

# General Information for Customers About Potential Risks Associated with the Services of OeKB CSD

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Risk Category	Risk	Risk Definition
Credit Risk	Counterparty risk against OeKB CSD for receivables from account credit balances.	<p>Since the majority of the business processes launched by customers at OeKB CSD are booked via the customers' own DCA cash accounts held with OeNB risk positions of the customer with OeKB CSD can only arise in the following limited scenarios:</p> <ol style="list-style-type: none"> <li>1) Credit balance with OeKB CSD from received non-euro amounts in collected income for securities due;</li> <li>2) Credit balance with OeKB CSD from non-euro or euro credit balances due to cash bookings in connection with instructions of transaction type External.</li> </ol> <p>Since the corresponding cash amounts held on OeKB CSD accounts have to be disposed of by the customers at the end of the day, these risk positions usually only exist intraday. In the event of a default in receivables from account credit balances of OeKB CSD against a financial institution where OeKB CSD holds cash accounts, the affected account credit balances of account holders with OeKB CSD shall be reduced proportionally. OeKB CSD shall be liable for negligent selection (1.5.3 GTC). There are no risk positions in relation to the securities positions held in customer securities accounts at OeKB CSD, because in the event of an insolvency of OeKB CSD all securities positions of customers are to be separated.</p>
Operational Liquidity Risk	The risk not to be able to meet short-term payment obligations fully or in due time.	This risk comprises the non-fulfilment of OeKB CSD standard services used due to a lack of liquidity on the customer's own DCA accounts held with OeNB or the customer's accounts held with OeKB CSD. These operational liquidity risks are controlled by the customers themselves and can cause a delayed settlement with the resulting penalty fees.
Systemic Risk Emanating from OeKB CSD	Risk (in the meaning of § 2 (41) of the Austrian Banking Act BWG) emanating from OeKB CSD and affecting the entire (or part of the) financial system and resulting in potentially severe adverse effects on the financial system or the real economy.	The systemic relevance of OeKB CSD results from the fact that the non-fulfilment of the core functions of OeKB CSD might cause momentous disturbances on the Austrian capital market. Therefore, OeKB CSD has implemented comprehensive business continuity management measures which are meant to ensure that the maximum downtimes of 2 hours as specified in the CSDR are not exceeded.
Operational Risk	Risk of losses caused by inadequacy or failure of internal procedures, humans and systems or by external events.	<p>Potential infringements or losses for customers caused by</p> <ul style="list-style-type: none"> <li>&gt; Operational errors (especially the failure of IT systems or human errors);</li> <li>&gt; Fraud (caused by internal or external agents) or</li> <li>&gt; Other contingencies or crises (incl. fire, earthquake, water ingress) occurring at OeKB CSD are e.g.:</li> <li>&gt; Temporary lack of or temporarily limited access to the securities and/or cash positions held with OeKB CSD;</li> <li>&gt; Lacking information about the customer's own transactions, cash accounts and/or securities accounts;</li> <li>&gt; Customer transactions processed not at all, with delay or incorrectly.</li> </ul> <p>OeKB CSD has implemented comprehensive risk reducing procedures and measures:</p> <ul style="list-style-type: none"> <li>&gt; Focus on mostly standardised and automated CSD core services;</li> <li>&gt; Comprehensive analysis and evaluation of the identified operational risks in the OeKB CSD Risk Map (incl. monitoring and risk reducing measures);</li> <li>&gt; Comprehensive measures to reduce IT-related operational risks, such as an IT governance and IT information security strategy with the related control mechanisms (IT General Controls / ITGC) and tests;</li> <li>&gt; Comprehensive business continuity management and IT service continuity management (ITSCM) measures to ensure that the maximum downtimes of 2 hours defined by the CSDR are not exceeded;</li> <li>&gt; Compliance with the comprehensive requirements regulated in the CSDR, which are regularly monitored by the FMA and OeNB;</li> <li>&gt; Loss event database, where causes, effects and the extent of all losses and near-losses incurred are being documented and the defined measures to remedy these risks are being monitored;</li> <li>&gt; Internal Control System (ICS) in which the control mechanisms for operational risks have been defined.</li> </ul> <p>OeKB CSD is liable in full for any grossly negligent action and for all losses requiring compensation arising in one calendar year out of negligent actions or omissions of employees or contractors of OeKB CSD to the extent of EUR5m max per year according to its GTC. Should these limited compensatory damages of a calendar year exceed the maximum amount of 5 million euros they will be compensated on a pro-rata basis.</p>
Operational Risk / Physical Depository Risk	The risk that physical securities held in the vault are lost or destroyed, e.g. caused by unauthorised access to the vault, robbery, fraud or fire in the vault.	<p>OeKB CSD in its function as issuer holds securities in physical form, because Austrian law does not provide for the dematerialised safekeeping of securities. The physical depository risk is very low with OeKB CSD, because OeKB CSD holds the securities almost exclusively in the form of global certificates in its vault, which renders them virtually unredeemable in their physical form outside of the SSS of OeKB CSD. On top of that, the vault of OeKB CSD has the elevated level VIII security classification (EN8 according to VSÖ), for which OeKB CSD has implemented comprehensive technical and organisational security measures, which include ICS validations.</p> <p>If, in spite of these comprehensive security measures, a securities certificate is physically destroyed or lost, the securitised right connected with the security certificate cannot be claimed. These cases are covered by the Act on Invalidation ("Kraftloserklärungsgesetz") 1951 (BGBl 1951/86 in its current version as amended - "KEG"). This act provides court proceedings to re-establish the legitimation of the authorised party and, if the securities certificate has not been physically destroyed, to withdraw any legitimation from any unauthorised holder. During these proceedings the positions in the securities in question held in the securities accounts at OeKB CSD are unavailable to the securities account holders. OeKB CSD has insurance coverage for the costs of recovery of the securities certificates.</p>

Risk Category	Risk	Risk Definition
Legal Risk	Risks of judicial or arbitration proceedings, lawsuits or court judgements against OeKB CSD or contracts that turn out to be unenforceable to compromise the business or financial position of the company. This may mean the potential obligation to pay fines, penalties or damages resulting from supervisory regulations, judicial or out-of-court settlements, court decisions or court judgements. Adding to this are risks from faulty or insufficient conditions in contracts, from limitation or the missing of a time limit.	The legal risks are reduced by the fact that the activities of OeKB CSD are focused on the safekeeping and administration of securities of Austrian issuers and that the percentage of securities of foreign issuers is relatively low. For further details reference is made to Section 3.1 of the GTC and Appendix 16 to the GTC. According to these the group of participants in the securities settlement system of OeKB CSD is geographically limited chiefly to credit institutions and securities firms with a registered office in a signatory state of the EEA or a member state of the OECD. Furthermore, based on its GTC OeKB CSD offers only standardised products and, in addition, only holds a small number of securities accounts with securities depositories (Clearstream, Euroclear Belgium, Euroclear France, Euroclear Nederland, KELER, Monte Titoli and SIX SIS). All these measures significantly contribute to a reduction of the legal risks. Also relevant is the fact that the activities of central securities depositories in the European Union, and in particular the supervisory regulations applicable to them, are increasingly regulated in a unified manner (CSDR, Finality Directive, Financial Collateral Directive, etc.)