Piguet
Galland &
vous.

Lombard loans

May 2024

Your private bank, Creator of Serenity.

Lombard loans and fixed-term advances are lending facilities that require you to pledge marketable securities.

Why use a lombard loan?

01. Liquidity

Short – and medium – term liquidity needs.
For example, to finance the purchase of a property, a boat or a car.

02. Boost returns

Additional source of financing for debt-financed investments alongside client's available liquidity. Thanks to the leverage effect, the client can acquire new securities, which increases the overall value of the portfolio and the credit limit.

Features

- Available in a range of currencies and for various investment profiles
- No set duration
- Flexible loan amount
- Variable interest rate based on current market conditions
- Current account overdraft limit option with no set term or minimum amount
- Fixed term advance option with minimum amount of CHF 100'000.- for 1 to 12 months

Advantages of Lombard loans

Lombard loans allow you to meet quickly and easily your short- and medium- term liquidity needs, obtain financing for any unexpected events and use leveraging to maximize investment opportunities on the stock markets. You can also take out a Lombard loan to fund part of your deposit for a property purchase. The main advantage is that you can do all this without having to sell any positions held in your portfolio.

Our experts are here to talk to you about how you could use a Lombard loan to meet your liquidity or financing needs. They will sit down with you to determine whether this is the right kind of financing for your situation and investor profile.

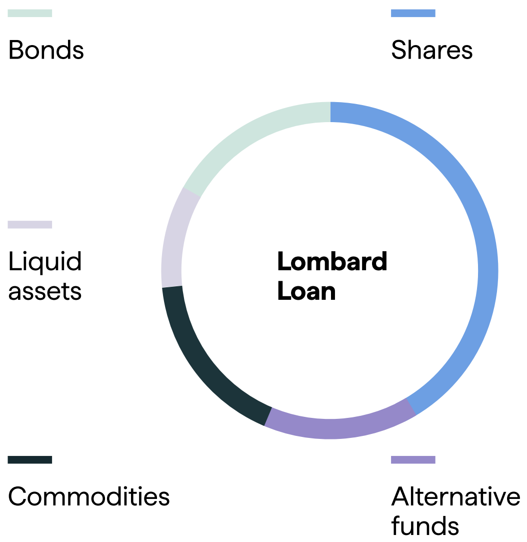
If you have mandated an independent asset manager, they will be solely responsible for ensuring the suitability of selected financing and for informing you of any retrocessions they may receive.

Eligible financial assets

Financial assets eligible for this form of credit include liquid assets, bonds, equities, investment funds, certain commodities and precious metals, as well as other financial products such as structured products.

The financial assets in your portfolio must meet certain criteria in terms of quality (e.g. the credit rating for bonds), liquidity (e.g. the daily trading volume for shares) and the level of diversification. Since the value of the assets in your portfolio is subject to rise and fall according to market fluctuations, the amount of the loan shall always consider a security margin which protects against sharp drops in market value.

The credit limit that will be granted shall therefore depend on the collateral portfolio value.



Risk of margin call

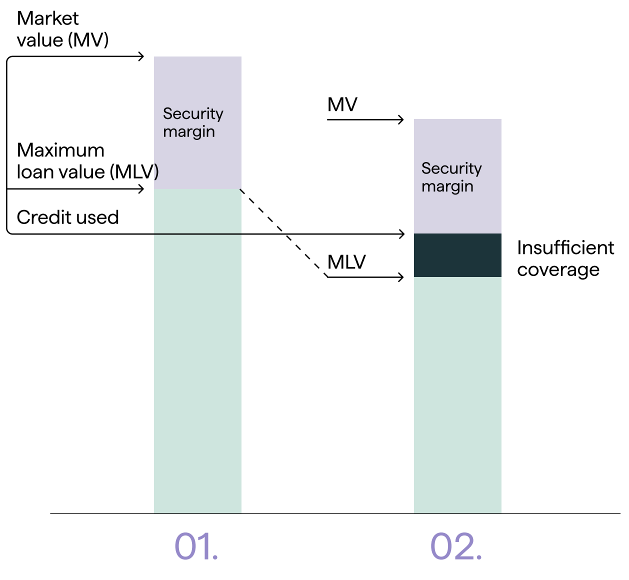
Fluctuations on the stock markets as well as exchange rates can reduce the value of your portfolio. An equivalent decrease of the credit limit needs to be compensated either by the provision of additional security or by the liquidation of some positions.
The risks inherent to Lombard loans can be partially offset by diversifying the positions in your portfolio or by taking out a loan in an amount that is significantly lower than the collateral value of your portfolio. Making sure that this type of loan is in line with your investment profile and your risk-taking capacity can also help to limit the risks.
In case of insufficient collateral, the Bank will require the borrower to provide additional security in a timely manner. This is known as a margin call. You can meet a margin call in one or more of the following ways:

- The partial or full repayment of the loan.
- The pledge of additional eligible security (e.g. liquidity or securities).
- The reallocation of the portfolio, replacing certain positions with securities or liquidity with a higher collateral value.

If you do not meet the margin call within the given deadline or cannot be contacted, the Bank may have no choice but to sell the pledged assets and securities without further notice. The timing of these transactions may not be ideal – i.e. the securities may be sold in a market dip – which could then mean that you would have to provide even more collateral or sell even more positions. In the event of a market downturn, the Bank reserves the right to give priority to its own interests as a creditor, even if this would be to the detriment of the Client and even if the Client has signed an advisory advice mandate with the Bank.

Other risks

- Some securities or funds may be blocked, which means that the Bank won't be able to determine their collateral value.
- Exchange rate fluctuations can adversely affect the value of your investments.
- Interest rates may rise.



01.

Collateral value > Credit drawn
If the amount of credit that has been drawn is lower than the collateral value of the pledge assets, the security margin is met and everything is in order.

02.

Collateral value < Credit drawn
If the prices of the pledged securities drop so that the security margin is no longer met or the amount of credit drawn exceeds the maximum collateral value, immediate action must be taken to mitigate the risk.

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