

# Goldman Sachs International General Terms and Conditions for Indirect Clearing GSI as Clearing Member

#### 1 Introduction

Goldman Sachs International (hereinafter referred to as "we", "us", "our" or "GSI") is a clearing member that provides indirect clearing services, pursuant to (1) Commission Delegated Regulation (EU) 2017/2154 of 22 September 2017 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements; and, as a consequence of the United Kingdom (UK)'s exit from the European Union (EU); (2) the "retained EU law" version of such regulation on indirect clearing arrangements (as may be amended), as defined and as implemented into UK domestic law and regulation under the European Union (Withdrawal) Act 2018 (as may be amended). Together, (1) and (2) are the "Indirect Clearing Regulations".

As such a clearing member, we are required to publicly disclose the general terms and conditions under which we provide those services. This document (the "General Terms and Conditions") is intended to provide that information to new and existing clients and should be read in connection with the information set out in the Goldman Sachs International Clearing Member Disclosure Document (the "GSI General Clearing Member Disclosure"). The information set out below is general in nature, and in all cases the clearing services we provide to you are subject to detailed legal documentation.

Disclosure concerning our costs for providing indirect clearing services in circumstances where GSI acts as the clearing member can be found in the Annex.

### 2 Standard omnibus indirect client segregated accounts and gross omnibus indirect client segregated accounts

The Indirect Clearing Regulations contemplate two types of accounts for the purposes of the provision of indirect clearing services to indirect clients: the "standard" or "basic" omnibus indirect client segregated account (a "Standard OSA") and a gross omnibus indirect client segregated account (a "Gross OSA").

A Standard OSA is an account in which the assets and positions held by you on behalf of all indirect clients opting for such account are held. A Gross OSA is an account in which the assets and positions held by you on behalf of all indirect clients opting for such account are held and in relation to which the positions of one indirect client do not offset the positions of another indirect client and the assets provided in respect of one indirect client cannot be used to cover the positions of another indirect client. More information about the features of a Standard OSA and a Gross OSA are set out in the GSI General Clearing Member Disclosure.

For the purposes of the below, paragraphs 3.1 to 3.3 apply to the provision of indirect clearing in relation to both account types of accounts, but for Gross OSAs we require additional conditions to be satisfied, as more fully described in paragraph 3.4.

#### 3 Summary of Indirect Clearing Conditions

3.1 Direct Access Agreed IC CCPs: The information in this document applies to those indirect clearing services where GSI is the clearing member at the applicable EU CCP or a UK CCP in respect of the relevant transactions (each, a "Direct Access Agreed IC CCP"). The Direct Access Agreed IC CCPs are set out in the GSI General Clearing Member Disclosure, as may be updated from time to time.



- **3.2 Scope of indirect clearing services offered**: If you satisfy the "Conditions for indirect clearing" described below, you will be permitted to offer indirect clearing services to your indirect clients on the terms described below, other than:
  - 3.2.1 in relation to over-the-counter (OTC) derivatives; and
  - 3.2.2 where the chain of parties involved is not a chain permitted by the Indirect Clearing Regulations, which can be because of the length of the chain, or because of the lack of affiliate relationships between parties in the chain for example, due to our use of third party clearing brokers to clear for us at certain EU CCPs. Please see the Goldman Sachs International Direct Client Disclosure Document and accompanying general terms and conditions for more information about our indirect clearing services at EU CCPs and UK CCPs where we act as client instead of direct clearing member.
- **3.3 Conditions for indirect clearing**: In order for you to offer indirect clearing services to your clients, you must satisfy the following minimum requirements:
  - **3.3.1** you must be a "client" that is permitted to offer indirect clearing services pursuant to the Indirect Clearing Regulations;
  - as required by the Indirect Clearing Regulations, we will need to agree the general terms and conditions on which you will offer indirect clearing services to your clients;
  - 3.3.3 you must satisfy our existing risk and credit requirements for the provision by us to you of clearing services for exchange traded derivatives;
  - 3.3.4 you must be able to demonstrate to us that you have the operational capacity to allocate positions and assets across your own account and your clients' accounts using our existing systems; and
  - **3.3.5** for Gross OSAs, all of the requirements set out in paragraph 3.4 below.
- **Terms of indirect clearing service**: The following minimum terms will apply to the offering by us of indirect clearing services to you:
  - 3.4.1 Single clearing limit: We will subject you to a single clearing limit, applicable to all of your positions at all CCPs (UK, EU and otherwise), regardless of whether those positions are your own positions or positions entered into by you on behalf of your clients. Breaching any such limit could result in us requiring you to close out one or more of your positions (including indirect client positions), or could result in us taking action to close out one or more positions on your behalf.
  - **3.4.2 Average Pricing**: Subject to the rules and procedures of the relevant CCP and/or trading venue, your own positions and those positions relating to your clients which are maintained in a Standard OSA may be eligible for average pricing across those positions.

#### 3.4.3 Margin terms:

(i) Margin calls: We will call you for margin separately in relation to each of your accounts on each day. For example, if you have a proprietary client account for yourself, a Standard OSA for some of your clients and a Gross OSA for your remaining clients, we will issue three margin calls each day. In addition, unless otherwise agreed, we may require that you make a separate payment or delivery in order to satisfy each of these margin calls.



- (ii) Eligible margin: Other than in the case of a Gross OSA, we will accept as eligible collateral the same collateral we have agreed is eligible for your current proprietary positions.
- (iii) CASS: Unless otherwise agreed, all cash and non-cash assets that we agree are eligible for the purposes of you satisfying margin requirements will be held (once received by us) subject to the rules in the FCA's Client Assets sourcebook, contained in the FCA Handbook ("CASS").
- 3.4.4 Triggering default management provisions: We are required to promptly liquidate assets and positions relating to indirect clients upon your default, and take further default management actions as required by the Indirect Clearing Regulations. For these purposes, your "default" means your failure to pay any amount (or make any delivery) to GSI when due, or your insolvency, in each case subject to any grace periods we may have agreed in the specific legal documentation between us.
- **3.5** Additional requirements and terms and conditions for Gross OSAs: In addition to the above terms, the following terms shall apply to the provision by you of indirect clearing services to indirect clients that wish to elect for a Gross OSA:
  - 3.5.1 Scope: The Indirect Clearing Regulations only permit us to offer a Gross OSA in respect of transactions cleared at Direct Access Agreed IC CCPs, where we are the direct clearing member of the CCP. We are not permitted to offer a Gross OSA for positions cleared at CCPs where we use a clearing broker (whether an affiliate or an unrelated third-party) to access that CCP. Please see the Goldman Sachs International Direct Client Disclosure Document and accompanying general terms and conditions for more information the EU CCPs and UK CCPs where we act as client instead of direct clearing member.
  - **3.5.2 Account**: You will be required to open and maintain separate accounts with us for each indirect account that elects a Gross OSA.
  - **3.5.3 Information (general)**: In order to allow us to calculate separate margin requirements for each indirect client in the Gross OSA, you will be required to provide us with all information necessary to allow us and each relevant CCP to make those calculations on a timely basis.
  - **3.5.4 Information (default)**: As a condition to us providing you with such services in relation to Gross OSAs, and in order to allow us to facilitate "porting" of indirect client positions and assets, or the direct return of assets to indirect clients, following a default by you (including your insolvency), you will need:
    - (i) to establish suitable arrangements to achieve this that are legally robust and are satisfactory to us, and provide us with legal memoranda (on which we can rely) in relation to all relevant jurisdictions to our satisfaction, detailing the enforceability of such arrangements and that such arrangements comply with the Indirect Clearing Regulations; and
    - (ii) to ensure that your offering of indirect clearing facilitates the provision by you (or someone on your behalf) to us of all information we might require to effect such "porting" or direct return of assets (including the identity of your clients and all data we might require to effect all know-your-customer and anti-money laundering checks on those clients). In particular, may require that you have arrangements in place with a third-party service provider who will maintain information about your clients and then provide that information to us following a default by you.



- 3.5.5 Eligible margin: We will accept only cash as eligible margin in relation to a Gross OSA.
- **3.5.6 Excess margin**: We will require that margin calls in respect of Gross OSAs be met exactly, or "to-the-penny". Where you provide more margin than we require in relation to a Gross OSA, we will return the excess to you or retain it as margin for the purposes of your proprietary account with us.
- **3.5.7 Average Pricing**: Positions in a Gross OSA will not be eligible for average pricing across indirect clients in that Gross OSA, or any other positions which you may clear with us (either for yourself, or for your clients who have elected for a Standard OSA).

#### 4 Legal documentation

- **4.1 General**: Full, detailed and complete legal documentation will need to be entered into in order for you to provide indirect clearing services to your clients, reflecting the above terms and conditions. This may be an amendment to your existing clearing arrangements, or separate documentation.
- **4.2 Specific provisions**: In addition, this legal documentation will also include the following:
  - **4.2.1** representations from you as to your compliance with the Indirect Clearing Regulations;
  - **4.2.2** indemnities and exculpatory provisions, relating to losses we may incur or liability we may incur from or in relation to your provision of indirect clearing services to your clients; and
  - **4.2.3** any additional overlay arrangements appointing agents, trustees or creating security to facilitate "porting" of indirect client positions and assets, or the direct return of assets to indirect clients, on your default.

\* \* \*

The information set out under the heading "Important" in the introduction to the GSI General Clearing Member Disclosure applies equally to this document (including the Annex).

In particular, we note that it is your responsibility to review and conduct your own due diligence on the relevant rules, legal documentation and any other information provided to you by us or a third party in respect of the indirect client account types. You may wish to appoint your own professional advisors to assist you with this.

We shall not in any circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise for any losses or damages that may be suffered as a result of using this document. Such losses or damages include (a) any loss of profit or revenue, damage to reputation or loss or any contract or other business opportunity or goodwill and (b) any indirect or consequential loss. This paragraph does not extend to an exclusion of liability for, or remedy in respect of, fraudulent misrepresentation.



As at October 2020

#### **Annex**

## Goldman Sachs International Cost Disclosure Statement for Indirect Clearing GSI as Clearing Member

#### Introduction

This Annex includes disclosure concerning GSI's costs for providing indirect clearing services where GSI acts as clearing member under the Indirect Clearing Regulations.

This Annex is intended to provide an introduction to more detailed, client specific, pricing discussions which will take place between you and your GSI relationship contacts in relation to the indirect client accounts of your clients.

This Annex should be read in conjunction with the GSI General Clearing Member Disclosure as well as the General Terms and Conditions. It is also intended to supplement the 'Goldman Sachs International, Goldman Sachs Bank Europe SE and Goldman Sachs Paris Inc. et Cie Clearing Member Cost Disclosure Statement Direct Clearing', which was previously provided to you and is available on our website. Capitalised terms used in this Annex and not otherwise defined shall have the meaning given to those terms in the General Terms and Conditions.

This Annex is provided for information only and does not constitute legal or any other form of advice and must not be relied upon as such. Much of this information is generic and is subject to variation depending on a number of factors, including mutual operational requirements and the requirements CCP(s) at which the indirect client account(s) will be maintained.

#### **Part 1: Overview Costs Information**

The information provided in this Part 1 is designed to provide an overview of those general factors which are likely to have an impact upon the cost of setting up and operating an indirect client account with us and at the CCP level. We anticipate that the relevant factors are likely to include:

- Your indirect client account type (i.e. the particular form of indirect client account maintained by us and the relevant CCP).
- The CCP where you require your indirect client account(s) to be opened. This will be a factor to the extent that CCPs may charge differing costs or fees which we would generally seek to pass through to clients (and which clients may pass on to their clients).
- The number of indirect client accounts that you have for your clients. The number of indirect client accounts you hold will likely dictate how much of our time and resources will be dedicated to managing these accounts, from initial set up to daily reconciliation and maintenance.
- The size of your initial margin from time to time, and transaction volume/turnover. This is a proxy for the level of activity and change in your initial margin requirement from day-to-day. In particular, where it is not possible for us or the CCP to hold excess margin balances in respect of indirect client positions, this drives the likely size of CCP margin calls (daily and intraday) which will require us to top up your indirect client account(s) from our own funds while waiting for you to provide collateral to us.



#### Part 2: Costs Information - Gross OSA vs. Standard OSA

This Part 2 sets out an introduction as to the type of costs that are likely to arise from setting up and operating an indirect client account with GSI and at the CCP level, and an indication of how these costs might differ depending on whether the indirect client account chosen is a Standard OSA or Gross OSA.

#### a) Indirect Client Account Set Up and Maintenance Costs

Indirect client account set up and maintenance costs are likely to differ depending on whether a Standard OSA or a Gross OSA is chosen by your clients.

#### Standard OSA

As explained in the GSI General Clearing Member Disclosure Document, Standard OSAs will, at the level of the CCP, be shared accounts used to hold the positions and assets of your clients and the clients of one or more of our other clients. The Standard OSA is broadly similar to the existing omnibus account structure we currently offer to clients and therefore we would not expect our account opening and ongoing maintenance charges to differ significantly from existing levels, however maintenance charges could apply for certain types of products and portfolio types. We would note that these charges are subject to periodic and ongoing change.

#### **Gross OSA**

The cost of us opening and maintaining a Gross OSA for the positions and assets of your clients is likely to be somewhat higher than if you opt to use a Standard OSA. This is largely due to the enhanced level of operational time and resources required in order for us to effectively operate and supervise each extra Gross OSA at each CCP, as well as the need to maintain separate sub-accounts for each of your clients in our books and records. For example, each indirect client sub-account in the Gross OSA will require daily reconciliations. In addition, many CCPs have announced a fee in setting up these accounts due to the operational overhead on their side.

The additional complexity of the Gross OSA model will result in higher account maintenance costs than the Standard OSA model. For further details, see Part 3.

#### b) Meeting CCP Obligations

We anticipate that a key driver of the costs for each indirect client account type will be the additional costs incurred by us in respect of meeting our obligations to each CCP. For example, we will be required to incur costs in meeting CCP obligations whenever there is a funding shortfall for an indirect client account (i.e., where sufficient indirect client funds are not available to meet the CCP's margin call). Such shortfalls could be caused by an insufficient amount of collateral available to us to meet margin calls for indirect client positions, ineligible collateral for such margin calls or delays in your meeting margin calls to us in respect of your clients' positions. The likelihood of such shortfalls can be driven by how promptly you meet margin calls for your client positions, the risk profile of your clients' portfolio and whether you maintain (and we can support) an appropriate level of excess margin for your clients' positions.

Should any shortfalls arise at the CCP in respect of your clients' positions, we will meet these shortfalls on your behalf through our own funding at the CCP level in order to minimise any disruption to your clients' day-to-day activities. We will charge you a fee for the associated costs of doing so, which we would expect to vary depending on a number of factors including the size of the shortfall and the length of the delay in meeting that shortfall.

#### Standard OSA



Daily (initial margin) and intraday (variation margin) CCP collateral requirements arise in relation to both indirect client account types. We anticipate that such shortfalls are less likely to occur in relation to Standard OSAs, as most CCPs will determine the margin requirement on a net basis across all of the indirect clients whose positions are managed in a Standard OSA. As such, the impact of there being a shortfall in respect of any one indirect client in a Standard OSA is lower. We anticipate that this will result in a more efficient (reduced) need for you to rely on us to meet funding shortfalls in respect of positions maintained in a Standard OSA at the CCP level.

#### **Gross OSA**

For clients who have clients that opt for Gross OSAs, we consider that there is an increased possibility of funding shortfalls occurring at the CCP level. There are two drivers for this. First, in order to ensure proper segregation between your clients in the Gross OSA, we are unable maintain excess collateral balances for indirect clients opting for this account structure. Second, as described in more detail in the GSI General Clearing Member Disclosure, the collateral provided in respect of your clients' positions will be segregated as a separate collateral pool at the CCP level and will be margined on a gross basis across your clients who have elected for the Gross OSA. These two factors combined make it more likely that we will face funding shortfalls in respect of the positions maintained in a Gross OSA.

As we need to prepare for CCP margin calls on each Gross OSA, and that margin will be determined by the CCP on a gross basis across the indirect clients in each Gross OSA, a significant allocation of our own collateral will need to be set aside to meet the possibility of such indirect client accounts requiring a top up at the start of the day and/or on an intraday basis. Accordingly, we would expect additional funding charges to be more frequently applied (and potentially to be greater) in the case of a Gross OSA than for a Standard OSA.

#### c) Collateral Movements and Reconciliation

Whether your clients have elected for a Standard OSA or a Gross OSA, we will typically be responsible for moving collateral to the applicable account at the CCP level. Our onward posting of your collateral will increase the volume of transactions between us and the relevant CCP. In addition, we will be required to perform reconciliations in respect of each of your clients to ensure the integrity of the balance on the Gross OSA at the CCP level. An increased number of collateral movements will increase the cost of performing this reconciliation.

#### Standard OSA

Should your clients choose to make use of a Standard OSA, then we would normally reduce the total number of margin deliveries made to the CCP by aggregating the margin provided for your clients' positions with that of the clients of one or more of our other clients who have also elected to use a Standard OSA. This may enable us to spread the costs of each transaction across more than one client.

#### **Gross OSA**

If your clients choose a Gross OSA, we will be required make separate margin payments to the CCP for your clients' positions, and will not be able to aggregate this transfer with any other transfers made for the clients of our other clients. Accordingly, you will be required to bear the costs of any transaction that arises in connection with transferring margin in respect of your client's positions to a Gross OSA at the CCP.

Additional Gross OSA maintenance fees would normally be charged to make up for the additional individual cash movement fees and operations-intensive processing for the above.

#### Part 3: Indicative Charges for Standard OSA and Gross OSA Offerings



This Part 3 provides indicative information regarding for the fee structure applicable to our Standard OSA and Gross OSA offerings, which we expect will consist of three general components:

- An account maintenance fee ("Maintenance Charge"), applicable to both Standard OSAs and Gross
  OSAs.
- A charge for funding indirect client margin calls ("Funding Charge"), applicable to both Standard OSAs and Gross OSAs (though this charge is only likely to be incurred in respect of Gross OSAs).
- Additional charges and incurred by us in connection with clearing your portfolio, including CCP and agent bank fees ("Third Party Charges"), applicable to both Standard OSAs and Gross OSAs.

Our current expectation is that the Maintenance Charge, Funding Charge and Third Party Charges (further details of which are provided below) represent a complete overview of our intended charging structure for a typical client specifically in relation to the choice between Standard OSAs and Gross OSAs. This charging structure may be adapted in exceptional cases and is subject to change over time as the market develops and we gain further clarity around the various CCPs' indirect client account offerings.

#### a) Maintenance Charge

The Maintenance Charge is payable in respect of the cost of setting up and maintaining indirect client accounts. The Maintenance Charge is likely to be higher for Gross OSAs than Standard OSAs, due to the additional operational complexity and cost involved in setting up and maintaining an individual sub-account in our books and records for each of your clients who has elected for a Gross OSA. There are also additional costs in maintaining and operating a separate Gross OSA at each relevant CCP (as described in Part 2(a)).

We currently plan to apply the Maintenance Charge to each Gross OSA at each CCP. For example, if your clients have elected for a Gross OSA and clear through five CCPs, the Maintenance Charge will apply separately to each of the five accounts.

The Maintenance Charge is expected to be based principally on the size of your client's balance on each indirect client account.

- In respect of account balances on Standard OSAs (including balances held in accounts with us and with each relevant CCP), we may apply a likely maximum of 75bps of balances managed for the relevant Standard OSA (annualised), without a minimum fee.
- In respect of account balances on a Gross OSA (including balances held in accounts with us and with each relevant CCP), we do expect to apply a likely maximum of 250bps of balances managed in a Gross OSA (annualised), with a "no activity" floor (i.e. a minimum fee) of up to USD 10,000 per month.

These indicative rates are subject to review and change on an ongoing basis, including in light of the operational complexity of new CCP structures yet to be announced.

#### b) Funding Charge

Where we are required to meet margin calls due in respect of your clients' positions, we expect to apply a funding charge at a level above normal debit spread charge. As discussed in Part 2(b) of this Annex, above, where your clients have elected for a Standard OSA we are unlikely to need to pre-fund these margin calls from the CCP, whereas it is reasonably certain that we will need to do so where your clients have elected for a Gross OSA. As such, whilst the Funding Charge will apply at the same rate for



Standard OSAs and Gross OSAs, overall amounts incurred by you are expected to be higher for Gross OSA structures due to increased likelihood that we will be required to fund these margin calls at the CCP.

As a guideline the Funding Charge will be up to 250bps over the relevant benchmark interest rate for intraday and daily deficits, though the specific charge may vary according to the specific circumstances and behaviour and could be higher than this level. This rate is subject to review in line with current market conditions.

#### c) Third Party Charges

Where additional costs are applied by relevant third parties and are directly attributable to a particular indirect client or indirect client account (irrespective of whether a Standard OSA or Gross OSA is chosen), these costs will normally be passed on to you. For indirect client accounts, these charges are largely expected to consist of CCP account set up and maintenance fees, and agent bank transaction fees.

Third Party Charges will apply to both Standard OSAs and Gross OSAs, but are generally expected to be higher for indirect clients in a Gross OSA due to the additional complexity and cost faced by CCPs and other relevant third parties in relation to such accounts (see Part 2(c) of this Annex).

Certain of these charges may apply periodically, while others may arise on a per-transaction basis (for example, the cost of an agent bank money transfer may be up to approximately EUR 50 per transfer including our reconciliation). These charges are subject to continual change, which is generally beyond our control.

Details of third party charges applicable to the indirect client accounts will be included in the daily statement we will make available to you as your clearing broker. In addition, third party charging structures are generally publically available on the relevant third party website. Although many of these CCP charges for indirect client accounts have not yet been finalised, we will seek to notify you of any changes imposed by relevant third parties. We will also seek to assist you where possible in providing ways to reduce the number of charges where this is under your control.

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The information set out herein is provided as an indication of possible costs associated with an average client specifically in relation to the choice between a Standard OSA and a Gross OSA used to manage the positions and assets of your clients. The indicative charges referred to are subject to ongoing review and change by us and relevant third parties as the account models and CCP offerings develop. We would be happy to discuss what the precise costs are likely to be in respect of setting up and operating an account at the CCP level based on your individual circumstances and requirements. If required, your GSI relationship contact will be in touch to arrange these discussions.