

Key features

Clearstream's guarantee protects lenders in the case of:

- The borrower failing to return securities by the recall deadline;
- The borrower failing to fulfil a margin call;
- The borrower becoming insolvent;
- The borrower breaching the ASL rules.

Key benefits

- Peace of mind for lenders;
- The second ranking pledge gives twice the security;
- Clearstream's robust legal framework underpinned by Luxembourg's proactive supervisory authority.

Safety first: Lenders are highly protected under Clearstream's guarantee

Clearstream's rigorous standards ensure the highest possible safety for lenders in Clearstream's Automated Securities Lending and Borrowing (ASL) programme. All our lenders can rest assured because they benefit from an exceptional level of protection made possible by Clearstream acting as a guarantor against default.

In ASL, Clearstream acts as lending agent, collateral agent and guarantor which means we take on the burden of risk. We guarantee the lender comprehensive protection against the borrower's default including:

- Redelivery of equivalent securities or cash reimbursement;
- Receipt of the lending income;
- Payment of income and redemption proceeds.

We understand that risk management is a top priority for all our customers and so we are pleased to be able to offer a level of comfort.

How it works

Clearstream's guarantee is active from the moment that you lend your securities in the ASL programme. We have a robust risk control process in place and all borrowers in the programme are carefully selected. Generally, Clearstream only accepts central banks and anti-money laundering regulated financial institutions (including banks, supranationals, broker/dealers).

We always ensure that the borrower has sufficient collateral available on their collateral account at the time of the loan and we specify a discretionary limit up to which each borrower may borrow securities. We also impose concentration limits on collateral so that borrowers can pledge no more than 10% of an issue.

Any lender taking part in the ASL programme has a contract with Clearstream not with the borrower who will be anonymous. It is therefore Clearstream's responsibility to act to protect the lender if default occurs as stated below.

The Clearstream guarantee protects the lender if the borrower:

- Is facing a recall and does not return the lent securities by the recall deadline;
- Is facing a margin call and fails to deliver additional collateral;
- Becomes insolvent;
- Breaches any obligations arising under the lending agreement.

ASL Guarantee

Additional security

Clearstream's guarantee not only protects the lender against counterparty risk but also against:

- Market risk if the market price of the security or collateral moves adversely during the default period;
- Foreign exchange risk if the collateral and lent securities are denominated in different currencies;
- Recall risk if borrower has not returned recalled securities in time to enable a sale or participation in a corporate action;
- Mismatch risk if the collateral and the lent securities are different asset types.

Unique second ranking pledge is twice as safe

Clearstream's first and second ranking pledge arrangement gives lenders double the protection.

The borrower grants a first ranking pledge to Clearstream and a second ranking pledge to the lender on the securities given as collateral. To complete the pledge, the securities are designated in Clearstream's books as pledged first in favour of Clearstream and secondly in favour of the lender.

Should Clearstream be unable to fulfil its role as guarantor, this second ranking pledge ensures that the lender can enforce its right of pledge and realise the assets by way of direct appropriation or sale without further legal formalities.

Safe legal framework

As a licensed credit institution, Clearstream is subject to the prudential supervision of the Commission de Surveillance du Secteur Financier (CSSF) and of the Banque Centrale du Luxembourg (BCL).

If Clearstream were ever to become insolvent, Luxembourg law protects the depositor. With respect to securities, under general Luxembourg contract law, all securities deposited with a depository (Clearstream) in Luxembourg remain the relevant depositor's property. The depositor may therefore claim back its property in its entirety without falling under the pari passu rule of asset distribution.

Under Luxembourg law, assets deposited with Clearstream, which operates a securities settlement system, are shielded from attachment or similar procedures.

Client Services

For further information, or if you have specific questions regarding Clearstream Banking's ASL programme, please contact your local Global Securities Financing Sales team.

strategiclending@clearstream.com
www.clearstream.com

Luxembourg
Frankfurt
London
Singapore
Hong Kong
Dubai
New York

+352-243-36868
+49-(0)69-2 11-1 27 57
+44-(0)20-7862-7626
+65-6597-1622
+852-2530-7411
+971-4-331-0644
+1-212-309-8882

Alternatively, please contact your Client Services or Relationship Officer.