Charance and Collateral Management (com) (An Introduction) pulliquet between Custody - An Introduction lo illa erotor sout door" Topic 1: Business overview & key players Mountifues of oils Custody in modern markets o art is and intot tout williters in - temporary halding and and hour to mymnt of financial Safaguarding / ware housing assats / securities (100 de alle 11 de la 11 de of investors assets zaz: Odnocey 2. 2023 These are mostly officers signatured : go begin 1 financial assets) - Eg Stocks 4 Exchange - Traded @ Securities Funds (ETFs) @ Bonds 3 CD → Cortificate Past 3 mutual of proposits Funds These custodies @ Real Estate Investment exist in physical form Trusts -> REIT'S as 1 certificates (to the costodians who held them in vaults)

statements which are considered Takeyhice to be in physical form in the bipino - (rebrio) past togassignment 2 (contrat) - (dring) (romage) tragger They are not issued as physical certificates (but they exist in electronic form) cina way that darn't use so Instead of theying , agad & bib edu" () detoils of a paper certificate to second the ownership a term ownership Citaje se carded digitally) are recorded in Book Entris gives sittles the cause laffect based or > electronic 1 imma bilized racorde cor databases Dematerial ized by financial institutions _ 141 q les (1) the following Stock costificate includes details like Physical document 1 Sharshalder's names of (represents ownership of a O No. of shouse owned certain number of shares in 3 company's name a company) (serves as a proof that Sangery - John Jan Sangery in you are part of the company)

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(89 -> Stock Costificate) Cort who was in you are buying "Tach Innovators Entropy Col & mive vo Line filling Stock artificate This costifies that John Dae is the owner of so Sharps of Tach Innovators Incorpognat Loismonit to home enimoil for cities Cartificate No.: 123 45000 \ atage ा प्राथमिक व मार्ग । Date: January 1, 2023 signed by: [company's officers signature] boriloidet somet (slocks Immobilized (6470 show chase (6) 見かいしい 賞! This agrice you Little . Low-y

Some of them do exist in mixed form nowodays Savings bond 1 you might still Mixed form (depending on situation) get a paper bond Can be either digital/poper @ most people (depending on what you (ax) the issuex prefers) €g → Savings bond in on online type of loan you give to the govt account (buy a band after a costo in period govt enottopays you back with interest) buy -> \$100 trop ofter a cash it for algoed bond) from years \$ 100 --- 19 120\$ (because of the interest) 4 sat va money you you (buy a govt agrees earn for lending Savings bond) to pay you back your money to someone the extra amount will be the cintagast) government you buy a savings govt promises to after syrs tecartai noy you interest bond (\$100) the same bond within and over time (180408) to Can cost (1203 all service company, 4% pas year

Le howar more having in fair stomatt in in how 120\$ - brod genn ... year lite topin and 1 2 - \$100+41/ ->104\$ 2 - \$104 + 4.1. -> 108.16\$ 3 - \$108.16+4% (304 1/12.49\$ with (30) not the no interrupte) 4 - 112:49+4./ - 116.99\$ 5-> 116.99 + 4:1. -> (121.67\$ worth of 100\$ (after 5 years) trop boing a board after a gestain provid govt. bond 1 way for organisations (like govt / companies) to bordow cash it for money from people bond - loan you give to an organisation interest -> Extra money you earn for landing your money when the bonds time is up Cyan get your money bock with interest) 1225 W nv J Property Dood when you buy a property A property Deed the deed is transferred. (legal document that shows to your name who owns a piece of property (proving you are the like a house I land) owner)

2) scientis apport prisosas 2004. - you got a proporty Greed is your 4 you buy a deed that has your atid proof that house name on it of how extrate you own the (ebood) besilidommI to sufferent aft sutatilize of 4 (means to make something or Des boro regard and sitioning unable to move (ox) to keep it in a fixed position to aboration it requires anisting and townsactions concept the states of a company 1 Physical costificates (secorded electronically) (stored in a central Physical 7 remain in the location and not moved costificates I contral depository when ownership changes) ces updates the shakes of the r in itial ownership Ownership change A sells 100 shows to A buys 100 shores of Company x 7.2 invostor B nortotrousse Issued to in vester A e-vacords are updated Cin physical costificate physical - still shows also it is recorded) the owner of the owner Shows investor A Dematerialized abetronically as the owner Converting physical certificates

to electronic records

central Security Depositories (CSD) and si post had had had not hoo not

- O Safakeop the securities of in e-form enth money Cstocks and & fino mon bonds)
- @ facilitates the transfer of Securities b/w buyer and sellers intermos stom of anoung of (ra) wind of restore
- 3 maintains accurate seconds of ownership and transactions
 - Eg O you buy 100 shares of a company
 - @ CAD accords that you own these

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CSD updates the shapes of the new owners

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Book - Entry

Adjustment

(All the securities of single bond/equity issue can stay at one place)

Securities of single bond , will took 605 i Luis VI Company - issues 1000 all the physical costificates shows of Stock for a particular bond Istack 1000 phy Stock custificate issue can be kept together at ba Catorad in a central the same place CORVERN F depository - stores the Floru ase plactoonic orcords Con wating them into e-book etoniboro-a G Eliminate So that amult 1 Shipping costs o woall production cost @ Storage headaches Cetore and safeguasa & conomies of Scale eniones assell G refer to the cost advantages Company produces that a business can achieve more products was by (1)ing the Scale of production it can spend it's cost in fixed costs like (production T -) cost por unit vent and machinery eti of work (1) thereby (1) in the Small Scale Large Scale cost per unit 1000 widgets ... 10,000 (vert 10000\$ 10,000 machinery

10,000

materials

FOOT INTO THE HOP

but they saquisacris an allien De - materialized a sot of it it are had july att was financial assets 1 maintenance - keeping the x need to move @ Admin up - to-date any where a horote. cinvistors פחושטצתם וdon't have the Security They vely on change time and pasource to custo dians co-ordinate these e-assets So them selves) specialized financial Morayo m- northouseas One type of institution Sorvice Cstore and safeguord O Asset Servicing invistors assuts) (1) keeping accurate succesds Ensuring investors received of ownerships of arom any (dividends) / interest 1 managing exents like while att payments Stock splits payment made by a me toges company to its acquisitions sharehalders Cusually from its profits) Ocomp XYz makes a profit 9 you own loo shares @ company decides to distribute dividend 14 per shape part of its profit to share halders

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CA buys CBVGOZ book Processing Trade noitisinpoA Chig

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comp) G when one company buys another company popular coor enigod other Services Montan 1 Socuration landing halds all the Cagas. I assits and operations Letting someone bossow of CB your stocks / bonds incurred of the belove give you something - you lind your ? _ el esprisud potero valuable (like money) Stocks/bond axtoo money ... as a guarante 0 hardway aug thou hoirs band from stocks shoo on solf (you own but enothoronai S Guien traspoored find of oxistims has Osophisticated restined you sam a fee hams it ou pryou hove 1 100 stocks of company xxz for landing your Copin wastos wants to bossow Shous agmi éti () (\$100) hom ou with of case - woom shares was well as Sinvestor gives you lawrent to aget won you hald the callatival x llymps & stime age ere chall shop shop 10,000\$ call ateral ore to med where in Le congenier 1 bank guarantees the titorisis their others (the return of your shores

nequisition fund Spovices Processing Trade C B - Bome) when one company 6140 1 keeping seconds Stope to complete door of all transactions (100) buying cos selling @ Guiving updates ostock spiral sullo to in rustors on how in cludes - 1 Placing the order the fund is doing Le Haring Course Surger oppositions 3 transfering the 80 10 because of the kelow 8 tocks and DOR E give got something Custody business is valrakk (like 🤗 ony) Wolfman highly spacialized 1 Decide to buy wishous of a company som soughness O specially toained @ Place on order innovations staff (advanced) to buy overtime has @ Sophisticated officed changed custody 3 trade confirmed Systems of compartage business 4 Shars go to your G it's importance a ccount overtime has So, there are ne man (0014) money - gas to the more type of financial toudiminished wou HOW ESTIP TOTESTISOUS assets -> complex Custody business 10,000 \$ financial assets that These are in val vas sine share more complicated people can invest in managing and than stocks and eg- Devivatives Septimenton & Bonda safaguarding assets Structured Products cause of the new type of business cause of the new type of business and custodis have more assponsibility challenge

Dorivatives

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bair blace a feptore bair

Scenario

Oyou are a farmer growing wheat

@ Problem

buyer

you worsy that the
price of wheat might
drop by the time you
havest
Salution
enter into a future
contract with a

Agreement
you agree to sell your
wheat at she per bushel
in 3 months
Outcome
No matter what the market
price is in 3 months you
Sell for \$10

Stock index

Omeasurement

Omeasusement

of a specific

stock

Structured Products

investor buys a

product that guarantes

initial investment

back (and some returns

based on stock market

performance)

(principal-protected

invest 1000\$ in principal

of a stock index

(eg: - 3 & 7 500)

note guarantees that you will get your \$1000 back at the end of investment period regardless of how the stack grows

4 stack index performs

Stock index & you get
grows additional returns

down - you get back your