

## Goldman Sachs International and Goldman Sachs Bank Europe SE Clearing Member Cost Disclosure Statement Direct Clearing

### Introduction

Each of Goldman Sachs International and Goldman Sachs Bank Europe SE (each, a "**GS Clearing Member**") is a clearing member of various European Union (EU), and/or United Kingdom (UK) central counterparties (each, a "**CCP**")<sup>1</sup>. Each GS Clearing Member will be providing direct clearing services to its clients through CCPs in accordance with EMIR<sup>2</sup> and RTS 6<sup>3</sup>, and/or any corresponding implementation of EMIR and RTS 6 in the UK following the UK leaving the EU.

In connection with providing direct clearing services, EMIR and RTS 6 impose certain obligations on the GS Clearing Members, including a requirement to disclose the levels of protection and information on the costs associated with the omnibus client account and individual client account types that we offer. Further information on account types, the levels of protection offered and the legal implications of choosing one or other account type are set out in the Clearing Member Disclosure Document for each GS Clearing Member (the "**General Clearing Member Disclosure Document**"). This cost disclosure statement is intended to provide an introduction to more detailed, client specific, pricing discussions which will take place between you and your Goldman Sachs relationship contacts.

Throughout this document references to "we", "our" and "us" are references to the GS Clearing Member providing the direct clearing services. References to "you" and "your" are references to the client. In addition, references to EU regulation will include any laws, regulations and guidance implemented in the UK following the UK leaving the EU, as applicable.

### Organisation of this disclosure statement

This disclosure statement is set out as follows:

- Part 1: General Information.
- Part 2: Overview Costs Information.
- Part 3: Costs Information – Omnibus Client Account vs. Individual Client Account.
  - Part 3(a): Account Set Up and Maintenance Costs.
  - Part 3(b): Meeting CCP Obligations.
  - Part 3(c): Collateral Movements and Reconciliation.
  - Part 3(d): Return on Initial Margin

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<sup>1</sup> A list of the CCPs at which a particular GS Clearing Member is a clearing member can be found in the relevant General Clearing Member Disclosure Document.

<sup>2</sup> Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories.

<sup>3</sup> Commission Delegated Regulation (EU) No 2017/589 supplementing Directive 2014/65/EU with regard to regulatory technical standards specifying the organisational requirements of investment firms engaged in algorithmic trading.

- Part 4: Indicative Charges for Individual and Omnibus Client Accounts.

### **Part 1: General Information**

This disclosure statement is intended to provide an introduction to more detailed, client specific, pricing discussions as to the costs involved in selecting either an omnibus client account or individual client account to assist you in making an informed choice as to which account type best suits your circumstances and requirements. This disclosure statement should be read in conjunction with the General Clearing Member Disclosure Document for the relevant GS Clearing Member providing you with direct clearing services, which provides further background on the account types, asset segregation models and the clearing process.

This disclosure statement is only intended to provide you with information 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 CCP(s) at which your account(s) will be maintained.

This disclosure statement does not provide all the information you may need in order to determine which account type is most suitable for you. 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. 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 disclosure statement. 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.

### **Part 2: Overview Costs Information**

The information provided in this Part 2 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 account at the CCP level. We anticipate that the relevant factors are likely to include:

- Your account type (i.e. the particular form of omnibus client account or individual client account offered by the relevant CCP).
- The CCP(s) where you require your 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.
- The number of accounts you require and the number of currencies held per account. The number of accounts you hold at the CCP 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.
- How much excess pre-funding you hold per account with us and at the CCP level. In structures where it is not possible to hold excess balances, this drives the likely size of CCP margin calls (daily and intraday) which will require us to top up your account(s) from our own funds while waiting for you to provide collateral.

### **Part 3: Costs Information – Omnibus client account vs. individual client account**

This Part 3 sets out an introduction as to the type of costs that are likely to arise from setting up and operating an account at the CCP level and an indication of how these costs might differ depending on whether an omnibus client account or an individual client account is chosen.

**(a) Account Set Up and Maintenance Costs**

Account set up and maintenance costs are likely to differ depending on whether an omnibus client account or individual client account is chosen.

***Omnibus Client Account***

As explained in the General Clearing Member Disclosure Document, omnibus client accounts may be offered by CCPs on a gross or net basis and will be shared accounts used by you and one or more of our other clients. The omnibus client account is broadly similar to the account structures in place prior to the implementation of EMIR, therefore our account opening and ongoing maintenance charges do not differ significantly from levels which applied prior to that time. 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.

***Individual Client Account***

The cost of us opening and maintaining an individual account on your behalf is likely to be somewhat higher than if you opt to use a omnibus client account. This is largely due to the enhanced level of operational time and resources required in order for us to effectively operate and supervise an individual client account at each CCP. For example, each individual client account will require daily reconciliations. In addition, many CCPs have a fee in setting up these accounts due to the operational overhead on their side.

**The additional complexity of the individual client account model will result in higher account maintenance costs than the omnibus client account model. For further details, see Part 4.**

**(b) Meeting CCP Obligations**

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

Should any shortfalls arise, we will meet these shortfalls on your behalf through our own funding at the CCP level in order to minimise any disruption to your 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.

***Omnibus Client Account***

Daily (initial margin) and intraday (variation margin) CCP collateral requirements arise in relation to both client account types. We anticipate that client funding shortfalls are less likely to occur in relation to omnibus client accounts, as the impact of any one client in a omnibus structure is lower. We anticipate that this will result in a more efficient (reduced) need for omnibus account holders to rely on us to meet funding shortfalls at the CCP level.

***Individual Client Account***

For clients who opt for individual client accounts we consider that there is an increased possibility of funding shortfalls occurring at the CCP level because your collateral will be segregated as a separate collateral pool and because we are unable retain client excess balances in such a structure. Any such charges would be applied in full on an individual basis, rather than being shared among clients on a pro rata basis. Accordingly, we would expect additional charges to be more frequently applied (and potentially to be greater) in the case of an individual client account rather than an omnibus client account.

**As we need to prepare for CCP margin calls on each individual client account, a significant allocation of our own assets will need to be set aside to meet the possibility of such client accounts requiring a top up at the start of the day and/or on an intraday basis.**

**(c) Collateral Movements and Reconciliation**

Whether you have an omnibus client account or individual client account, we will typically be responsible for moving your collateral (including any excess) to your 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 to ensure the integrity of the balance on the accounts at the CCP level. An increased number of collateral movements will increase the cost of performing this reconciliation.

Utilising a different currency (for example, single currency margining) is also more complex in the individual client account model, typically requiring a significantly greater number of individual payments than when managed on a net omnibus basis.

***Omnibus Client Account***

Should you choose to make use of an omnibus client account, then we would normally reduce the total number of transactions to the CCP by aggregating your collateral with that of one or more of our other clients when making transfers to the omnibus account at the CCP level. This may enable us to spread the costs of each transaction across more than one client.

***Individual Client Account***

If you choose an individual client account, we will be required to onward post your margin (including excess) to the CCP. Accordingly, you will be required to bear the costs of any transaction that arises in connection with transferring your margin to the CCP.

In order to reduce these costs, you may choose to pre-fund your individual client account by maintaining excess collateral at the CCP and/or reducing the frequency with which you request substitution of collateral held in your account.

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

**(d) Return on Initial Margin**

How we treat your excess margin will differ depending on whether an omnibus client account or individual client account has been chosen. This could have an impact on the overall cost associated with your account.

***Omnibus Client Account***

If you opt for the omnibus client account then we expect that the relevant CCP will margin all contracts

in the same product group as a single portfolio. The result of this is that there is an increased likelihood of offsets from a risk perspective and the CCP may require collateral that is less than the collateral within the omnibus client account. Where agreed, we may hold any excess margin with one or more third-party banks. This excess margin held at a third-party bank may attract a different rate of return than that offered by a CCP.

### ***Individual Client Account***

Any excess will generally be held by the CCP in your individual client account, with any rate of return being determined by the CCP.

**As an individual client account holder, the return on your balances held directly at the CCP level may not be as attractive as those managed under the omnibus client account model.**

## **Part 4: Indicative charges for omnibus and individual client accounts**

This Part 4 provides indicative information regarding our anticipated charging structure for omnibus and individual client accounts, which we expect will consist of three general charging components:

- An account maintenance fee (“**Maintenance Charge**”), applicable to both omnibus and individual client accounts.
- A charge for funding client margin shortfalls (“**Funding Charge**”), applicable to both omnibus and individual client accounts.
- Additional charges and incurred by us in connection with clearing your portfolio, including CCP and agent bank fees (“**Third Party Charges**”), applicable to both individual and omnibus client accounts.

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 omnibus and individual client account types. This charging structure may be adapted in exceptional cases and is subject to change over time as the market develops.

### **(a) Maintenance Charge**

The Maintenance Charge is payable in respect of the cost of setting up and maintaining client accounts. The Maintenance Charge is likely to be higher for individual client accounts than omnibus client accounts, due to the additional operational complexity and cost involved in setting up and maintaining an individual client account for each client at each relevant CCP (as described in Part 3(a)).

We currently plan to apply the Maintenance Charge to each individual client account at each CCP. For example, if a client clears through five CCPs and selects an individual client account at each CCP, the Maintenance Charge will apply separately to each of the five accounts.

The Maintenance Charge is expected to be based principally on (i) the size of the client’s balance on each client account; and (ii) the number of currencies in which the client wishes to transact. In respect of account balances on individual client accounts (including balances held in accounts with us and with each relevant CCP), we expect to apply a likely maximum of 75bps of balances managed in individual client accounts (annualised), with a “no activity” floor (i.e. a minimum fee) of USD 500 per month per individual client account. In respect of account balances in omnibus client accounts (including balances held in accounts with us and with each relevant CCP), we expect to apply a likely maximum of 50bps of balances managed for the relevant client in omnibus client accounts (annualised). In respect of currencies, for individual client accounts we expect to apply a further

charge of USD 200 per month for each additional currency the client elects to use beyond the base currency for the account. These indicative rates are subject to review and change on an ongoing basis, including in light of the operational complexity of new CCP account structures being developed.

**(b) Funding Charge**

Where we are required to meet funding shortfalls on your behalf (irrespective of whether an omnibus client account or individual client account is chosen), we expect to apply a funding charge at a level above normal debit spread charge. As a guideline this will be up to 250bps over LIBOR (or other applicable reference rate) for intraday and daily deficits, though the specific charge may vary according to the client's specific circumstances and behaviour and could be higher than this level. This rate is subject to review in line with current market conditions.

**The Funding Charge will apply at the same rate for omnibus and individual client accounts but overall amounts charged are expected to be higher for individual client accounts due to increased likelihood of funding shortfalls (see Part 3(b)).**

**(c) Third Party Charges**

Where additional costs are applied by relevant third parties and are directly attributable to a particular client or client account (irrespective of whether an omnibus or individual client account is chosen), these will normally be onward charged to the relevant client. These charges are largely expected to consist of CCP account set up and maintenance fees and agent bank transaction fees.

Certain of these charges may apply periodically (for example, certain CCPs charge a monthly or annual facilitation fee per individual client account), 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, are generally beyond our control.

Details of third party charges 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 – we would be happy to assist you if you have any difficulty finding the relevant information and 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.

Third Party Charges will apply to both omnibus and individual client accounts but are generally expected to be higher for individual client accounts due to the additional complexity and cost faced by relevant third parties in relation to such accounts (see Part 3(c)).

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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 an omnibus and individual client account. The indicative charges referred to are of course subject to ongoing review and change by us and relevant third parties as the EMIR 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. Your Goldman Sachs relationship contact will be in touch to arrange these discussions.