



# Unlock the potential

Flexible and secure  
securities lending solutions  
for non-cash collateral

# Proven and safe securities lending solutions

*Securities lending provides the markets with much-needed liquidity and helps beneficial owners improve yield on portfolio but are all securities lending programmes equally safe? Euroclear Bank offers you highly secure solutions using non-cash collateral only.*

Despite difficult market conditions securities lending continues to be a key element for the orderly functioning of the securities markets. For you to lend your securities with confidence, you need:

- a reputable provider who can offer solid risk management;
- sound expertise; and
- a robust collateral management solution.

Euroclear Bank offers proven lending and borrowing solutions to support your business. These include our settlement-focused, fail-driven lending programme and our triparty collateral management services. Both have a proven track record and as a result, many beneficial owners have taken the Euroclear route when choosing to lend securities from their portfolios.

## Two ways to participate

Euroclear Bank can help with your securities lending activity in two ways:

- **Fail driven securities lending in the automatic programme** – we manage all administrative aspects of this low-risk securities lending programme, which exists only to avoid fails and maximise settlement efficiency; and
- **Securities lending in the OTC lending market** – we act as neutral collateral manager for your street lending activity whether you lend directly or through an agent, using non-cash collateral.

Most clients participate in both the traditional Euroclear Bank Securities Lending and Borrowing programme and in OTC securities lending activity thus benefiting from the best of both worlds.

# Fail-driven securities lending and borrowing programme

*Euroclear Bank's Securities Lending and Borrowing programme has been an integral part of our settlement service for more than three decades. Unlike many street lending desks that focus on demand from trading or arbitrage strategies, our securities lending targets borrowing demand to avoid settlement fails.*

## Benefits for lenders

- **No reinvestment risk** as lenders' remuneration is based on fixed rates rather than reinvesting cash collateral.
- **Attractive returns** on your portfolio, by lending a wide range of securities to the most active international counterparties in a convenient, low-risk environment.
- Retain full ownership benefits and enjoy **automatic compensation** for entitlements such as income and redemption payments on lent securities.
- **Guaranteed return of lent securities** (or their cash equivalent) in the event of borrower default or insolvency. This guarantee applies as soon as your securities are delivered to Euroclear.
- **No additional cost or workload** as loans, lender substitution and loan recalls are automatically generated and monitored, without the need for lender intervention.

## Benefits for borrowers

- Increased **settlement efficiency**. You do not need to manage settlement fails and you avoid the cost.
- **Automated borrowing**: as the programme is integrated with Euroclear Bank's settlement activity, securities borrowing is **generated automatically** to cover your actual needs and then automatically reimbursed whenever securities become available in your account.
- **Free intra-day borrowing fees** if borrowed securities are reimbursed at the latest by 17:30.

## Highly secure environment

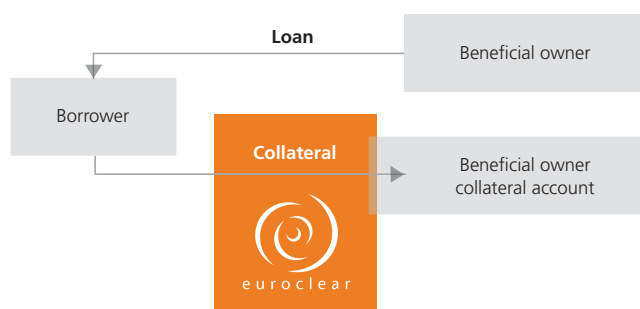
- **No direct relationship** between lenders and borrowers. Instead, lenders and borrowers have a contractual relationship with Euroclear Bank, which takes the exposure risk.
- Complete **confidentiality** as the name and positions of the counterparties are not disclosed. Lenders' positions are aggregated into an anonymous 'lending pool' from which securities are allocated to borrowers.
- **Flexibility** to tailor your participation in the programme to your needs by using service options which can be modified at any time.

# Securities lending in the OTC lending market

*Outsource the collateral management aspect of your street lending activity to Euroclear's flexible Triparty Securities Lending service and leave yourself free to focus on the opportunities in the market.*

## Services for direct lenders

If you are a beneficial owner managing your own securities lending programme, Euroclear can significantly reduce your administrative burden so that you can focus on maximising your lending returns.



## You lend, we do the rest

Triparty Securities Lending (TSL) supports non-cash collateral securities lending activity. With TSL, you make all the important market-based decisions and focus on the business of generating revenue and delegate all the operational aspects of your lending transactions to a neutral specialised triparty collateral management agent.

You can opt for the full outsourcing solution, whereby Euroclear Bank ensures that each and every securities loan settles with your market counterparty and that your counterparty exposure is mitigated with collateral of your choice and with the margin you prescribe.

- The collateral selection is sufficiently diversified by adhering to concentration limits specified by you.
- The loan and collateral securities are valued daily to make certain that not only the counterparty exposure is mitigated, but the margin that you specified is maintained throughout the life of your securities lending transaction.
- We will also monitor any corporate events related to the collateral received, and we have fully automated controls in place that will either trigger a substitution or make the necessary adjustment.

## Comprehensive reporting

To help you monitor your triparty activity, the service includes a comprehensive suite of reporting options, including an online monitoring tool, [Triweb](#), which is both flexible and intuitive. Further support is available from our team of dedicated triparty analysts who are on hand to provide expertise on your specific activity.

## Control, choice and flexibility

Euroclear has a complete range of collateral management services that will support your lending operation so that you can focus on your market-driven business. You can outsource all or part of your collateral management burden to us and maintain flexibility on the selection of securities you wish to accept as collateral.

### Three service levels – you stay in control

This service is offered at three levels, depending on how much loan maintenance activity you wish to manage in-house:

#### Service level 1

If you require a comprehensive service, you can outsource the loan settlement, loan valuation and collateral management to Euroclear, reducing your operational and risk management resource burden and leaving you to focus on the market and your profit and loss.

#### Service level 2

If you only wish to outsource the valuation of your securities loans, Euroclear can take care of that too. Levels 1 and 2 are particularly attractive when the settlement of the loan activity is outside Euroclear.

#### Service level 3

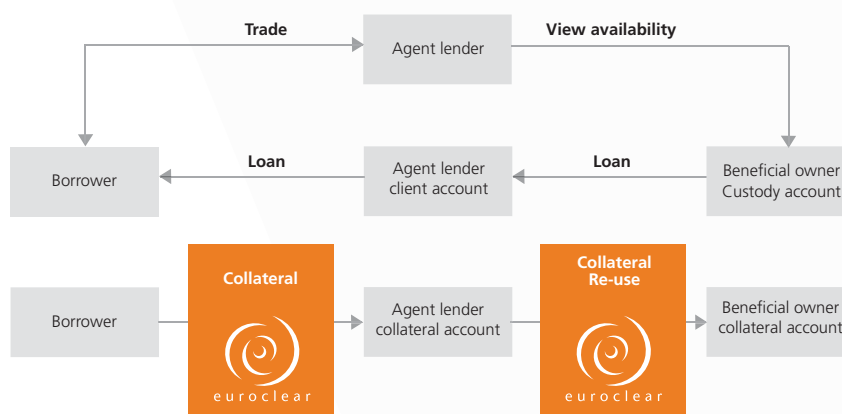
Finally, if you prefer, you can simply outsource the collateral management to Euroclear and retain the settlement and valuation of the loans.

| Loan management service                   | Service level 1 | Service level 2 | Service level 3 |
|---|-----------------|-----------------|-----------------|
| Loan settlement                           | ✓               |                 |                 |
| Loan valuation                            | ✓               | ✓               |                 |
| Integrated collateral management services | ✓               | ✓               | ✓               |

### Lending through an agent

If you wish to outsource the trading element of securities lending to a lending agent, but want to retain full control and custody of your collateral securities, we can facilitate that option too. In Euroclear, outsourcing the trading element does not prevent you from receiving and holding your collateral securities in your own dedicated collateral account.

The securities collateral is initially received in your agent's triparty collateral account, but immediately transferred to your (triparty) collateral account. Euroclear's re-use algorithm allows full substitution rights, retaining the same collateral flexibility of the standard TSL service whilst ensuring that you, as beneficial owner, are properly collateralised at all times



## Triparty Securities Lending – what's in it for you?

- No risk related to cash reinvestment as securities lent are exchanged against securities collateral.
- You benefit from first-rate collateral management services, executed on a platform that is fully integrated with the Euroclear Bank settlement and custody services offering full Straight-Through Processing and a sound legal framework.
- Choose from a range of service levels to suit your individual needs.
- Benefit from the added value of comprehensive corporate action management and immediate collateral substitutions.
- Wide range of reporting options, including an online flexible and intuitive monitoring tool, Triweb.
- Each lender receives full support from a named dedicated triparty expert who is familiar with your business needs.



# A tried and tested solution in a safe environment

Whatever securities lending route you wish to take, Euroclear Bank has the facilities to support your business. When you opt for Euroclear Bank you are doing business in one of the safest environments in the world.

Over the last 20 years we have invested heavily in the resilience of our systems, anticipating existing and new risk situations.

These investments paid off in the recent time of crisis when all our systems, including those for triparty collateral management services and securities lending, were stress tested to the limit yet remained robust throughout.

Euroclear Bank is a strong single-purpose bank committed to your securities business which:

- is AA+ rated by Standard and Poor's and Fitch;
- has about 99% of client credit exposure secured by collateral at all times;
- operates a state-of-the-art Business Continuity programme able to complete your business transactions even in a major crisis;
- provides full STP via multiple communication channels to mitigate the operational risks associated with securities lending;
- maintains a highly conservative credit policy towards borrowers; and
- protects Participants' rights through the Belgian Royal Decree No. 62.

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