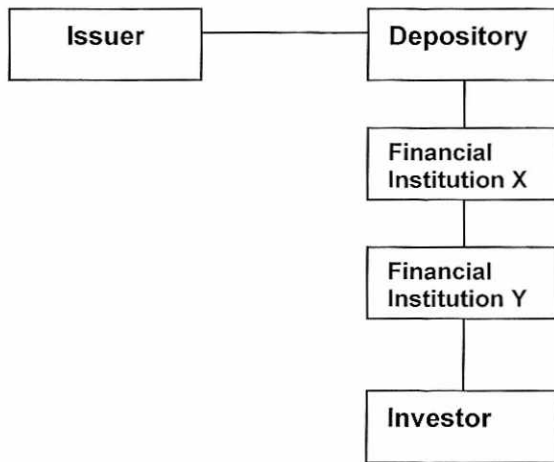


Appendix B⁷⁹

Differing Legal Frameworks Applicable to Intermediated Holding Systems



Model	Security Entitlement Model (Canada and U.S.)	Trust Model (England and Wales, Ireland, Australia)	Undivided Property Model (France)	Pooled Property Model (Germany, Austria, Japan)
Depository	CDS nominee is registered holder and legal owner	CREST (U.K.) or CHES (Australia) assumes role of company register under corporate law and has no legal interest	Euroclear acts as a register and has no legal interest in the securities.	Clearstream (Germany) and other equivalents maintain a pool of securities and have no legal interest in the securities.
Financial Institution X	CDS participant holds security entitlement in respect of CDS	CREST participant is the legal owner of the securities they hold in CREST, whether for their own or clients' account.	Has no legal interest in the securities	No legal interest other than a residual interest comparable to possession or <i>de facto</i> control.
Financial Institution Y	Holds securities entitlement in respect of FI X	Equitable owner of securities in account with FI X	Has no legal interest in the securities	No legal interest other than a residual interest comparable to possession or <i>de facto</i> control.
Investor	Holds security entitlement in respect of FI Y	Equitable owner of securities in account with FI Y	Full property over the securities in account with FI Y; however, the investor can only access his securities through FI Y and not through any other intermediary at a higher level	Shared interest in the pool of securities located at the level of the depository; however, the investor can only access his securities through FI Y and not through any other intermediary at a higher level

⁷⁹ The information in this Appendix is derived from *Paech, supra* note 17.

Some jurisdictions (the Nordic countries, Greece and Poland, China and Brazil) have “transparent systems” in which investors hold accounts directly with the depository, and financial institutions merely “operate” the accounts; however, this system does not work for cross-jurisdictional holdings, because foreign intermediaries are not part of the special legal and operational framework necessary to be an account operator. In that case, a custodian will hold an account with the depository, and the ownership framework is similar to the pooled property model.

Note that this chart does not address other important differences in legal structure that affect the voting and property rights of issuers and investors in these jurisdictions, e.g., corporate laws, insolvency laws, property rules and securities and/or financial market regulations. This chart therefore should not be read as suggesting that a particular legal framework for an intermediated holding system is superior to another.