financial instruments that customers have bailed with the bank has no effect on the fees that the bank otherwise charges for the open deposit of financial instruments. Customers must pay those fees regardless of such stoppage.

**3.4.** Financial instruments that a (sub)custodian does not accept for deposit will be returned to the customer in accordance with Article 4.1. of these regulations. The bank will return the financial instruments or items within a reasonable period. If the customer refuses to take such financial instruments back within three months, the bank is entitled to sell them and make the proceeds available in the manner it deems most appropriate.

## 4. Return or transfer

**4.1.** The return or transfer of financial instruments is effected exclusively by way of transfer to another account

held with the bank or another financial institution. Return or transfer is effected within a reasonable period after customers' instructions. No restitution is required in the event of force majeure, as defined in the General Banking Terms & Conditions.

**4.2.** In the case of transfer of financial instruments to another financial institution, the bank freezes them in the relevant customer's custody account until such time as the bank receives confirmation that the other financial institution has received them. Only then are they debited from the customer's custody account with the bank.

## 5. Responsibilities of the bank

**5.1.** Without prejudice to Article 6, the bank is charged with:

- custody of the financial instruments credited to a custody account;
- collection and payment of interest and dividends;
- collection and payment of matured capital sums, repayments, bonus distributions, supplementary sums and all other amounts that might be due to customers;
- the split, exchange and conversion of financial instruments where customers have no choice among a number of options, contrary to the situation in Article 5.4(a) of these regulations;
- verifying stop orders.

The bank may also be expressly requested by customers to give effect to their instructions to inter alia:

- subscribe to new issues and render payment for financial instruments not fully paid up;
- purchase and sell subscription or allotment rights to financial instruments on a custody account;
- convert convertible bonds and exercise warrants;
- perform other actions that may arise from the open deposit of financial instruments and that the bank consents to.

Such instructions may only be effected during the period and under the conditions set by the issuer, subject to any limitations imposed by a (sub)custodian or the bank.

**5.2.** Customers may hold the shares of listed companies established in the European Economic Area on a custody

account. They must explicitly indicate if they wish to receive information about the general meetings. The bank will at the request of customers issue a certificate confirming the number of financial instruments a customer holds on account with the bank, with the purpose that they can exercise their membership rights, including attending general meetings of the issuer of the financial instruments. If the customer indicates that they wish to attend the meeting in person or through a proxy appointed by them, the bank will provide them with confirmation of the voting rights position for which they have indicated attendance at the meeting. When necessary, if the issuer requires the bank to intervene in notification of the customer's attendance, the bank will duly comply provided the customer has instructed it to do so before the deadline set by the issuer. If the customer instructs the bank after this deadline, the bank will use all reasonable means to facilitate their attendance, but without giving any undertaking that the issuer will respond positively to those instructions. KBC is entitled to charge the fee set out in the schedule of rates and charges for the services referred to in this article.

**5.3.** In executing its duties as custodian under these regulations, the bank does not act as an asset manager or investment adviser for the customer.

**5.4.** Insofar as is possible and permitted by law and/or contract and to the extent that it is itself notified, the bank will inform customers of:

- a) transactions involving financial instruments credited to a custody account, subject to the following conditions:
  - the transaction was initiated by the issuer,
  - that information is being disseminated via intermediaries with a bailee function,
  - the transaction requires processing by the bank and
  - it is desirable or required in order for the processing to be done by the bank that the customer in question choose between the between the options presented by the issuer.

The bank also informs customers hereof where the transaction constitutes a public offer in another country if it does not act or is not deemed to act for the issuer or bidder or financial institutions mandated by them.

- b) a public takeover bid (within the meaning of the European Takeovers Directive (2004/25/EC) or similar

legislation) on shares posted on a custody account (except for units in a UCI) or bonds, except, where applicable, odd lots (where a small number of securities are bid for that could never be traded, mainly because of their limited number). The bank also informs customers of this where the transaction constitutes a public takeover bid in another country, provided it does not act or is not deemed to act for the issuer or bidder or financial institutions mandated by them.

If customers have been duly notified, they undertake to issue their instructions by the cut-off time notified to them in writing and in advance by the bank. If customers do not issue clear or complete instructions in time, the bank will indicate in its communication to them which choice it will make on their behalf (the 'default alternative'). The bank under no circumstances provides advice on these transactions.

If customers do not issue clear, complete instructions in time, or if the bank does not have enough time to find out what their choice is, the bank will opt for the default alternative indicated in its communication to them or, if no default alternative was indicated or communication sent, a reasonable alternative, which may include the bank taking no action.

The bank is not liable for carrying out the default alternative or the reasonable alternative; nor is it liable for the consequences thereof, except in the case of gross negligence, fraud or wilful acts or omissions. The decision as to whether or not the customer issued instructions on time will be made at the bank's full discretion.

**5.5.** Unless expressly agreed otherwise in writing beforehand or unless required to do so by law, the bank will not inform customers of any matters or transactions other than those set out in Article 5.4.

In principle, therefore, customers will not be notified of the following:

- insolvency proceedings (e.g., bankruptcy) against the issuer of the financial instruments;
- liquidation of undertakings for collective investment (generally called 'funds');
- voting by proxy;
- class actions or other collective actions against issuers of financial instruments;

- a change in the rating of financial instruments on a custody account or in the rating of their issuer;
- transactions performed by the issuer of the financial instruments that were not approved by the relevant regulator.

Nevertheless, should the bank occasionally or repeatedly provide certain information to customers for whatever reason, this does not represent a commitment by the bank towards customers nor does it mean that customers should expect the bank to provide them with the same or similar information about these or other financial instruments in the future.

Except in the case of gross negligence, fraud or wilful acts or omissions, the bank is not contractually or non- contractually liable if it fails to inform customers of redemptions via drawings or calls, class actions or other similar transactions, or the other information summarised in Article 5.4, even if the bank customers occasionally or even repeatedly does inform of such events.

**5.6.** In derogation from Article 5.3, dividend payments through automatic reinvestment in securities and stock or cash dividend options for New Zealand, Canadian and Australian financial instruments will not be carried out. Dividends for these financial instruments will always be paid out by the bank in cash, unless this is wholly or partially prevented by the issuer or another third party (e.g., in the case of prorating by the issuer).

The above option does not apply to US residents, which includes customers who have an address in the United States or who hold of a valid green card: dividends on financial instruments they hold at the bank will always be paid in cash.

The bank does not accept orders for investments in financial instruments from US residents, apart from one-off sell orders.

**5.7.** Customers undertake to issue instructions to the bank by such time and in such manner that the bank is able to process them in good time.

If customers fail to provide complete or clear instructions within the relevant cut-off times, the bank will act in a reasonable manner, which may include taking no action.

The bank is not liable for such acts (or the absence thereof) or for the consequences of that except in cases of gross negligence, fraud or wilful acts or omissions.

In the case of transactions requiring the approval of a supervisory authority (such as, under Belgian law, the Financial Services and Markets Authority), customers' instructions can only be accepted if they have been approved by the supervisory body.

Failure to obtain requisite upfront approval from, or to complete requisite formalities at, an official body or regulator may result in the bank refusing to execute or suspending execution of the transaction until the relevant requirements are met.

In the absence of gross negligence, fraud and wilful acts or omissions, the bank is not liable if, say, a customer gives an order relating to financial instruments at a time when no such transaction has yet been executed, nor could it be.

**5.8.** Instructions issued by customers to carry out transactions in financial instruments are subject to the Regulations Governing Transactions in Financial Instruments.

**5.9.** Without the customer's prior, express consent, the bank will make no use whatsoever of financial instruments belonging to them. One consequence of customers not having given their consent is that such financial instruments cannot be pledged on behalf of the bank or lent to the bank or any other third party.

**5.10.** Where the bank takes a certain standpoint in respect of a particular activity relating to the issuer of financial instruments, this will not give rise to any entitlement on the part of clients and the bank shall be free from liability in this regard, except in cases of gross negligence, fraud or wilful acts or omissions.

**5.11.** Customers must pass to the bank all documents that, based on the law or otherwise reasonably, might be demanded by authorities, bodies, agencies or persons (at home or abroad), whether for general or to enable or allow certain transactions, such as deposit, subscribing to financial instruments or transactions in financial instruments (buying, selling, transferring, etc.) and holding financial instruments. Failure by customers to do this entitles the bank to sell the financial instruments in question, whereupon all related fees and charges (including charges associated with the sale) will be borne by the customer. The bank incurs no liability by virtue of its holding, buying or selling such financial instruments.

**5.12.** The bank reserves the right to open new custody accounts in customers' names in the case of a transfer or

payment restriction of any kind against them and to transfer financial instruments and items not subject to the transfer or payment restriction to that new custody account. Attention is drawn to Article 10 of these regulations (concerning fees and charges and the custody fee), which, along with the other provisions herein, will apply equally to that new custody account.

**5.13.** Barring gross negligence, fraud or wilful acts and omissions, the bank is not liable for late execution of transactions referred to in Article 5 that are not publicised adequately or on time. Late execution will not render the bank liable to pay compensation or interest.

**5.14.** The bank has qualified intermediary (QI) status. This means that it has a number of rights and obligations vis-à-vis the US tax authorities. One such obligation concerns its relationship with customers who qualify as 'US persons': the bank may require US persons to complete form W-9 to identify themselves and to authorise the bank to reveal their identity and provide information concerning income from US financial instruments and other forms of income to the US tax authorities. Income from US financial instruments held in a custody account by US persons who do not sign form W-9 attracts a charge of 30% US withholding tax.

**5.15.** The bank is responsible for completing the formalities required to obtain an exemption, reduction or full or partial recovery from, in or of withholding tax, provided customers have signed the authorisation by residents of Belgium for the avoidance or reduction of double taxation on income derived from foreign financial instruments, and provided the instruments belong to a category for which the bank offers that service. The bank undertakes to use its best efforts to complete the requisite formalities but offers no guarantee that customers will be granted the benefit of such reductions and exemptions. If the costs to be deducted are too high in relation to the tax to be saved or refunded, or if any practical problems preclude recovery or the exemption or reduction conditions from being met, the bank will take no action.

## 6. Income from and redemption of financial instruments

**6.1.** Customers opening a custody account must hold one or more bank-accredited current or savings accounts with the bank. Customers must tell the bank the numbers of accounts to which income and capital deriving from financial instruments on the custody accounts is to be



credited and from which all fees and charges can be debited.

Holders of custody accounts must be the holder of said current or savings account(s) (or their spouse or legal cohabitee).

**6.2.** The bank collects the interest and dividends from financial instruments on an account (see Article 5.1). Where a financial instrument bears interest that can be capitalised, annual interest is collected only if customers expressly ask for it to be done and if the terms and conditions under which the instruments were issued so permit.

**6.3.** The bank collects amounts owed for financial instruments on an account that have been drawn by lot for redemption or otherwise called in (see Article 5.1). It is not liable for errors or negligence in this regard, barring gross negligence, fraud and wilful acts and omissions.

**6.4.** The bank pays customers dividends, interest, bonuses and other, similar income together with due capital in euros or in the currency of the financial instrument concerned, at customers' choice, unless the bank advises otherwise, except if legal, technical or other reasons prevent payment in the chosen currency. Amounts in foreign currency are converted into euros at the basic exchange rate on the day of crediting, less any charge made for fees or commissions relating to conversion.

**6.5.** The bank pays dividends collected by it, less any charges for fees, commissions and taxes, into the current or savings accounts customers have nominated (subject to bank acceptance). Customers issuing instructions for financial instruments to be transferred to another bank closer to the dividend payment date after a dividend has already been collected, have the financial instruments transferred without the dividend.

**6.6.** Customer current or savings accounts are credited with all amounts once the bank receives payment from the issuer of the financial instruments.

Amounts in foreign currency are converted into euros in the manner set down in Article 6.4 of these regulations. The bank may also credit amounts to customer current or savings accounts under reservation of its receiving actual payment. It reserves the right at any time and without prior notice to debit the relevant current or savings account by the amount not received plus any charges and less the usual commissions and collection charges, whereby any changes in the exchange rate between the

time amounts are credited and the time they are actually received may give rise to a correcting entry that may be made without prior notice at the exchange rate prevailing at the time the amounts were effectively received.

The bank is not liable for interest foregone or for any other loss or damage due to the issuer failing to transfer amounts to the bank, be it in time or at all.

**6.7.** The bank is not liable should it prove impossible to effect reinvestment of capital from financial instruments reaching maturity or payments inuring to the holder of a financial instrument or income from the financial instruments (such as dividends and interest) due to any kind of transfer or payment restriction against a customer.

Legal consent to the reinvestment must be sought by customers themselves from the persons or bodies imposing the transfer or payment restriction.

## 7. Custody accounts subject to usufruct

**7.1.** A custody account subject to usufruct is one that is opened in the name of one or more bare owners; the capital is the property of the holder(s) of the custody account (the bare owners) and the income (such as interest and dividends) inures to the usufructuary (or usufructuaries). A custody account subject to a usufruct is always accompanied by a capital account, an income account and an account for charges.

**7.2.** The capital account is opened in the name of the bare owner(s) and is credited with all distributions right and title to which are conferred by the financial instruments, such as the capital from redeemable financial instruments, drawings by lot, distributions of reserves or capital, the sale of subscription rights and financial instruments, with the exception of the income described in Article 7.3. It is debited with the brokerage and other fees and taxes (including stock market tax) associated with the holding, purchase and sale of the financial instruments.

**7.3.** Income accounts are opened in the name of usufructuary (or usufructuaries). In particular, a cash account and a custody account are opened as income account. These accounts are credited with the interest generated by the capital account and with the income from the financial instruments, such as dividends. The cash account is debited with the costs associated with collecting that income plus taxes.

The usufructuary can elect to receive optional dividends in the form of cash or financial instruments.

**7.4.** The usufructuary (or usufructuaries) and bare owner(s) must decide jointly in which of their names the account for charges is to be opened. Thereafter it is debited with other fees due to the bank, other charges (any premiums for asset insurance linked to the custody account) and other taxes. It is possible to designate the capital account or the income account as the account for charges.

**7.5.** Transactions on the custody account and on the capital account require the joint consent of the bare owner(s) and the usufructuary (or usufructuaries), although they may also grant each other a reciprocal power of attorney. The foregoing is also subject to other arrangements that may be made among the bare owner(s), the usufructuary (or usufructuaries) and the bank.

**7.6** As far as recommended transactions are concerned, the investment profile is based on the data relating to the bare owner(s). If, however, several undivided bare owners hold the custody account, all bare owners together with the usufructuary (or usufructuaries) may elect to base the investment profile on the usufructuary details.

## 8. KBC Investment Plan and KBC Income Plan

**8.1.** Deleted – see KBC Investment Plan Regulations.

**8.2.** For participants in a KBC Income Plan, the number of shares/units needed to arrive at a specific amount will be sold by the bank at regular intervals from their custody account. The shares/units that are eligible to be sold under the KBC Income Plan will be selected unilaterally by the bank and may be changed at any time. A custody account that has been blocked will not be taken into consideration. The proceeds of the sale will be paid into the current account or savings account included under the plan.

**8.3.** If there are no longer any financial instruments on a custody account under a KBC Income Plan, the bank is entitled unilaterally to close the custody account after a reasonable period of time pursuant to Article 14.6.

## 9. KBC Itemised Custody Account

**9.1.** The KBC Itemised Custody Account is a custody account in the name of a customer who – within the scope of their professional activities – holds financial instruments belonging to third parties (hereinafter referred to as the ‘special purpose’). Only professional categories

acceptable to the bank (such as notaries public, lawyers and bailiffs) may hold a KBC Itemised Custody Account.

**9.2.** In derogation from Articles 11.1 and 11.2, the clauses regarding unity of account, set-off and pledge stipulated in the General Banking Terms & Conditions do not apply to KBC Itemised Custody Accounts. The customer’s debts towards the bank may not be recovered from a KBC Itemised Custody Account.

KBC Itemised Custody Accounts may in no way whatsoever serve as security, except for the application of Article 11.3.

**9.3.** In the event of garnishment against the customer, the bank undertakes to inform each garnisher-creditor of the special purpose of the KBC Itemised Custody Account. Upon a customer's death, the bank will indicate this special purpose in the same way in its notification of the death to the tax authorities.

**9.4.** The bank is not responsible for rendering a KBC Itemised Custody Account binding as against third parties.

**9.5.** The customer bears full responsibility for managing the financial instruments on the KBC Itemised Custody Account and holds the bank harmless against any and all claims from third parties, including third parties to whom the financial instruments belong.

**9.6.** The bank qualifies as a qualified intermediary (QI), as referred to in Article 5.14. These regulations stipulate that the customer may not hold financial instruments on the KBC Itemised Custody Account that belong to US persons.

Due to the special purpose of the KBC Itemised Custody Account, third parties for whom the customer holds the financial instruments may benefit only in a limited number of cases from the tax breaks they would be entitled to under a direct customer-bank relationship.

## 10. Costs, fees and charges

**10.1.** Opening and closing a custody account is free of charge. A custody fee and administrative costs may be charged for keeping financial instruments on a custody account. A charge may also be made for certain other services provided by the bank in relation to custody accounts. Current charge rates (for custody and other services rendered) and the terms and conditions applying to them are set down by the bank, which may amend them from time to time. Customers can find relevant



information in this regard in the 'Schedule of Investment-Related Fees' applying to the market segment that the customer falls into. The schedule is available from any KBC branch or can be downloaded at [www.kbc.be](http://www.kbc.be).

After a custody account is closed, no part of any advance payment of custody fee is refunded.

**10.2.** All expenses and charges (including any taxes owed) incurred by the bank for financial instruments deposited with it for safekeeping and the associated handling shall be borne by the customer.

Financial instruments held on a custody account are subject, under certain conditions, to an annual tax on custody accounts. This tax shall also be borne by the customer.

Any expenses associated with the financial instruments deposited for safekeeping will be deducted from the income from the financial instruments or debited from the current or savings account chosen by the customer and acceptable to the bank, and which the customer will ensure has the necessary funds.

The bank will inform customers of any changes to costs and charges. If a change is made, customers may – within a reasonable period of receiving notification from the bank – terminate their deposit with the bank.

## 11. Security

**11.1.** The bank may refuse to render up or transfer the financial instruments and items entrusted to it for safekeeping as long as the customer owes the bank certain sums for any reason whatsoever (including interest and additional charges).

**11.2.** The financial instruments entrusted for safekeeping are subject to the clauses on set-off and pledges as stipulated in the General Banking Terms & Conditions. The assets on a capital account and/or an income account are subject to the clauses on the unity of account, set-off and pledges as stipulated in the General Banking Terms & Conditions.

**11.3.** The bank possesses a statutory lien against the financial instruments, monies and foreign currency by virtue of the terms and conditions of Article 31 of the Act of 2 August 2002 on the supervision of the financial

sector and financial services, or any superseding provisions.

Subcustodians may likewise have a security interest, lien or right of set-off against the financial instruments.

## 12. Pledge/escrow

Unless expressly agreed otherwise in writing, these regulations likewise govern the financial instruments and the custody accounts that are the object of a pledge, escrow or other form of security in favour of the bank or a third party, provided that this does not conflict with any the general principles of law or special contractual stipulations relating to the pledge, escrow or the security.

The bank proffers no guarantees and assumes no liability with regard to the validity and enforceability against third parties of a pledge or escrow account or of accounts used for some other form of guarantee and will comply with its obligations in terms of the pledge or escrow account or of accounts used for some other form of guarantee to the extent that no law or court shall in any manner require otherwise. Whether or not this is the case is entirely up to the bank, which is not required to take legal advice in this regard.

## 13. Reporting

Customers receive summaries of the financial instruments on their custody accounts from the bank from time to time. Summaries are sent to customers in the manner laid down in the General Banking Terms & Conditions or in any special contact entered into by customers with the bank.

Each time a movement is made on their custody account, customers receive a statement confirming it. This statement will be delivered to the customer as per the provisions of the General Banking Terms & Conditions.

## 14. Term and termination of custody

**14.1.** No end date is imposed on deposits.

**14.2.** Customer may at any time and without notice terminate the custody arrangement by sending the bank a letter to that effect. In that event, customers must simultaneously issue instructions for transfer of any financial instruments left on the custody account.

**14.3.** The bank may terminate the deposit in full or in part at any time and demand transfer of the financial instruments on a notice period of 10 banking days. The customer will be notified of this decision by letter.

The period of notice begins to run when the customer receives the letter. The letter is deemed received three calendar days after the date of posting. After this period, the bank will close the custody account.

**14.4.** In derogation from Article 14.3 of these regulations, the bank may at any time terminate the deposit without notice if confidence in the customer is seriously impaired (for instance, if the customer is guilty of deceit or fraud). The bank decides at its own discretion whether confidence in the customer has been seriously impaired. The bank will notify the customer of this decision in writing.

**14.5.** The provisions of these regulations will remain in full force and effect until the custody account is definitively closed. If the customer fails within two months of termination of the deposit to issue a transfer order for the financial instruments booked on the custody account, the bank is entitled to sell these instruments and to make the proceeds of the sale available to the customer in the manner it deems most appropriate (including transfer to the Deposit and Consignment Office). Any charges from the above will be paid by the customer. These charges will be debited from the customer's account for charges. If the credit balance on the account for charges is insufficient, the bank may debit another account that the customer holds with it.

The bank is entitled unilaterally to close a custody account on which no financial instruments or items have been posted for a year or more, without going through the formalities in Article 14.3.

**14.6.** The bank will inform the customer in writing of closure of the custody account.

### 15. Contracting off premises / via remote banking channels

Customers contracting this agreement off-banking-premises or by means of a remote banking channel have 14 calendar days from the date of signing, or until the moment that an order has been registered on their instructions, if earlier, to cancel the agreement without penalty and without having to state any reason for doing so.

The right of withdrawal is exercised at any time up to its expiry by customers sending their KBC branch clear written notice to that effect by post, fax or e-mail, for which they can print off and complete the withdrawal form template at [www.kbc.be/modelwithdrawalform](http://www.kbc.be/modelwithdrawalform).

Signature of the agreement constitutes an implied express request by the customer for service delivery to commence before expiry of the cooling-off period.

Customers consent to post-contractual information being communicated in hard copy format or by way of any other permanent data carrier (and hereby cure any defect in the communication of information other than in hard copy prior to contract).

### 16. Amendment of the regulations

The Bank may at any time amend the provisions of these regulations. Customers will be informed in time and in writing or in some other suitable manner of changes to these regulations. In that case, customers may choose either to maintain the custody account(s) subject to the new terms and conditions, or to terminate the deposit in accordance with Article 14.

### 17. Governing law – Proof – Legal proceedings (Out-of-court proceedings)

**17.1.** The pre-contractual and contractual relationships between the bank and the customer are governed by the laws of Belgium.

**17.2.** Any disputes between the bank and customers will be subject to the exclusive jurisdiction of the Belgian courts.

**17.3.** In the case of complaints, the branch is the customer's first point of contact.

If customers and the bank cannot reach agreement, customers can also address complaints to:

KBC Complaints Management  
Brusselsesteenweg 100  
3000 Leuven  
[complaints@kbc.be](mailto:complaints@kbc.be); [www.kbc.be/contact](http://www.kbc.be/contact) ;  
Tel.: +32 16 43 25 94.

If they are still not satisfied, they may also contact the:

Mediation Service (Banks – Credit – Investments)  
Belliardstraat 15-17, box 8  
1040 Brussels  
[ombudsman@ombfin.be](mailto:ombudsman@ombfin.be); [www.ombudsfin.be](http://www.ombudsfin.be) ;  
Tel.: + 32 2 545 77 70

Recommendations given by the Mediation Service are not binding. The entire procedure is conducted in writing.

There are no charges for the appeal to the Mediation Service.

Recommendations given by the Mediation Service are not binding. The entire procedure is conducted in writing.

There are no charges for the appeal to the Mediation Service

## **18. Data protection**

KBC Bank aims to process your personal data in a manner that is lawful, appropriate and transparent. Details of how KBC Bank processes and shares your personal data are set out in its data protection statement.

It also explains your rights and how you can exercise them.

The data protection statement, which is updated on a regular basis, is available at [www.kbc.be/en/privacy](http://www.kbc.be/en/privacy), at your branch or from your intermediary.

## ANNEX

Announcement of the protection levels associated with the different levels of securities segregation – Article 38(5) and (6) of European Regulation No. 909/2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No. 236/2012 (hereinafter 'CSDR')

The purpose of this document is to inform customers of the different levels of securities segregation that KBC Bank offers for their financial instruments on custody accounts and the level of protection associated with those different levels. This declaration is required by Article 38(5) and (6) of the CSDR. A list of the costs linked to the different segregation levels can be found in KBC Bank's schedule of rates and charges.

This document provides general information and may not be construed under any circumstances as legal advice. If you have further questions or would like advice regarding the level of protection applicable to your personal situation, you should contact your advisers for legal advice in this regard.

### Description of the different levels of securities segregation

In its own books, KBC Bank maintains for each customer separate custody accounts, in which the financial instruments that the customer holds at KBC Bank are booked. All data and accounts are maintained in an accurate manner, so that KBC Bank is able immediately and at all times to differentiate the customer's financial instruments from its own financial instruments and those of other customers, and to minimise the risk of loss or diminution of the financial instruments due to misuse, fraud, malpractice or negligence.

The financial instruments in a custody account are held and handled within a hierarchical pyramid with, at its apex, a central securities depository, which provides the central custody of all financial instruments, or another financial institution (also referred to as the 'top of the pyramid'), which is not a central securities depository, but fulfils the same role. Both are referred to hereinafter as 'central depositories'. Within this pyramidal structure, the financial instruments that customers hold on a custody account at KBC Bank, will be held in turn by KBC Bank directly or indirectly (i.e. via other financial institutions known as 'sub-depositories') on an account at the relevant central depository of the financial instrument. KBC Bank

will ensure that the central depository or sub-depository segregates its customers' financial instruments from any financial instruments belonging to the central depository/sub-depository itself, to KBC Bank itself or to another customer of that central depository/sub-depository. This segregation of securities occurs by means of separate accounts or other equivalent measures. KBC Bank regularly verifies that the data on the (custody) accounts of customers in its own books correspond with the accounts it holds at the central depository or sub-depository.

The separate accounts (levels of securities segregation) that KBC Bank opens at the central depository or sub-depository to segregate its customers' financial instruments can be omnibus accounts or individualised accounts:

- In an omnibus account, all the financial instruments that KBC Bank holds for its customers are merged and booked on a single account at the central depository or sub-depository. The customers' individual positions (as indicated by the custody accounts of customers in KBC Bank's own books) are therefore not reflected in this collective account.
- In the case of an individualised account, the financial instruments that a customer holds at KBC are held by KBC on a separate account in the customer's name at the central depository (or sub-depository). In contrast to an omnibus account, the customer's financial instruments are therefore also segregated at the central depository (or sub-depository) from the financial instruments or other customers of KBC Bank.

Providing individualised accounts is an obligation for central securities depositories in the European Economic Area (EEA) and the financial institutions that directly hold their accounts there ('participants'). KBC Bank is therefore only obliged to provide individualised accounts to its customers for the financial instruments in central custody at a central securities depository where KBC Bank is a participant (or, in other words, with which KBC Bank maintains accounts directly, without the intervention of a sub-depository). This obligation does not apply, by contrast, to financial instruments that KBC Bank maintains indirectly at the central securities depository via a sub-depository or for financial instruments, the central custody of which is not provided by a central securities depository.

KBC Bank is a participant in a number of central securities depositories in the EEA and hence offers customers the

possibility of maintaining individualised accounts for their financial instruments which are kept in central custody by the relevant central securities depository.

**Protection level and most important legal implications associated with the levels of securities segregation**

This document only discusses the protection level and the legal implications associated with the different levels of securities segregation (omnibus or individualised accounts) in the event of insolvency or another instance of concursus creditorum on the part of KBC Bank.

For a discussion of the protection level associated with these accounts in the case of insolvency or another case of concursus creditorum affecting the central securities depository itself, we refer to the announcement published by the relevant central securities depository.

**Protection level associated with the different levels of securities segregation**

The protection enjoyed by customers does not differ in principle according to the level of securities segregation that the customer chooses (omnibus account or individualised account).

In the event of insolvency on KBC Bank's part or another case of concursus creditorum, Belgian law will apply in principle to the settlement of the insolvency. The protection that a customer's financial instruments enjoy where applicable on a KBC Bank custody account, are subject to the following (Belgian) legislation, depending on the type of financial instruments. Since the protection is equivalent under each legislation, it will be further explained below without distinction.

- The Companies and Associations Code and the Royal Decree of 12 January 2006 relating to book-entry corporate securities;
- Coordinated Royal Decree No. 62 of 10 November 1967 relating to the deposit of fungible financial instruments and the settlement of transactions in such instruments;
- The Act of 2 January 1991 on the market for public debt securities and monetary policy instruments.

The booking of financial instruments on an account grants the right of co-ownership to the customer. As a consequence of this co-ownership right, the financial instruments always remain outside the (bankrupt) assets and hence outside the reach (garnishment) of KBC Bank's creditors. In the event of bankruptcy or concursus

creditorum, the co-ownership right will be exercised collectively by the customers in the following manner: customers may reclaim the financial instruments of which they are owner – as indicated by their KBC Custody Account – from the separate account that KBC held for its customers' financial instruments at the central depository or sub-depository. Should the number of financial instruments at the central depository or sub-depository be insufficient (e.g., due to loss), the financial instruments of which KBC Bank itself is the owner will be drawn upon. If this is still not sufficient, the financial instruments will be distributed amongst the customers in proportion to their rights (positions) relative to one another.

The protection these customers enjoy does not depend on whether the customer opts for an omnibus account or an individualised account at the central securities depository. Joint ownership relates, after all, to the generality of financial instruments that KBC Bank held at the central securities depository. The financial instruments held on an individualised account still belong, despite the individualisation, to the generality. A customer who has opted for an individualised account with the central securities depository must, therefore, together with all other customers, bear any losses in the generality, even if this loss did not occur on their individualised account. Conversely, any losses on an individualised account will be borne collectively by the customers on the omnibus account and the other individualised accounts.

**Right of use of KBC Bank on omnibus accounts and individualised accounts**

KBC Bank does not have the right to use its customers' financial instruments for its account or on the account of another person or customer of KBC Bank, unless the customer has given their explicit, prior consent for such use under precisely defined circumstances. If KBC Bank wished to use financial instruments held in an omnibus account at the central depository or sub-depository, this would require KBC Bank to seek the consent of all the customers whose financial instruments are booked on the omnibus account. If, however, the customer has chosen an individualised account, their sole consent will be required. This consent can have implications for the exercise of the co-ownership right of the individual customer in question in the event of KBC Bank's bankruptcy or another case of concursus creditorum, i.e. they will only receive the financial instruments that remain after all other customers, who have not consented to the use of their financial instruments by KBC Bank, have been repaid.

