

ARTICLE 38(6) CSDR PARTICIPANT DISCLOSURE COMMON DISCLOSURE

1. Introduction

The purpose of this document is to disclose the levels of protection associated with the different levels of segregation that The Society of Lloyd's (the "**Society**", "**us**", "**we**" or "**our**") provides in respect of securities held for Clients with Central Securities Depositories within the EEA ("**CSDs**"), including a description of the main legal implications of the respective levels of segregation offered and information on the insolvency law applicable. This disclosure is required under Article 38(6) of the Central Securities Depositories Regulation ("**CSDR**") in relation to CSDs in the EEA.

Under CSDR, the CSD ("**Euroclear UK & Ireland**") of which we are a direct participant (see glossary) has its own disclosure obligations and we include links to those disclosures in this document.

This document is not intended to constitute legal or other advice and should not be relied upon as such.

2. Background

The Society participates in the CSD system in respect of securities held as Funds at Lloyd's ("**FAL**"). FAL are held in trust and the trustee of the FAL is the Society acting in that capacity. Accordingly, the Client for the purposes of these arrangements is the Society (in its capacity as trustee of one or more FAL arrangements). The Society will be treated as a separate Client in respect of each FAL arrangement.

3. Levels of segregation

We record the Client's legal entitlement to securities that we hold for the Client in one or more Client securities accounts established and maintained in our own books and records. We also open accounts with direct participant banks who operate outside the UK in which we hold Clients' securities. We currently make two types of accounts with the CSDs available to Clients: Individual Client Segregated Accounts ("**ISAs**") and Omnibus Client Segregated Accounts ("**OSAs**").

An ISA is used to hold the securities of a single Client and therefore the Client's securities are held by us in a CSD account which is separate from accounts used to hold the securities of other Clients.

An OSA is used by us to hold the securities of a number of Clients on a collective basis.

Our own proprietary securities are held separately from our Clients' ISA or OSA accounts.

There are no prescribed costs detailed in CSDR itself. In general, the costs are higher for maintaining an ISA over an OSA due to the increased operational complexity and the costs associated with setting up and maintaining an ISA.

The terms on which funds are held are contained in the Funds at Lloyd's Trust Deeds.

4. Main legal implications of levels of segregation

Nature of Clients' interests

In relation to an ISA, the securities belonging to a specific FAL trust fund are held in the ISA and the Client is entitled to all of the securities held in that ISA attributable to the Client as trustee for that specific FAL trust fund

In the case of an OSA, securities belonging to different FAL trust funds are held collectively in a single account. As the Lloyd's FAL trustees are the Client for the purposes of this disclosure, the Client is normally considered to have an interest in all securities as recorded in our books and records as held in the OSA however, the Client's interest would be held on behalf of each FAL trust.

Although Clients securities are registered in our name at the relevant CSD, Lloyd's holds them as trustee on behalf of each FAL trust fund. Our books and records constitute evidence of each FAL trust fund's beneficial interests in the securities. The ability to rely on such evidence would be particularly important on insolvency. In the case of either an ISA or an OSA, an insolvency practitioner may require a full reconciliation of the books and records in respect of all securities accounts prior to the release of any securities from those accounts.

Insolvency

The securities held with the CSD are subject to the terms of the trust which the Client has entered into as trustee. Accordingly, the securities would not form part of our estate on our insolvency but would continue to be held for the benefit of the beneficiaries under the terms of the relevant FAL trust fund unless the securities have been required to cover the losses of the beneficiary, irrespective of whether those securities are or were held in ISAs or OSAs.

Application of English insolvency law

Were we to become insolvent, our insolvency proceedings would take place in England and be governed by English insolvency law.

Under English insolvency law, securities that we hold on behalf of each FAL trust would not form part of our estate on insolvency for distribution to creditors

As a result, it would not be necessary for beneficiaries of a FAL trust to make a claim in our insolvency as general unsecured creditors in respect of securities being held by us. This applies whether securities are held in an ISA or an OSA.

If there is a shortfall following our insolvency there may be a difference in the treatment of securities held in an ISA and an OSA. For these purposes a shortfall arises where there is a discrepancy between the amount of a particular security credited to the ISA or OSA and the entitlement of the Client as trustee of a specific FAL trust fund to that security,

Where a shortfall arises in relation to a security held in an ISA then the shortfall will be borne solely by the specific FAL trust fund whose securities are credited to the ISA. Where a shortfall arises in relation to a security held in an OSA, then the shortfall is likely to be shared between each FAL trust fund which has securities of that kind credited to the OSA. Each FAL trust fund's share of the shortfall is likely to be calculated based on the proportion of that FAL trust fund's entitlement to securities in the OSA in respect of which the shortfall exists. It may be a time consuming process to determine the entitlement of each FAL trust fund, which could give rise to delays in the return of securities.

Security interest granted to CSD

Whether or not the CSD may benefit from a security interest will be regulated by the CSD's own rules. Such rules may also regulate the CSD's approach to enforcement of such

security interest. Should the CSD benefit from a security interest over securities held for a Client, there could be a delay in the return of securities to a Client (and a possible shortfall) in the event that we failed to satisfy our obligations to the CSD and the security interest was enforced. This applies whether the securities are held in an ISA or an OSA. However, in practice, we would expect that a CSD would first seek recourse to any securities held in our own proprietary accounts to satisfy our obligations and only then make use of securities in Client accounts. We would also expect a CSD to enforce its security rateably across Client accounts held with it.

Corporate actions

Where securities are held in an ISA or an OSA and the Client is entitled to a fractional entitlement on a corporate action, it is possible that the Client would not in practice benefit from that fractional entitlement.

5. CSD disclosures

Where available, set out below are links to the disclosures which have been made by the CSDs in which we are participants as of the date of this document.

These disclosures have been provided by the relevant CSDs. We have not investigated or performed due diligence on the disclosures and Clients rely on the CSD disclosures at their own risk

<https://www.euroclear.com/dam/DisclosureFrameworks/MA3023-Disclosure-Framework-EUI.pdf>

GLOSSARY

Central Securities Depository or CSD is an entity which records legal entitlements to dematerialised securities and operates a system for the settlement of transactions in those securities.

Central Securities Depositories Regulation or CSDR refers to EU Regulation 909/2014 which sets out rules applicable to CSDs and their participants.

Direct participant means a participant in a transfer system that can perform all activities allowed in the system without using an intermediary (including, in particular, the direct inputting of orders in the system and the performance of settlement operations)