

28 July 2016

Strictly Private and Confidential

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Report of potential breach of legislation by DeGiro

Dear Sir/Madam,

Please disregard the previous letter we sent you today, as this contained a calculation error in respect of the regulatory capital calculations as set out in paragraph 2.16 and the table included under paragraph 2.18.

On behalf of our client, we would like to inform you as follows.

1 Introduction

- 1.1 _____ is an investment firm (*beleggingsonderneming*) with its registered office in London, the United Kingdom and is authorised to provide its permitted services in the Netherlands on a cross-border basis. _____ is active in the Dutch market and as a result – to the extent possible – attempts to stay informed of the activities and business models of its competitors in the Netherlands.
- 1.2 One of _____ competitors is DeGiro B.V. (**DeGiro**), a Dutch-domiciled investment firm holding a licence granted by the Netherlands Authority for the Financial Markets (*Autoriteit Financiële Markten*, the **AFM**). Recently, it has been brought to _____ attention that DeGiro appears to be acting in breach of certain rules and regulations which are applicable to investments firms in the Netherlands. Following this, we have reviewed the publicly available information and documentation in relation to DeGiro's services. In order to ensure a level playing field and safeguard the integrity of the Dutch financial sector as a whole, we believe it to be of vital importance that all market participant, including DeGiro, act in full compliance with the applicable rules and regulations.

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- 1.3 In the following paragraphs of this letter we would like to draw your attention to five (5) particular aspects of DeGiro's activities in the Netherlands, of which we believe that this constitutes a breach of certain rules and regulations:
- (a) DeGiro does not comply with its disclosure obligations under the Capital Requirements Regulation (EU/575/2013) (**CRR**), commonly referred to as 'Pillar III disclosures';
 - (b) DeGiro appears to be dealing on its own account (*handelen voor eigen rekening*), for which it does not have a licence;
 - (c) DeGiro has omitted to publish audited annual accounts for the financial year 2014;
 - (d) DeGiro does not maintain sufficient regulatory capital;
 - (e) the terms and conditions in relation to DeGiro's securities account (*beleggersgiro*), Stichting DeGiro, which administers funds and financial instruments on behalf of DeGiro's customers, contain provisions which are not in line with the relevant applicable rules and regulations; and
 - (f) DeGiro acts in breach of the prohibition to invite (*aantrekken*), obtain (*ter beschikking te verkrijgen*) or have the disposal (*ter beschikking hebben*) of repayable funds (*opvorderbare gelden*) from the public.

2 Breaches

(a) Pillar III disclosures

- 2.1 An investment firm authorised to provide investment services and the ancillary service safekeeping is subject to the full regime of the CRR. DeGiro holds a licence as investment firm including the ancillary service safekeeping. Consequently, DeGiro is required to comply with disclosure obligations under the CRR. We are not aware of a possibility to be exempted from these disclosure obligations, other than the exemptions mentioned in the CRR. Based on the public information available to us, we do not believe that these exemptions can be relied upon by DeGiro.
- 2.2 Part Eight (*Disclosure by Institutions*) of the CRR contains a number of disclosure requirements which are applicable to DeGiro. Among other things, DeGiro is required to publicly disclose the information as laid down in Title II of Part Eight of the CRR on at least an annual basis. This includes information on, among other things, its:
- (a) risk management objectives and policies (Article 435 CRR);
 - (b) own funds (Article 437 CRR);
 - (c) compliance with capital requirements (Article 438 CRR);
 - (d) exposure to counterparty credit risk (Article 439 CRR);
 - (e) compliance with the requirement for a countercyclical capital buffer (Article 440 CRR);
 - (f) exposure to market risk (Article 445 CRR);
 - (g) exposure to operational risk (Article 446 CRR); and
 - (h) remuneration policy and practices of the institution for those categories of staff whose professional activities have a material impact on its risk profile (Article 450 CRR).
- 2.3 We understand that DeGiro is allowed to determine the appropriate medium, location and means of verification to comply with its disclosure requirements. However, neither on its website, in its deposited

financial statements, nor as far as we have been able to assess anywhere else, DeGiro discloses the abovementioned information.

- 2.4 The CRR prescribes these disclosure obligations with the aim to provide market participants with accurate and comprehensive information regarding the risk profile of individual institutions, such as DeGiro. does publish its Pillar III disclosures on its website (the relevant webpage can be accessed through the following link: <https://www.>
- 2.5 Now DeGiro does not publish this information, DeGiro's clients (the **Clients**) cannot assess the risks they run on DeGiro. And we believe that the Clients run a risk on DeGiro as we will elaborate on below.

(b) Dealing on own account

- 2.6 In its client agreement (*Cliënt overeenkomst – DEGIRO*, the **Client Agreement**)¹ and a document containing further information on its investment services (*Nader informatie beleggingsdiensten – beleggingsdiensten*, the **Information Document**)², DeGiro provides that DeGiro has the right to lend certain financial instruments (including, but not limited to, shares, warrants, participants in funds, obligations) (the **Financial Instruments**) of DeGiro's clients (the **Clients**) to itself, which Financial Instruments will subsequently be lent on to other parties. In particular, we refer to paragraph 9 of the Client Agreement and page 5 of the Information Document (as respectively set out below).

'Artikel 9. Uitleenen effecten

9.1 Toestemming Cliënt

Cliënt geeft hierbij toestemming aan DEGIRO om de Effecten die onderwerp zijn van een Opdracht tot aankoop of die door Beleggersgiro voor Cliënt worden aangehouden, te mogen Uitleenen. DEGIRO zal daarbij in alle gevallen optreden als tegenpartij van Beleggersgiro en dus jegens Beleggersgiro zijn gehouden tot teruglevering van de Uitgeleende Effecten. Een korte toelichting bij het Uitleenen van Effecten is te vinden in het document Beleggingsdiensten in de Nadere Informatie Beleggingsdiensten.

9.2 Zekerheid

Indien DEGIRO Effecten Uitleent, dan is er ten aanzien van die Effecten op dat moment geen vermogensscheiding. Beleggersgiro heeft op dat moment een vordering tot teruglevering op DEGIRO. Om het risico dat hiermee gepaard gaat te beperken, zal DEGIRO er voor zorgen dat Beleggersgiro op continue basis zekerheid ontvangt ter hoogte van ten minste 104% van de waarde van de Effecten die worden Uitgeleend. Beleggersgiro zal op deze wijze in alle gevallen zoveel mogelijk in staat zijn om aan haar verplichtingen jegens Cliënt te voldoen.

9.3 Giraal Tegoed

Wanneer DEGIRO Effecten Uitleent, dan verandert daardoor niet het saldo van Cliënt bij Beleggersgiro. Cliënt behoudt immers jegens Beleggersgiro een vordering luidende in de door DEGIRO Uitgeleende Effecten. Beleggersgiro zal echter op dat moment niet de betreffende Effecten aanhouden, maar daarvoor in de plaats geld of andere Effecten als zekerheid van DEGIRO aanhouden. De Uitgeleende positie in Effecten wordt door DEGIRO pro rato toegewezen aan de klanten voor wie de Effecten van de betreffende soort worden of zouden worden aangehouden op de rekening bij de betreffende derde waarvandaan de Effecten voor het Uitleenen zijn opgenomen of waarop deze hadden moeten worden bijgeboekt.'

'Uitleenen van effecten

Onder de Overeenkomst Beleggingsdiensten heeft DEGIRO het recht bedongen om Effecten die Beleggersgiro voor de klanten van DEGIRO aanhoudt, te mogen gebruiken. Dat kan bijvoorbeeld zijn om een Ongedekte Verkooptransactie (een transactie waarbij een klant Effecten verkoopt die die klant niet heeft) te kunnen afwikkelen (afwikkelen wil hier zeggen het leveren van de Effecten tegen ontvangst van de betaling). DEGIRO gebruikt dan Effecten die Beleggersgiro aanhoudt voor klant A om de Ongedekte Verkooptransactie van klant B te kunnen afwikkelen. Op deze wijze kan DEGIRO de dienst Debet Effecten mogelijk maken. Wanneer DEGIRO Effecten Uitleent, dan heeft vanaf dat moment Beleggersgiro niet voldoende Effecten van de betreffende soort. Het risico dat dit tekort tot schade leidt van de klant, is echter zeer beperkt.

- Ten eerste geldt dat DEGIRO (en niet de inlenende partij) steeds de 'tegenpartij' is van Beleggersgiro en dus met haar eigen vermogen instaat voor het tijdig terugleveren van de Uitgeleende Effecten.

- Daarnaast geldt dat DEGIRO van de inlenende partij zekerheid eist. Wanneer de inlenende partij klant is van DEGIRO, dan biedt de inlenende partij zekerheid met het pandrecht dat DEGIRO heeft op diens Giraal Tegoed en loopt de geleende positie

¹ The Client Agreement can be accessed here: https://www.degiro.nl/data/pdf/Voorwaarden_Beleggingsdiensten.pdf.

² The Information Document can be accessed here: https://www.degiro.nl/data/pdf/NIB_Beleggingsdiensten.pdf.

mee in de doorlopende risico monitoring door DEGIRO. In andere gevallen dient de inlenende partij zekerheid te stellen door geld of Effecten naar Beleggersgiro over te maken die Beleggersgiro in geval van falen van de inlenende partij mag gebruiken om de Uitgeleende Effecten op de markt terug te kopen.

Schade voor de klant wiens Effecten zijn Uitgeleend ontstaat dus pas op het moment dat zowel de inlenende partij als DEGIRO niet langer in staat zijn hun verplichtingen te voldoen (lees: failliet zijn) en de waarde van de zekerheid is gedaald dan wel de waarde van de Uitgeleende Effecten is gestegen. De hoogte van de schade is daarbij beperkt tot het verschil in waarde tussen de Uitgeleende Effecten en de door de inlener verschaftte zekerheid.'

- 2.7 Now DeGiro puts its own books at risk when entering into such transactions, it appears to be dealing on its own account by doing so. We believe that these activities qualify as dealing on own account within the meaning of the Act on the Financial Supervision (*Wet op het financieel toezicht*, **AFS**). Pursuant to the public register held by the AFM, DeGiro is not authorised to carry out this investment activity.


(c) Audited annual accounts

- 2.8 Pursuant to Articles 3:71 and 4:85 AFS, DeGiro is obliged to provide the AFM and the Dutch Central Bank (*De Nederlandsche Bank*, **DNB**) with annual audited accounts. In addition, the Dutch Civil Code (*Burgerlijk Wetboek*) prescribes that DeGiro is obliged to deposit its annual accounts with the Dutch Chamber of Commerce (*Kamer van Koophandel*, the **CoC**).
- 2.9 We have obtained the available annual accounts of DeGiro from the CoC till date. DeGiro has deposited audited annual accounts for the financial year 2013 with the CoC, but the annual accounts for the financial year 2014 appear not to have been audited. In this respect, we refer to the image set out below and we include a copy of the annual accounts of 2014 to this letter (See [Annex I](#) to this letter).

Jaarrekeningen - DeGiro B.V. (34342820)

 Print

Kamer van Koophandel, 28 juli 2016 - 12:02

 Tip: u kunt dit product ook opslaan als pdf. [Hulp nodig?](#)

Naam rechtspersoon:	DeGiro B.V.
Adres:	Amstelplein 1 9e etage 1096 HA Amsterdam
Statutair gevestigd:	Amsterdam
Datum oprichting:	3-6-2009
Rechtsvorm:	Besloten vennootschap met gewone structuur

Algemene gegevens uit de jaarrekening

Boekjaar:	2015	2014	2013
Balansdatum:	31-12-2015	31-12-2014	31-12-2013
Vastgesteld:	voorlopig	definitief	definitief
Winstbestemming:	voor	voor	voor
Lengte boekjaar in maanden:	12	12	12
Werknemers:	74	34	8
100% dochters:	1		
Overige deelnemingen:		10	
Accountantscontrole:			KPMG Accountants N.V.
Oordeel:			Goedkeurend

- 2.10 Now DeGiro has not deposited audited annual accounts with the Coc, we expect that they also did not submit audited annual accounts to the AFM and/or DNB. As a result, it seems like DeGiro did not comply with Articles 3:71 and 4:85 AFS for the financial year 2014.

(d) Regulatory capital

- 2.11 We have reasons to believe that DeGiro omits to comply with its disclosure obligations as a result of its financial position, in particular the regulatory capital that it holds, current and in the past few years.
- 2.12 If DeGiro is deemed to deal on its own account (as set out in paragraphs 2.6 and 2.7 above), DeGiro should have maintained a minimum regulatory capital of at least EUR 730,000 (pursuant to Article

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3:53 AFS and Article 48 (j) of the Decree on Prudential Rules for Financial Undertakings (*Besluit prudentiële regels Wft*).

2.13 Investment firms are also required to hold a minimum level of regulatory capital to reduce the risk and impact of adverse events (and to make certain disclosures in this respect). It is highly likely³ that DeGiro did not hold sufficient regulatory capital to cover the risks to which it was and is exposed.

2.14 By way of example, DeGiro is subject to the regulatory capital requirement for operational risks laid down in Articles 315 and 316 CRR. DeGiro's regulatory capital for operational risks alone should be equal to 15 % of the average over three years of the sum of DeGiro's:

- (a) interest receivable and similar income;
- (b) interest payable and similar charges;
- (c) income from shares and other variable/fixed-yield securities;
- (d) commissions/fees receivable;
- (e) commissions/fees payable;
- (f) net profit or net loss on financial operations; and
- (g) other operating income,

together the **Relevant Indicator**.

2.15 DeGiro's financial statements for the financial years 2013, 2014 (unaudited) and 2015 (the last of which are preliminary) (the **Financial Statements**) do not contain the required information to calculate the Relevant Indicator. However, it is possible to make a basic calculation for operational risks on the basis of the limited information that is publicly available from the CoC:

	2013	2014	2015
Commission revenues	(information unavailable)	€ 6,257,895	€ 17,259,135
Cost of sales	(information unavailable)	-/- € 3,782,946	-/- € 7,748,401
Incidental revenues	(information unavailable)	€ 447,762	-/- € 91,362
TOTAL	€ 714,973	€ 2,922,711	€ 9,419,372

2.16 Based on the table above, the Relevant Indicator amounts to at least EUR 4,352,352 (i.e. the average of the total amounts set out in the table above). Consequently, DeGiro's regulatory capital for operational risks should have been equal to at least 15 % of the aforementioned amount, i.e. EUR 652,852.80.

2.17 We note that for the purpose of the regulatory capital calculations, only DeGiro's net assets as included in its audited annual accounts for the financial year 2013 must be taken into account. This is because DeGiro's annual accounts for the financial years 2014 and 2015 appear to not have been audited. DeGiro's net financial losses for the financial years 2014 (EUR 780,595) and 2015 (EUR

³ Based on DeGiro's audited annual accounts for the financial year 2013, its unaudited annual accounts for the financial year 2014 and its preliminary financial statements for 2015,

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1,813,159) will nevertheless need to be deducted from the amount of net assets set out in its most recently audited annual accounts (i.e. DeGiro's net assets as set out in its 2013 annual accounts: EUR 278,115).

- 2.18 In view of the above, it seems that DeGiro has not complied with the applicable regulatory capital requirements and has had a regulatory capital deficit in 2013, 2014 and 2015 (as set out in the table below):

	2013	2014	2015
DeGiro's regulatory capital	€ 278,115	€ -/- 502,480	€ -/- 2,315,639
MINUS: Minimum regulatory capital (paragraph 2.12)	€ 730,000	€ 730,000	€ 730,000
MINUS: Minimum regulatory capital (paragraph 2.16)	-	-	€ 652,852.80
Regulatory capital deficit	€ -/- 451,885	€ -/- 1,232,480	€ -/- 3,045,639

- 2.19 By omitting to provide its clients with sufficient insight in its financial position, DeGiro does not allow its clients to make an informed decision.

(e) Securities account

- 2.20 For the purpose of complying with its obligations pursuant to Article 4:87 of the Act on the Financial Supervision (*Wet op het financieel toezicht*), Article 165 (2) of the Decree on Conduct of Business Supervision of Financial Undertakings (*Besluit Gedragstoezicht financiële ondernemingen Wft*) and Articles 7:14 to 7:20 of the Further Regulation on Conduct of Business Supervision of Financial Undertakings (*Nadere regeling gedragstoezicht financiële ondernemingen Wft*, the **Further Regulation**), DeGiro set up a separate legal entity that administers funds and financial instruments on behalf of DeGiro's clients as its only activity: a securities account, Stichting DeGiro.

- 2.21 We believe that DeGiro fails to comply with the relevant rules and regulations regarding the use of a securities account for the purpose of segregating assets in two respects:

- (a) the liability of Stichting DeGiro; and
- (b) the provision of information regarding lending financial instruments.

Liability Stichting DeGiro

- 2.22 DeGiro describes the purpose of Stichting DeGiro in both its Client Agreement and the Information Document.

- 2.23 13.5 of the Client Agreement (page 23) provides the following:

'13.5 Beleggersgiro

Beleggersgiro is een passieve entiteit die zelf geen actieve handelingen verricht. Alle handelingen voor Beleggersgiro worden de facto verricht door DEGIRO. DEGIRO staat jegens Cliënt in voor de nakoming van de verplichtingen van Beleggersgiro jegens Cliënt. Cliënt stemt er nadrukkelijk en onherroepelijk mee in dat Cliënt zich in geval van falen van DEGIRO en / of Beleggersgiro uitsluitend zal mogen verhalen op DEGIRO en niet op Beleggersgiro.'

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- 2.24 In summary, paragraph 13.5 of the Client Agreement provides that Stichting DeGiro is a passive entity and that all acts on behalf of Stichting DeGiro are *de facto* performed by DeGiro. DeGiro is liable for Stichting DeGiro's obligations towards the Client and DeGiro request the Client to explicitly and irrevocably agree that the client will only have a claim against DeGiro in the event DeGiro or Stichting DeGiro "fails" (we assume that the reference to a failure should be read as a reference to a suspension of payments or bankruptcy).
- 2.25 DeGiro is required to ensure that Stichting DeGiro meets the requirements as laid down in Article 7:17 of the Further Regulation. Pursuant to subsection (k) of this article, Stichting DeGiro should be liable towards the Clients for any damages suffered. Therefore, paragraph 13.5 of the Client Agreement does not comply with the requirement laid down in Article 7:17 (k) of the Further Regulation.

Lending of certain financial instruments

- 2.26 The foregoing is particularly alarming in view of the fact that DeGiro has the right to lend the Financial Instruments of its Clients to itself, which Financial Instruments will subsequently be lent on to other parties. The Client Agreement and Information Document provide that DeGiro will ensure that the parties that borrow the Financial Instruments (the **Borrowers**) from Clients will provide collateral equal to at least 104% of the value of the Financial Instruments which are lent to the Borrowers (the **Collateral**).
- 2.27 We are aware of the fact that under specific circumstances investments firms are permitted to lend its clients' securities, but we believe that DeGiro fails to provide the Clients with clear and comprehensible information on the risks that are associated with the abovementioned structure. In particular for private Clients, the risks associated with the Financial Instruments lending by DeGiro should be made abundantly clear, allowing such investors to understand the consequences of the Financial Instruments lending. We believe that DeGiro has failed to do so. In addition, it is not clear whether Collateral is provided to DeGiro or Stichting DeGiro.
- 2.28 The Information Document (page 5) provides:

'Uitlenen van effecten

Onder de Overeenkomst Beleggingsdiensten heeft DEGIRO het recht bedongen om Effecten die Beleggersgiro voor de klanten van DEGIRO aanhoudt, te mogen gebruiken. Dat kan bijvoorbeeld zijn om een Ongedekte Verkooptransactie (een transactie waarbij een klant Effecten verkoopt die die klant niet heeft) te kunnen afwikkelen (afwikkelen wil hier zeggen het leveren van de Effecten tegen ontvangst van de betaling). DEGIRO gebruikt dan Effecten die Beleggersgiro aanhoudt voor klant A om de Ongedekte Verkooptransactie van klant B te kunnen afwikkelen. Op deze wijze kan DEGIRO de dienst Debet Effecten mogelijk maken. Wanneer DEGIRO Effecten Uitleent, dan heeft vanaf dat moment Beleggersgiro niet voldoende Effecten van de betreffende soort. Het risico dat dit tekort tot schade leidt van de klant, is echter zeer beperkt.

• Ten eerste geldt dat DEGIRO (en niet de inlenende partij) steeds de 'tegenpartij' is van Beleggersgiro en dus met haar eigen vermogen instaat voor het tijdig terugleveren van de Uitgeleende Effecten.

• Daarnaast geldt dat DEGIRO van de inlenende partij zekerheid eist. Wanneer de inlenende partij klant is van DEGIRO, dan biedt de inlenende partij zekerheid met het pandrecht dat DEGIRO heeft op diens Giraal Tegoed en loopt de geleende positie mee in de doorlopende risico monitoring door DEGIRO. In andere gevallen dient de inlenende partij zekerheid te stellen door geld of Effecten naar Beleggersgiro over te maken die Beleggersgiro in geval van falen van de inlenende partij mag gebruiken om de Uitgeleende Effecten op de markt terug te kopen.

Schade voor de klant wiens Effecten zijn Uitgeleend ontstaat dus pas op het moment dat zowel de inlenende partij als DEGIRO niet langer in staat zijn hun verplichtingen te voldoen (lees: failliet zijn) en de waarde van de zekerheid is gedaald dan wel de waarde van de Uitgeleende Effecten is gestegen. De hoogte van de schade is daarbij beperkt tot het verschil in waarde tussen de Uitgeleende Effecten en de door de inlener verschaftte zekerheid.'

- 2.29 The highlighted section below provides that the risks associated with the abovementioned structure are 'very limited', while in reality the Clients are exposed to risks which could have a significant impact on them if the Borrowers provide Collateral to DeGiro instead of Stichting DeGiro. If the Borrowers provide Collateral to DeGiro, the Clients do not enjoy the protection of asset segregation. If DeGiro becomes bankrupt, the Financial Instruments provided to DeGiro will be part of DeGiro's bankruptcy estate. If that is the case, downplaying the associated risks as done in the section of the Information Document (as demonstrated above) could even be deemed misleading.

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- 2.30 The Client Agreement and Information Document (or any other information or documentation provided by DeGiro) are not clear as to:
- (a) whether DeGiro in fact requests Collateral from a Borrower, and if it does, whether the value of such Collateral is always at least equal to 104% of the Financial Instruments which are lent to the relevant Borrower;
 - (b) in which way and how often DeGiro verifies whether the Collateral provided by a Borrower has a value which is at least equal to 104% (or 100%) of the Financial Instruments which are lent to the relevant Borrower, i.e. on a daily / weekly / monthly basis; and
 - (c) which types of collateral it accepts from the Borrowers, i.e. whether DeGiro also accepts illiquid Financial Instruments as collateral, as a result of which it may prove to be difficult to replace Financial Instruments which were lent to the Borrowers within a reasonable timeframe.
- 2.31 The above is even more important now it appears that DeGiro is not complying with the regulatory capital requirements with the result that the Clients are exposed to a realistic possibility of insolvency of DeGiro.

(f) Repayable funds

- 2.32 It follows from the Client Agreement and Information Document that in addition to the Financial Instruments, Stichting DeGiro obtains and/or has the disposal of the funds (i.e. monies) of the Clients.
- 2.33 Based on what is set out in the Client Agreement and Information Document, it is apparent that these funds qualify as repayable funds within the meaning of the AFS.
- 2.34 There is no reason to assume, nor does this follow from the Client Agreement and Information Document, that these funds constitute advance payments on specific purchase transactions or specific orders for onward payment (which are held for a maximum of five days) which would have the consequence that these funds would not qualify as repayable funds. In addition, there is no obligation on the Client to not have funds in their account for no longer than 5 days.
- 2.35 Furthermore, DeGiro does not meet the requirements to be exempt from the prohibition of Article 3:5 AFS on the basis of the Exemption Regulation AFS (*Vrijstellingsregeling Wft*). In addition, it follows from the public register held by the DNB that Stichting DeGiro has not been granted a dispensation by DNB pursuant to Article 3:5 (4) AFS. Moreover, DNB has clearly indicated on its website that it in principle no longer grant dispensations to securities accounts. And the AFM is considering banning the use of a securities account altogether.
- 2.36 In view of the above, we believe that Stichting DeGiro is not able to rely on an exemption from or has been granted a dispensation from the prohibition laid down in Article 3:5 AFS.

3 Conclusion

- 3.1 We would like to reiterate that we believe that DeGiro acts in breach of several rules and regulations as described in more detail above. We do not believe that there is any reason why DeGiro should not comply with these rules and regulations. The Clients are exposed to a high risk of DeGiro not meeting its obligations due to the fact that DeGiro appears not to meet the statutory regulatory capital requirements.
- 3.2 We would like to draw your attention to an article on Amsterdam Trader: <http://www.amsterdamtrader.com/2016/05/degiro-searching-for-higs-millions.html>. This article also discusses liquidity issues DeGiro faces. The article includes a link to a prospectus for the issuance of participation right acquisition financing DeGiro.

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- 3.3 We would be grateful if you could please confirm receipt of this letter. If you have any questions, please do not hesitate to contact me.

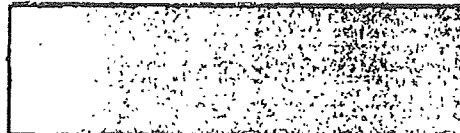
Yours sincerely,

28 July 2016

Annex I
DeGiro's annual accounts 2014



Handwritten:	34 34 20' 20
Datum vaststelling:	21-01-2016
Registratiedatum:	28 JAN 2016
Aantal pagina's:	12
Bekjaart/Groette:	2014-k
Kamer van Koophandel	



DEGIRO B.V.

Annual report 2014 for filing purposes

(Chamber of commerce number 34342820)



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Financial statements 2014

Balance sheet as of 31 December 2014

(Amounts in EUR, before appropriation of result)

Assets	31-12-2014	31-12-2013
Fixed assets		
Tangible fixed assets	66,988	0
Financial fixed assets	125,000	125,000
	191,988	125,000
Current assets		
Fully collateralised loans to customers	53,154,924	3,404,415
Trade and other receivables	683,325	716,257
Marketable securities	170,610	0
Cash and cash equivalents	1,592,103	1,514,169
	55,600,962	5,634,841
Total Assets	55,792,950	5,759,841

Equity & Liabilities	31-12-2014	31-12-2013
Shareholder's equity		
Issued and paid up capital	18,000	18,000
Share premium reserve	1,776,972	693,358
Other reserves	-433,243	70,985
Unappropriated result	-780,595	-504,228
	581,134	278,115
Provisions	111,654	114,021
Current liabilities	55,100,162	5,367,705
Total Equity & Liabilities	55,792,950	5,759,841



Notes to the financial statements

General information

General

These financial statements for filing purposes are prepared in accordance with the regime for small entities permitted by article 2:396 of the Dutch Civil Code.

Activities

The Company is a 100% subsidiary of LPE Capital B.V. registered in Amsterdam. The Company, founded on June 3th 2009, has its registered office in Amsterdam and is registered at the Chamber of Commerce of Amsterdam under the number 34342820.

The activities of the Company consist primarily of online brokerage, providing collateralized margin loans and asset management services to both retail and professional investors.

Securities investment giro (asset segregation)

The Company executes orders in financial instruments (securities and derivatives) on behalf of its clients. To safely hold and control the assets of her clients, the Company founded a securities investment giro (a special purpose safekeeping entity) on July 4th 2011, called Stichting DeGiro.

Stichting DeGiro is a so-called securities investment giro (in Dutch a '*beleggersgiro*'), set up as a special purpose safekeeping entity (safekeeping of financial instruments as well as client money). As such, clients' assets are effectively separated from the assets of the Company and are protected in case of insolvency of the Company. The Company complies with the requirements as stated in article 6.17 of the *Nadere Regeling gedragstoezicht financiële ondernemingen (NRgfo)* with respect to asset segregation.

Financial supervision

The Company is regulated by The Netherlands Authority of the Financial Markets ("AFM") and the Dutch National Bank ("DNB"). The Company is an investment firm with a license for investment services: receipt and transmission of orders, executing orders on behalf of clients, portfolio management and for offering consumer credit (margin loans collateralised by securities).

Related parties

The Company's management and the parties identified below are classed as related parties as meant in the Guidelines for Annual Reporting (RJ 330) and as related parties as set out in Section 1 of Bgfo.

Group companies

In addition to DeGiro B.V. the following companies are part of the Group:

- LPE Capital B.V. (parent company and head of the Group);
- HiQ Trading Software B.V. (software- and ICT infrastructure development);
- HiQ Invest B.V. (manager of AIFMD and UCITS investment funds);
- ML Concepts B.V. (concept- developer internet pages) (90%):
 - Codern Venture SRL (Software development) (60%);
 - ML Concepts Administration U.G.
- FundShare Administrator B.V. (fund administrator);
- Stichting DeGiro (a securities giro/ custodian founded by DeGiro B.V.); and
- DAF Depositary B.V. (depositary of AIFMD and UCITS investment funds).



Affiliated parties (Non Group Companies)

The following affiliated parties are not part of the Group:

- HiQ Trading and Liquidity Providing N.V. (an investment company founded by the depository of HiQ Invest Market Neutral Fund); and
- HiQ TLP Hong Kong Limited (a Hong Kong based company founded by HiQ Trading and Liquidity Providing N.V.).

Branches

The Company has opened branches in Sofia, Bulgaria and in Hong Kong.

Transactions with related parties

The transactions with the related parties concern the intra group financing of working capital (in the balance sheet described as a receivable from or payables to group companies). Intra-group recharges have been accounted for regarding the intra-group use of employees, information technology, housing and other overhead costs.

Use of Estimates

The preparation of the financial statements requires the management to form opinions and to make estimates and assumptions that influence the application of principles and the reported values of assets and liabilities and of income and expenditure. Actual results may differ from these estimates. The estimates and the underlying assumptions are constantly assessed. Revisions of estimates are recognised in the period in which the estimate is revised and in future periods for which the revision has consequences.

Prior period adjustment

The Company has restated the results of the prior period due to a revision in the interpretation of facts and circumstances surrounding intercompany transactions previously accounted for as a gift towards a sister company. The prior period adjustment will better reflect the substance and rationale of the transactions involved. This sister company is part of the same fiscal unity - for corporate income tax and value added tax - as the Company. From this perspective the initial accounting approach did not have any corporate income nor value added tax consequences. The prior period adjustment reflects, besides a restatement of operating expenses, an interim dividend declaration to the parent company and head of the fiscal unity.

The parent company has carried the operating expenses of the Company as a premium reserve deposit on the outstanding shares of that sister company. The prior period impact for the 2013 net result, due to the restatement of operating expenses, is equal to the share premium deposit.

The impact of the adjustment to the comparative figures is as follows:

Adjustments comparative figures	2013
Equity financial statements 2013	278,115
Correction net result	-525,358
Share premium deposit	525,358
Equity restated as of 31 december 2013	278,115
Net result financial statements 2013	21,130
Correction operating expenses	-700,477
Impact correction corporate income tax	175,119
Net result over 2013 restated	-504,228

The correction of net result can be specified as follows:

Overview adjustments	2013	Adjustment	Adjusted comparative figures
Share premium reserve	168,000	525,358	693,358
Other reserves	21,130	-525,358	-504,228
Current liabilities	-166,284	-59,532	-225,816
Trade and other receivables	613,935	59,532	673,467
General and administrative expenses	143,083	700,477	843,560
Incorporate income tax	0	-175,119	-175,119
Correction net result		525,358	

General principles regarding the valuation of assets and liabilities

General

Basis of preparation

The financial statements have been prepared in accordance with the legal provisions of Title 9, Book 2 of the Dutch Civil Code and the Dutch Act on Financial Supervision. The applied accounting policies are based on the historical cost convention.

Financial reporting period

The financial year of the Company coincides with the calendar year.

Foreign currencies

Functional currency

The items in the financial statements are stated in consideration of the currency in the economic environment in which the Company performs its business activities (the functional currency). The annual financial statements are presented in euros (EUR); this is both the Company's functional and presentation currency.

Transactions in foreign currencies

Transactions denominated in foreign currency are translated to EUR at the exchange rate applicable on the transaction date. Monetary assets and liabilities denominated in foreign currency are translated at the balance sheet date into the functional currency at the exchange rate applicable on that date. Non-monetary assets and liabilities in foreign currency that are stated at historical cost are translated into euros at the applicable exchange rates on the transaction date. Translation gains and losses are taken to the profit and loss account.

Foreign operations

The assets and liabilities of foreign operations are translated to euros at exchange rates applicable on the balance sheet date. Income and expenses of foreign operations are translated into euros at the exchange rate applicable on the transaction date.



Fixed assets

Tangible fixed assets

Tangible fixed assets are valued at the purchase price less straight-line depreciation based on the expected economic (useful) life or lower realisable value.

The expected useful life is:

Tangible asset category	Depreciation term
Computers and software	5 years
Furniture	5 years

A tangible fixed asset is derecognised in the event of disposal or if no future economic benefits are expected from its disposal or use. Any gains or losses arising from its balance sheet derecognition (calculated as the difference between the net proceeds on disposal and the book value of the asset) are taken to profit or loss for the year in which the asset is derecognised. The residual value of the asset, its economic life and valuation principles are reviewed and if necessary adapted at the end of the financial year.

Financial fixed assets

Participating interest

Participating interests where significant influence is exercised over the business and financial policy are valued according to the equity method on the basis of net asset value. Participating interests where the company exercises control along with other participants, such as in joint ventures, are valued in the same way.

For financial fixed assets an assessment is made as of each balance sheet date as to whether there are indications that these assets are subject to impairment. If there are such indications, then the recoverable value of the asset is estimated. The recoverable value is the higher of the value in use and the net realisable value. If the carrying value of an asset is higher than the recoverable value, an impairment loss is recorded for the difference between the carrying value and the recoverable value.

Current assets

Trade and other receivables

At initial recognition trade and other receivables are stated at fair value. After initial recognition receivables are valued at amortised cost less impairment losses. The amortised cost value equals the nominal value, if there are no directly attributable transaction costs or premium/discounts applicable.

Collateralized margin loans

At initial recognition collateralised (by securities) margin loans are stated at fair value. After initial recognition receivables are valued at amortised cost less impairment charges. The amortised cost value equals the nominal value, if there are no directly attributable transaction costs or premium/discounts applicable.

Impairment assessment

In the case there is an objective indication that the fair value of the collateral is lower than the carrying amount of the loan an impairment assessment is carried out. Evidence that a loan or receivable is impaired is obtained via lending assessment process. This primarily involves the assessment of the (legal) possibilities to recover the outstanding exposure amounts. Loans and receivables are written off, when they are deemed irrecoverable. Changes in the value of loans are reported in the profit and loss account under "Other financial result".

Marketable securities

Marketable securities consist of short term (available for sale) positions in equity and fixed income securities. Listed marketable securities are marked to market in the balance sheet against close price. Changes in market values are reported in the profit and loss account under "Other financial result".



Receivables from (payables to) group companies

The intra group balances outstanding are recorded at their nominal value less a provision for doubtful items at year-end.

Cash and cash equivalents

Cash and cash equivalents comprise cash, bank balances and call deposits with a maturity of less than twelve months. Debts in current accounts at banks are included in debts to credit facilities in current liabilities. Cash and cash equivalents are stated at nominal value.

Provisions

General

Provisions are made for legal or constructive obligations that exist at the balance sheet date, where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount can be estimated reliably. Provisions are measured at the best estimate of the amounts necessary to settle. The provisions are stated at the nominal value of the expenditures that are to be required to settle the liabilities and losses. When an affiliated company reimburses the obligations, then this amount is settled in the current account between both group companies.

Provision for deferred remuneration

The provision for deferred remuneration refers to conditional performance based remuneration awards where the actual payment is deferred for a period of, in principle, three years and depends on the performance (net asset value) of two investment funds managed by a related party to the Company. The change in value of the remuneration awards directly related to the performance of the investment funds is expressed in the calculation of the provision.

Provision for deferred tax liabilities

A provision is formed for deferred tax liabilities based on the temporary differences on the balance sheet date between the tax book value of assets and liabilities and the book value entered in these financial statements. Deferred tax liabilities are recognized for all taxable temporary differences. The deferred tax liabilities are valued at nominal value.

Current liabilities

Trade creditors and other liabilities

At initial recognition liabilities are stated at fair value. After initial recognition liabilities are valued at the amortized cost. The amortised cost value equals the nominal value, if there are no directly attributable transaction costs or premium/discounts applicable.



General principle for recognition and measurement of income and expenses

Income and expense items are recognised in the period to which they relate, having due regard to the above accounting principles. Revenues are recognised if it is probable that their economic benefits will flow to the Company and the revenues can be reliably measured.

Net turnover

Net fee and commission income

Fee and commission income and expense comprises payments, excluding interest, received or receivable from third parties and paid or payable to third parties, respectively, whether on a non-recurring or more regular basis, in respect of services provided.

Net Interest income

Net interest income consists of the interest on monetary financial assets (collateralised loans) minus the cost of funds attributable to the period

Other financial result

Other financial result comprises interest income and expenses on cash and cash equivalents, changes in value of investment in marketable securities and changes in value of loans receivable.

Taxes

Corporate income tax (CIT)

Corporate income tax comprises the current and deferred corporate income tax relating to the reporting period. Current tax comprises the expected tax payable or receivable on the taxable profit or loss for the financial year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to the tax payable in respect of previous years.

If the carrying values of assets and liabilities for financial reporting purposes differ from their values for tax purposes (tax base), this results in temporary differences. A provision for deferred tax liabilities is recognised for taxable temporary differences.

Corporate tax is calculated on the basis of the standard tax rates in the countries where the results were achieved, taking into account applicable tax facilities in these countries.

Value added tax (VAT)

The Company is exempted from VAT with respect to revenues generated from the management of investment fund. Due to this exemption a significant portion of invoiced VAT is irrecoverable. Expenses therefor include irrecoverable VAT.

Fiscal unity

The Company is part of a fiscal unity for corporate income tax and value added tax (VAT) purposes together with its parent company, LPE Capital B.V. and other group companies. Each of the companies within the fiscal unity recognises the pro rata portion of corporate income tax that the relevant company would owe as an independent taxpayer, taking into account the applicable tax facilities (innovation box).



Notes to the balance sheet

Participating interests

The company has a 100% participating interest in Stichting DeGiro established in Amsterdam. Based on article 6:17 Nrgfo, Stichting DeGiro is required to have a minimum capital of EUR 125,000. The Company has funded Stichting DeGiro with this capital in 2012. No further funding has been provided since then.

Shareholder's equity

Share capital

The authorised share capital amounts to EUR 90,000, divided in 900 ordinary shares, each with a nominal value of EUR 100. From the authorised share capital 180 ordinary shares are issued and paid-up. The shares are owned for 100% by the parent company LPE Capital B.V.

Unappropriated result

The retained part of the result amounts to EUR 780,595 negative.

Off balance sheet assets and liabilities

The off balance sheet items assets and liabilities are, if applicable, and unless otherwise stated valued at nominal value.

Contingent liability in a fiscal unity

The Company is part of a fiscal unity for corporate income tax and value added tax purposes with its parent company LPE Capital B.V. All group companies within this fiscal unity are jointly and severally liable for the tax obligations of the fiscal unity as a whole.



Other information

Related parties

The related parties of the Companies have been listed in paragraph related parties in the general notes to the financial statements. The transactions with the identified related parties concern the intra group financing of working capital (in the balance sheet described as a receivable from or payables to group companies). Intra group recharges have been accounted for regarding the intra group use of employees, information technology, housing and other overhead costs. With respect to intercompany transactions a prior period adjustment has been made, as described in paragraph prior period adjustments.

Average number of employees

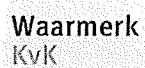
During 2014 an average number of 34.32 employees (including directors) were employed based on a full time employment (2013: 8.37).

Amsterdam, 30 June 2015

Dr. Ir. J.H.M. Anderluh
Director

Drs. N.J. Klok CFA
Director

Adopted by the General Meeting d.d. 21 January 2016



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