

Debit Securities Conditions DEGIRO

Debit Securities Conditions

Debit Securities is an ancillary service offered by DEGIRO that facilitates the Client to engage in short selling of Financial Instruments, such as shares and ETFs. Using the Debit Securities Service, the Client may borrow – and subsequently sell – certain Financial Instruments by entering into Uncovered Sell Transactions (as defined below).

Please note that DEGIRO can only provide ancillary services, such as the Debit Securities Service, in connection with an investment service. Thus, DEGIRO cannot provide Debit Securities independently from the Investment Services Conditions as a standalone service.

Application and scope

The Appendix Debit Securities consists of the Acceptance Form Debit Securities and the Debit Securities Conditions.

The Debit Securities Conditions provide specific terms and conditions applicable to the Debit Securities Service and apply solely in the event that the Client has enabled the Debit Securities Service.

One agreement, hierarchy and interpretation

In accordance with Article 2.2. of the Investment Services Conditions the Appendix Debit Securities is a part of the Client Agreement and together with the other parts of the Client Agreement, including any powers of attorney granted by the Client to DEGIRO in relation thereto, shall be held to form a single Agreement between the Parties.

In the event that there is a conflict between the terms of the Appendix Debit Securities and the terms set out in the Investment Services Agreement and/or any Investment Services Information document, the terms of the Appendix Debit Securities shall prevail.

Capitalized terms used in the Debit Securities Conditions, unless they are also defined in this document, will have the same meaning they do in the Investment Services Conditions.

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Article 1. Definitions

In addition to the defined terms in the Investment Services Agreement, the terms written with a capital letter in the Debit Securities Conditions refer to the following:

“Debit Securities Conditions” the terms and conditions set out in this document setting out the additional terms that apply between the Parties in the event that the Client has enabled the Debit Securities Service.

“Debit Securities Service” the service consisting of DEGIRO providing the Client with the possibility to enter into Uncovered Sell Transactions on the terms – and subject to the conditions – set out in these Debit Securities Conditions.

“Uncovered Sell Transaction” a sale transaction in Securities or the exercise of a Derivative (in the event of short call and long put stock settled option contracts and short stock settled futures), conducted by or for the Client, to the extent that Securities of the relevant type and number, with the same custody location, are not administered in the Balance of the Personal Page at that time.

Article 2. Contractual relationship

2.1 Agreement

After the Acceptance Form Debit Securities has been executed by Client, the Debit Securities Conditions have the effect of an agreement between the Parties.

2.2 Acceptance

Before the Client has the possibility to enter into Uncovered Sell Transactions using the Debit Securities Service and thus to have a debit position in their Balance in one or more Securities, the Client must first (i) choose a Profile that allows for the use of Debit Securities in the Trading Platform, (ii) accept and sign the relevant Acceptance Forms through the Trading Platform and (iii) pass the applicable Appropriateness Tests.

In some cases, DEGIRO may impose additional conditions on the Client as part of the acceptance process. DEGIRO will only do so when a reasonable and justified reason exists. An example of such additional conditions would be that for some Clients (such as corporate clients) we require the Client to provide the executed Appendix Debit Securities by email as opposed to through the Trading Platform. If and when DEGIRO decides to impose additional conditions relating to acceptance, DEGIRO will inform the Client of any such conditions, including clear instructions on how to comply with these conditions.

2.3 Investment Services Information

The Appendix Debit Securities should be read in conjunction with the documents Investment Services and Security Value, Risk, Debit Money and Debit Securities of the Investment Services Information.

Article 3. Debit Securities

3.1 Overview

The Client can always consult the debit position in Securities entered into under the Debit Securities Service on the Personal Page of the Trading Platform.

3.2 Uncovered Sell Transactions

When conducting Uncovered Sell Transactions, the Client sells Securities that the Client does not hold in the Personal Page, or a Derivative (short call and long put stock settled option contracts, and short future stock settled contracts) whose underlying the Client does not hold is exercised.

For the settlement of the Uncovered Sell Transaction, the Client borrows the relevant Securities from DEGIRO for a fee. The Client must return the borrowed Securities to DEGIRO in due course. To return the Securities, the Client must execute a buy-transaction through the Trading Platform or execute a portfolio transfer in the relevant Securities to their DEGIRO account.

If between the sale of the borrowed Securities and the moment that the Client returns the Securities the price of those Securities has fallen, the Client will have made a profit. If however the price of the Securities has risen, the Client will have made a loss.

Article 4. Security rights

4.1 Right of pledge

The obligations of the Client towards DEGIRO under the Appendix Debit Securities are secured by the lien granted by the Client to DEGIRO under article 19.2 of the Investment Services Conditions.

4.2 Security for third parties

DEGIRO is reliant on SPV Long Short to provide the Debit Securities Service. As a result, DEGIRO explicitly draws the Client's attention to Articles 19.3 (Transfer of portfolio) and 19.4 (Use of the Client's assets as collateral) of the Investment Services Conditions.

Article 5. Orders

5.1 Orders

The Client may place Orders for Uncovered Sell Transactions in Securities with DEGIRO. Uncovered Sell Transactions are not possible in all Securities. An Order to conduct an Uncovered Sell Transaction is deemed to be a request from the Client to DEGIRO to lend the relevant Securities to the Client.

5.2 Delivery obligation of DEGIRO

When the Client conducts an Uncovered Sell Transaction in Securities via DEGIRO, an obligation arises for DEGIRO to deliver the relevant Securities to the buying party, either through the relevant market infrastructure or over-the-counter ("OTC"). DEGIRO

will execute the Client's Order for an Uncovered Sell Transaction only when DEGIRO has obtained certainty that DEGIRO can meet this delivery obligation (e.g. because DEGIRO itself has been able to borrow the relevant Securities from a third party in good time).

5.3 Rules and Regulations

From time to time, competent regulators impose restrictions on Uncovered Sell Transactions. DEGIRO will be entitled to restrict or stop executions for Uncovered Sell Transaction (or to keep a short position in the Client's portfolio) when such restrictions apply to DEGIRO or the Client.

5.4 Restrictions

DEGIRO has the right to restrict or withdraw the possibility of conducting Uncovered Sell Transactions. DEGIRO may impose temporary or permanent restrictions on the types of Uncovered Sell Transactions that it will accept. DEGIRO shall make efforts to notify the Client of such restrictions in good time.

Article 6. Positions

6.1 Income

ATTENTION: If income, such as dividends or interest is paid in connection with Securities for which the Client holds a debit position in the Balance at that time, the Client owes DEGIRO an amount equal to the gross amount (*i.e.*, before deduction of tax) of such distribution.

6.2 Fee

The Client owes DEGIRO a fee for the use of the Debit Securities. The amount of this fee is dependent on the fee that DEGIRO itself must pay to the third party from whom DEGIRO borrows the Securities for the Debit Securities Service. The Client can check the fees on the Website at any time in the document Fee Schedule in the Investment Services Information.

The percentages shown in the Fee Schedule are based on the daily value of the short position and on the basis of 360 calendar days per year. The fee is accumulated and charged to the Balance on a monthly basis during the first days of each calendar month.

6.3 Buy-transaction

If the Client holds a debit position in their balance in a Security, as soon as the Client:

- conducts a buy-transaction for that Security; and
- that buy-transaction is conducted on the same market (or on a market that uses the same settlement infrastructure) as the market on which the borrowed Securities is traded;

then DEGIRO will automatically apply the Securities bought by the Client to settle the balance of the Securities borrowed from DEGIRO by the Client.

This means that the Client will not be able to hold a short position and a long position in a Security which trades on the same market or on a market that uses the same settlement infrastructure at the same time, in the same Personal Page.

6.4 Request for return

ATTENTION: BE AWARE THAT YOU CAN BE REQUIRED TO CLOSE A DEBIT BALANCE IN A SECURITY AT ALL TIMES. A SHORT OR EVEN IMMEDIATE DEADLINE MIGHT APPLY.

DEGIRO relies on third parties to obtain the Securities needed to offer the Debit Securities Service. Since Securities used for the Debit Securities Service are borrowed from these third parties, it is possible that these third parties make a request to DEGIRO to close the Uncovered Sell Transaction within a given deadline.

A request for return might also be warranted because of the risk level of a Security. If there is in view of DEGIRO a high likelihood of future settlement problems when closing a debit balance in a Security, such as when a Security is likely to get suspended from trading, DEGIRO can decide to restrict allowing a debit balance in that Security. This means that a debit balance in that Security must be closed.

Also, competent authorities might impose restrictions on Uncovered Sell Transactions. This may result therein that the Client is not allowed anymore to have a debit balance in a Security.

Because of the above reasons, DEGIRO always has the right to require the Client to settle a debit balance in Securities in the Balance by conducting a buy-transaction or by delivering the relevant Securities (with the same custody location as the Securities borrowed from DEGIRO) to SPV in the Central Account. DEGIRO will notify the Client without undue delay about the request to close the uncovered position and the deadline.

6.4.1 Consequences of non-compliance

If the Client does not comply with a request for redelivery from DEGIRO – within the deadline set by DEGIRO – DEGIRO has the right to buy the relevant Securities itself, at the Client's expense.

6.4.2 Deadline for redelivery

Please note that the deadline given by DEGIRO to the Client depends on the particular circumstances, such as a request made by the third party. As the case may be, this deadline might be tight or even immediate.

Article 7. Execution Only

7.1 Execution Only

As explained in Article 6.5 of the Investment Services Conditions, DEGIRO provides all of its services on an "Execution Only"-basis. The Client's Orders are processed automatically by the systems of DEGIRO and are assessed only in terms of the Limits and conditions agreed by the Parties. DEGIRO cannot assess the Client's Orders and positions in terms of suitability in view of the Client's assets, investment portfolio or

investment objectives. The Client is solely responsible for the Orders and positions chosen by the Client.

7.2 Debit Securities leverage effect

Investing with borrowed Securities entails higher risks than investing in long positions. In theory, the increase in price for any borrowed Security during the term of the loan can be unlimited. This means that the Client's loss can therefore also be unlimited. That means that there is a risk that the losses for the Client exceed the deposited amount, so that instead of losing only own capital, a residual debt remains.

Furthermore, the Client must return the borrowed Securities to DEGIRO in due course and – subject to the conditions set out above – may be required at any time to return Securities on short notice (or even immediately).

Depending on the risk profile of the Personal Page and the personal situation of the Client, it is therefore advisable to use the service Debit Securities Service in a limited, controlled way and with caution. For further information, the Client can consult the Investment Services Conditions and the document Security Value, Risk, Debit Money and Debit Securities in the Investment Services Information.

7.3 Knowledge and information

By signing the Acceptance Form Debit Securities, the Client:

- declares to be familiar with conducting Uncovered Sell Transactions in Securities and to be aware of the associated risks;
- confirms that the Client has studied and understands the 'Debit Securities' section in the document Investment Services in the Investment Services Information; and
- confirms and accepts that DEGIRO provides its services on an Execution Only basis and will not advise the Client.

7.4 Duty of care

By signing the Acceptance Form Debit Securities, the Client confirms to DEGIRO that the Client shall use the services of DEGIRO prudently and shall ensure not to conduct transactions or take positions that exceed the financial capacity of the Client or that are not consistent with the investment objectives or portfolio of the Client.

By signing the Acceptance Form Debit Securities, the Client confirms that the Client shall not conduct any transactions in Financial Instruments for which the Client does not possess sufficient knowledge and insight.

Article 8. Limits, Risk and Security Value

8.1 Limits

Positions in a Debit Securities can show strong fluctuations in value. The Client shall ensure that the Limits are not exceeded and to act in a prudent manner and shall not conduct any transactions if it can reasonably be foreseen that these could lead to the

Limits being breached (e.g. carrying out a transaction which will leave the free scope at zero or close to zero).

Clients can view the Limits and the way in which they are calculated at any time in the Security Value, Risk, Debit Money and Debit Securities document in the Investment Services Information.

8.2 Security Value

The debit positions in Securities must always be covered by sufficient Security Value. The Client will monitor their positions in Debit Securities regularly and, where required, will intervene in good time in order to increase the Security Value and prevent Limits from being breached.

In case the Limits have been breached and the free scope has turned negative, the Client shall act to increase the Security Value and turn the free scope positive before the deadline given by email by closing positions in Financial Instruments or transferring money according to the requirements set in article 7 of the document Security Value, Risk, Debit Money and Debit Securities in the Investment Services Information.

8.3 Intervention by DEGIRO

If the Limits have been breached and the Client has not acted according to article 8.1 above, DEGIRO will intervene in the manner and within the terms described in the Investment Services Conditions and explained in more detail in the document Security Value, Risk, Debit Money and Debit Securities in the Investment Services Information.

Article 9. Term and termination

9.1 Duration

As part of the Client Agreement, the Appendix Debit Securities is entered into by the Parties for a term coinciding with the term of the Investment Services Agreement. The Appendix Debit Securities is terminated on termination of the Investment Services Agreement.

9.2 Ordinary termination

The Appendix Debit Securities may be terminated by either Party at any time by email. In this notice, the terminating Party shall inform the other Party of the applicable notice period (with due observance of the minimum notice periods set out below).

9.2.1 Termination date

In the event of termination pursuant to this article 9.2, termination will take effect on the first day after one Party has served notice of termination to the other Party, provided:

- the applicable notice period has lapsed; and
- all borrowed Securities have been redelivered to DEGIRO.

9.2.2 Minimum notice periods

The Parties shall observe the following minimum notice periods:

- in the event of termination by the Client, no minimum notice period will apply; and
- in the event of termination by DEGIRO pursuant to this article 9.2, the minimum notice period shall be two calendar months.

9.2.3 Lapse of the applicable notice period

In any case, after the applicable notice period set out in the notice of termination has lapsed DEGIRO may restrict the Client from (re-)borrowing any (additional) Securities under the Debit Securities Service. In addition, after the applicable notice period has lapsed:

- any and all obligations arising from and in connection with this Appendix Debit Securities become immediately due and payable; and
- DEGIRO will be authorized to enter into transactions for the account of the Client in order to achieve a positive amount (or zero) in the relevant Security(-ies).

9.3 Immediate termination for cause

The Client may no longer borrow under this Appendix Debit Securities and must return all borrowed Securities with immediate effect after notice by DEGIRO to the Client by e-mail in the following situations:

- (part of) the Balance is subject to a seizure request;
- the Client has provided incorrect or incomplete information when entering into the Client Agreement and/or the Appendix Debit Securities and the agreement would not have materialized (or at least not under the same conditions) if DEGIRO would have been aware of the correct and complete information;
- the Client breaches an important contractual obligation under the Client Agreement and the breach has not been cured after a reasonable period for remedial actions of 14 days after DEGIRO has served the notice to Client by e-mail; and/or
- the Client has acted in violation of the Rules and Regulations, especially the principles and obligations with regards to anti-money laundering or counter-terrorist financing, market abuse, insider dealing, confidentiality or privacy.