

Financial Stability Board (“FSB”) Continuity of Access to Financial Markets Infrastructures (“FMIs”) for Firms in Resolution - Non-binding pre-emptive path summary disclosure

With reference to the questionnaire on continuity of access to FMIs for firms in resolution, published by FSB in August 2020¹ hereinafter is provided a Non-binding pre-emptive path summary disclosure of the services in scope and the relevant answers to that end, provided by UniCredit Banka Slovenija d.d., Šmartinska 140, 1000 Ljubljana, Slovenia, in its capacity of FMI intermediary for what concerns custody services mainly².

- ❖ **Legal Entity and general contract/service information:** UniCredit Banka Slovenija d.d. (LEI number: 54930002UN9JLME31F08), hereinafter referred to as “the Bank”
- ❖ **Jurisdiction:** Republic of Slovenia
- ❖ **Regulatory authority:** Bank of Slovenia, The Securities Market Agency
- ❖ **Description of services provided:**

UniCredit Banka Slovenija d.d. has an authorisation to perform banking services pursuant to Article 5 of the Banking Act (Official Gazette of the Republic of Slovenia, No. 25/15, with Amendments; hereinafter: the ZBan-2). Banking services are the acceptance of deposits and other repayable funds from the public and the granting of credits for its own account.

The Bank has an authorisation to perform mutually recognised and additional financial services. It may perform the following mutually recognised financial services, pursuant to Article 5 of the ZBan-2:

1. receiving deposits
2. granting of loans, including:
 - consumer loans,
 - mortgage loans,
 - purchase of receivables with or without recourse (factoring),
 - financing of commercial transactions, including export financing based on the purchase of non-current non-past-due receivables at a discount and without recourse, secured by financial instruments (forfeiting)
3. financial leasing (lease or rent) of assets, where all material risks and benefits arising from ownership of the leased asset are transferred to the lessee, and where the transfer of ownership rights to the lessee is possible but not necessarily exercised
4. payment services
5. issuance and management of other payment instruments (i.e. travelers' cheques and banker's drafts) in the part in which this service is not included in service of point 4 of this Article
6. issuing of guarantees and other commitments
7. trading for own account or for the account of clients:
 - in money-market instruments,
 - in foreign exchange, including currency exchange transactions,
 - financial futures and options,
 - exchange and interest-rate instruments,

¹ Link: <https://www.fsb.org/2020/08/fsb-continuity-of-access-to-fmis-for-firms-in-resolution-streamlined-information-collection-to-support-resolution-planning/>

² Full questionnaire disclosure has been provided to the relevant Supervisory, resolution or other relevant regulatory authority responsible for overseeing the activities of the Bank

- in transferable securities
- 8. participation in securities issues and the provision of associated services
- 9. corporate consultancy with regard to capital structure, operational strategy and related matters, and consultancy and services in connection with corporate mergers and acquisitions
- 11. investment management and related advisory services
- 15. investment services and transactions, and ancillary investment services in accordance with the ZTFI

It may perform the following additional financial services, pursuant to Article 6 of the ZBan-2:

1. insurance agency service pursuant to the law governing the insurance industry
4. custodian services according to the law governing investment funds and management companies
6. brokerage of financial leasing
 - brokerage for sale and repurchase of investment diamonds and for sale of investment gold

UniCredit GSS uses only undoubted agents, and only deals with leading banks or hold assets in CSDs/ICSDs.

The Bank has established a robust agent selection process and risk management approach, including a thoughtful risk analysis, which is subject to regular review. Agents are selected through the RFP process. UniCredit assesses capabilities, practices, procedures, product offerings, local market standing, reputation, technical and knowledge expertise, and financial standing of prospective providers.

During the selection process, the Bank considers numerous factors as part of our due diligence criteria including, but not limited to the following:

- Credit
 - Financial strength of the entity

This assessment is performed with the aim to determine as to whether our sub-custodian Agent have the financial strength to provide reasonable care for client assets by reviewing the following criteria, among other considerations:

 - Profitability & Efficiency
 - Capitalization
 - Asset quality
 - Liquidity and Funding
 - Management (structure and experience)
 - Credit rating (if available) - our requirement is that the Agent credit rating must be at investment grade level
 - Insurance coverage
- Compliance
 - Compliance with regulation in relation with safekeeping of clients' assets. Agent must also ensure that the proper asset segregation is in place to ensure the safety of clients' assets
 - Licenses to provide custody services
 - Contractual arrangements
- Commitment
 - Business commitment (short- and long-term)
 - Expertise of the custody operation
 - Custody volume capacity
 - Standings in industry surveys
- Operational capabilities & Client Service
 - Relationship management
 - Settlement, Income processing, proxy voting services and corporate action capabilities, tax expertise
 - Service standards defined by Service Level Agreements
 - External linkages with depositories, exchanges and clearing entities
 - Sophistication of technology/telecommunications

- Vault capacity and security
- Control
 - Risk management
 - Management and operational infrastructure and related internal controls
 - Results of internal/external audits
 - Contingency plans
 - Incident management
- Costs
 - Value of service for price

❖ **Services provided by the Bank – in scope of the FSB FMI questionnaire/ answer: custody services.**

- ❖ **Interdependency on other service providers or FMIs** (for example, CSDs, payment systems or other infrastructure) that a member / client would need to have access to in order to receive the Bank's services: **No direct access to any other service providers or FMIs is needed by the Bank's client in order to receive the services in scope of this disclosure.** UniCredit Banka Slovenija d.d. is a member of local CSD-KDD.

❖ **Discretionary termination rights for the services offered:**

Provisions giving rise to a right to terminate a service user's access: General Terms and Conditions and respective service agreement specify termination rights of both parties.

Link to publicly disclosed termination provisions:

<https://www.unicreditbank.si/en/bc/pages/Terms-and-Conditions-for-Corporates.html>

<https://www.unicreditbank.si/si/prebivalstvo/pripomocki/splosni-pogoji.html>

Such provisions for termination are based predominantly on objective criteria. However, unilateral termination is also possible with respect of the notice period envisaged.

❖ **Suspension or restriction of membership provisions:**

- **Suspension or restriction of a participant's membership rather than termination:** Suspension of the access to the services is possible in line with General terms and conditions (no settlement of transactions possible, no dividend payments, no corporate actions executions possible). After the removal of the reasons for the suspension, further use of services is again possible.
- **Specific timeline and/or circumstances for a suspension period before it leads to termination of membership:** Suspension period is usually not the reason for the termination, however it is directly linked to the reason. If the suspension is e.g. linked to evidence of financial stress, credit risk policies determine the timeline from suspension to termination.
- **Rules, contractual arrangements and procedures reflecting this:** Agreements with client can be terminated by client or by the Bank usually with 90 days' prior notice to the other party (individual agreements can prolong or shorten this period). One of the reasons for termination can be if the Bank lost the status of Eligible Custodian or upon a material breach by one of the parties.

Such arrangements find reflection in the General terms and conditions for conducting transactions with financial instruments, which specify the following: objections to the change of the General terms and conditions and objections to the change of the pricing (Article 13), U.S. indicia (FATCA) (Article 69).

Another key provision accounted for is the Anti money laundering ("AML") regulation in place.

❖ **Possible triggers and consequences of termination of FMI participation:**

- **Possible triggers:** Evidence of financial distress, objections to the change of the General terms and conditions and to the change of the pricing, U.S. indicia (FATCA), Know Your Customer ("KYC") reasons.
- **Consequences of termination:**
 - the completion of any outstanding transactions is assured;
 - the decision for termination of participation/membership shall be notified ex- ante to the customers in respect of the applicable notice period (typically 90 days);
 - no direct termination could be applied to the parent/subsidiaries unless there are cross-default provisions or alike;
 - given the type of services in scope no additional assistance is envisaged besides the legally/contractually and regulatory prescribed activities;

❖ **Conditions under which, if any, could safe and orderly FMI operations be at risk from maintaining participation of a service user in resolution:** No such conditions envisaged. Continuity is assured.

❖ **Self-reporting requirements placed on the member/participant in a situation of stress (e.g. additional reporting, increased reporting frequency; evidence of operational and financial capacity):** Informing clients via Newsflash in case KDD is not operative.

❖ **Enforcing trading controls including position limits, restricting markets:**

For LSE trades cash and securities position is checked before execution of trade. For OTC trades – when securities and cash are available, trade is settled. If securities are listed on restriction lists then bank rejects settlement of such securities.

❖ **Considering adverse financial impact of FMI risk mitigation actions on direct/indirect participants:**

- Potential actions, designed to protect the FMI, may precipitate the failure of the relevant participant/member or worsen its position at the time of resolution: In case of system failure, certain activities are temporary stopped to prevent possible risks for FMIs, deals are not executed.
- The impact on indirect participants of actions taken in response to a direct participant/member facing financial stress is accounted for accordingly.

❖ **Possible actions when FMI becomes aware of a participant entering a resolution process, which actions would the FMI be likely to take vis-à-vis the participant:** Contract termination.

❖ **Likely range of possible decisions undertaken after receiving notice of a service user entering into resolution:** Limitation of limits and trade execution and on the last termination of a contract.

❖ **Links to publicly published documents related to the services in scope:**

<https://www.unicreditbank.si/en/fin-inst/Transactional-banking/Securities-services.html>