

## **Securities Lending for Credit Enhancement**

Guidelines and Procedures for Borrowing Financial Instruments backed by highly rated Securities

Watch this short video clip



### **WHAT IS SECURITIES LENDING?**

Securities Lending Explained - What you need to know in 5 minutes!

**Through this documentation you can find out how you can actually BORROW Securities for your Credit Enhancement!**

Financial Instruments from Euro 15 million to Euro 1 billion are generated and emitted, backed by highly rated Certificates of Debt (listed and rated Securities), which can be MTN, Bond, an Europaper, or a Commercial Paper and can be delivered (also) in the form of a Bank Guarantee (BG), or Standby Letter of Credit (SBLC) backed by such high rated debt instruments. The emission and transmission is via SWIFT MT760 by the Provider's banks HSBC, Deutsche Bank, Standard Chartered Bank, Barclays, UBS AG and Credit Suisse AG. If the instrument is 50M or less, the client will be able to choose which bank of these banks will issue the Bank Guarantee or SBLC. For amounts greater than 50M, it will be the provider at his discretion who will choose the bank that will issue the Bank Guarantee or SBLC.

# Your Quick Starter Guide

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## **Requirements to Qualify in a Nutshell**

To be able to borrow securities, your receiving bank must support your plans of borrowing securities under a Global Master Securities Lending & Borrowing Agreement for up to 5 years. You must have the capacity to get a conditional SWIFT MT103 payment, or, a conditional Letter of Credit issued via SWIFT MT 700 for the delivery and the annual service fee. You also need to prove the cash availability of EUR 25,000.00 which you will have to pay to secure the instrument availability on the Stock Exchange Market and you must have arrangements in place to return the instrument you receive prior maturity of the Global Master Securities Lending & Borrowing Agreement. Your receiving bank must support you, be aware that you have only the beneficial use of the security and agree to return the security prior maturity and provide their consent to all these basics.

### **Bank to Bank Procedure**

Lender delivers a Certificate of Debt, in the format of an MTN, a Bond, or Commercial Paper, or a Certificate of Deposit, and grants the Borrower an exclusive license to use the Bank Instrument under a Global Master Securities Lending & Borrowing Agreement issued in line with ISO 15022.

Through this transaction the availability, the delivery and the receipt of a valid, live Bank Instrument listed on Euroclear, Clearstream and Bloomberg systems, to a Borrower's bank can be arranged for a qualified Borrower. The transaction is conducted on a bank to bank basis and the instrument is advised to the Borrower's nominated receiving bank via SWIFT MT760. With the assignment of an exclusive license to use the Bank Instrument the Borrower may structure project finance, commercial balance sheet- and general credit enhancement. The license to use the bank instrument is available to a person, or to corporate entity of the applicant, and as specified and agreed by contract. The ownership will not be transferred under this arrangement, but the beneficial use of the Bank Instrument is made available as an Enhancement to the Borrower. The Borrower is assigned the rights to use the Instrument. Selling or discounting of the Instrument is not an option under this transaction. If the Borrower wishes to do so, arrangements can be made with the banks involved, in line with banking rules and regulations, during validity of the instrument and the Global Master Securities Lending & Borrowing Agreement.

If the Borrower intends to use the instrument as collateral, Borrower's bank must undertake, by SWIFT, the irrevocable commitment to return the instrument unencumbered, free and clear of any debts or claims 15 days prior maturity of the Borrower's contract with the Lender. Transactions from a minimum amount of EUR 15.000.000.00 are acceptable subject to approval of the Borrower, and the financial capacity of Borrower. The availability of a specific instrument is always on a first come first serve basis.

The securities lending fee depends upon the rating of the financial institution that issued the instrument, and ranges from 6% to 12% per annum, plus a 2% fee for intermediaries. A list of instruments is available and is provided after the initial application by a Borrower.

Specification of the bank instruments: Clean live bank instruments are acquired and used for the Borrower's transaction. These instruments are available from, and issued by major international banks like Barclays, HSBC, Deutsche Bank and other prime banks. The instrument chosen from a list of available instruments will be purchased by the Lender and assigned directly to a Borrower. The Bank instruments building the basis of this type of transaction are Certificates of Debt. A Certificate of Debt can be an MTN (Medium Term Note), a Bond, or a Commercial Paper, or a Certificate of Deposit (CD). The Borrower has the option to choose which specific instrument suites best for a particular project, or transaction.

After the Borrower is ready, willing and able and has contracted with us to get the transaction structured, the Lender will send a contract for signature, and at the same time, the borrower will receive an invoice to reserve the bank instrument. This amounts to EUR 25,000.00 for instruments with a face value of up to 500 million. The instrument reservation fee is to cover the expenses due to reserve a specific instrument for banking, screening, clearing, settlement and for the stock market charges to organize the transaction. It will be refunded after successfully closing the transaction. The borrower has the right to deduct it from the securities lending fee for borrowing and lending.

No deferred payment option is available for settlement of the instrument reservation fee and no deductions from any profits that a Borrower expects in the future, or from a loan. The transaction is not available on a joint venture basis, neither is a change of any of these conditions considered.

After signature of the agreement and the receipt of the wire transfer of the instrument reservation fee in the Lending Manager account, within 48 hours, the Lender will cause to reserve the bank instrument(s) by the Clearing and Settlement Company (Lending Manager) who will release the instrument reservation fee for that purpose only. After this has been accomplished (reservation of the instrument for the Borrower), the Lender will send a Pre Advise of Invoice with all details of the Bank Instrument, Corporate Deed of Assignment, Bond Power if requested, Bloomberg Printout, Security Card of the Stock Exchange market where the instrument is quoted, Prospectus of the Issuing Program of the Bank if available, to permit the designated Borrower's Bank Officer to check and authenticate the instrument(s). Every instrument is on Euroclear, Clearstream and the Bloomberg systems.

The contractual documentation is a Global Master Security Lending and Borrowing Agreement in compliance with ISO 15022 negotiated in the line with a Borrower's specific requirements.

Rules for communication amongst the banks that are involved: Issuing and Receiving banks will not communicate and will not deal directly with each other until the Principals of the transaction have given permission in writing. There shall be total freedom of communication between the Principals of the contract at all times.

The Borrower's bank must be internationally recognized and listed in the International Bankers Almanac. If Borrower's bank is not registered and listed in the SWIFT System as required, the Borrower must introduce a Closing Bank which will have full knowledge of the Global Master Security Lending and Borrowing Agreement, and for the receipt of any bank-to-bank communication.

Awareness of the bankers and their knowledge: The Bank Officer(s) of the Borrower have to be fully aware and knowledgeable of the ongoing lending and borrowing transaction. This means that at any specific time, when a Bank-to-Bank communication will be established, between the Borrower's Bank and the Provider's Bank, for the Instrument transfer, the Bank Officers of the Borrower Closing Bank will have to be in a position to fully approve the receipt of the Instrument in favour of the Borrower and be in the position to confirm payment for the instrument and provide the guarantee to give back the original bank instrument to the issuing bank 15 days before the contract maturity date, unencumbered and free of liens, by SWIFT.

## **Here is the Deal!**

1. You order a bank instrument (SBLC or BG) for Euro 15 million up to Euro 1 billion backed by highly rated securities.
2. The Provider (a Securities Dealer) will buy a Security on the Secondary Market for your transaction in the respective amount.
3. On the back of the Security he issues a fully cash backed Bank Guarantee or a Standby Letter of Credit and sends it to your bank for your beneficial use.
4. Your bank pays only the service fee for the use of the instrument for one year.
5. After one year your bank guarantees to return the instrument unencumbered or you renew the service which can be for up to 4 more years.

Reserving the back-up Security: On the Secondary Market, which is the main security trading place with the highest turnover, a Call Option is placed for a specific high rated debt instrument. This reserves the right to purchase the instrument within 20 days at a specific purchase price.

Contracting with the collateral Borrower: A Global Master Securities Lending and Borrowing Agreement is issued and executed. This spells out the purchase of the security by the provider and lending the beneficial use of the instrument to the beneficiary/client, the borrower.

Payment of the leasing fees: Within these 20 days, the agreed conditional lease payment instrument (for example, a Letter of Credit) has to be sent to the provider's bank. Once received, the provider buys the security, places it in his securities account and simultaneously leases the beneficial use of the security to the beneficial/client. Against the transmission of the security to the beneficiary/client's bank, or an SBLC or Bank Guarantee backed by a particular security, the lease payment is released by the receiving bank to the provider. The client has the beneficial use of the financial collateral for one year with the possible option for up to 5 years. At the end of the agreed term, the receiving bank has to return the financial collateral unencumbered.

## **How can the Financial Collateral be used?**

Bank Instruments, as specified and agreed upon by contract/agreement, are assigned in individual or corporate name and are primarily used for provision of a project, commercial endeavours, balance sheet and credit enhancement. The Bank Instrument is made available as an enhancement instrument only.

If Applicants/Borrowers use borrowed instruments as collateral, the Borrower's Bank must undertake the irrevocable commitment to return the leased instrument unencumbered, free, and clear of any debts or claim.

Applicants/Borrowers may assign the rights to use the Instrument. However, ownership will not be transferred. It is not permitted to sell or pledge the Instrument. If Applicants/Borrowers wish to pledge the Instrument, arrangements can be made with the banks congruent with banking rules and regulations during any time of the validity of the Bank Instrument.

## **The available financial instrument options**

Within the purposes of the bank instrument lending program, Lenders offer the following services: they are all available WITH or WITHOUT Pre-Advice:

- Application to borrow seasoned financial instruments (BOND/MTN) with option to receive fresh cut BG or SBLC, which will be issued by the Lender's bank and charged by the lender to purchase a bank instrument (BOND/MTN)
- Application to borrow seasoned financial instruments (BOND/MTN)
- Application to borrow seasoned financial instruments (BOND/MTN) with an option to receive a Proof of Funds/Certificate of Deposit (POF/CD)

## **The Contractual Agreements**

A GMSLA (Global Master Security Lending and Borrowing Agreement) is valid for 30 calendar days from its issuing date. A GMSLA is issued by a Lender against a Borrower's Letter of Intent on a no-charge basis. A Borrower can sign it and start the leasing process or let it expire; it does not constitute any sort of contractual obligation.

The contractual documentation is negotiated in line with Applicant/Borrower's specific requirements. Once the parties have duly executed a Contract/Agreement, the parties (Lender and Borrower) are the only legal and authorised entities allowed to handle the Lending transaction, to receive the documents and to maintain all communication with the Lender.

A Lending Agreement can be issued for only one instrument (or tranche) and the Borrower can have one agreement at a time. Once the first agreement has been performed, the Lender is RWA to accept another application form for another instrument. Generally, a Lender is not willing to enter any joint venture arrangements with Borrowers or change any procedural terms and conditions.

Global Master Security Lending and Borrowing Agreement (The GMSLBA - Draft for Approval) includes the Letter of Intent format which will have to be completed by the Borrower once he is in agreement with the terms of the (GMSLBA)



## **Guidelines and Procedures for Borrowing Financial Instruments**

**Specifications:** Bank Instruments – full details supplied by lender – are issued by major international banks and assigned directly in the Borrower's name.

Applicants/Borrowers have to be professional and familiar with how to use bank instruments. Lenders do not educate or provide any advice as Borrowers can incorporate such financial confirmation into their financial plans.

**Types of Instrument and re-delivery to the Lender:** Depending on availability, the Bank's Instrument/Collateral is offered in the form of a Certificate of Debt, which can be MTN, Bonds, Europapers, Commercial Papers, BG, SBLC, or CD/POF. The lending period is 1 (one) year plus one day from the MT760 date. Applicants / Borrowers must return the bank instrument unencumbered to the Lender 15 days before its maturity date; it is possible to extend, with 15 pre-advance days, the leasing period, yearly and for a maximum of 5 (five) years. Yearly service fees remain the same as the first year.

**Minimum/maximum face value amount availability:** Transactions for a minimum face value amount of EUR 15,000,000.00 are acceptable immediately, subject to approval of the Applicant's/Borrower's application form. A Lender can negotiate the delivery of Instruments for a face-value amount lower than ten million (to note that for these bank instruments service fees must be paid by unconditional wire transfer). Applicants/Borrowers who need amounts lower than ten million cannot select a tranche of a bank instrument with a higher face value amount but must ask periodically for the Lender's instrument details (allowed minimum amount is five million).

**Financial Instruments supplied by the Lender:** Applicants/Borrowers must ask for full details of bank instruments (issuing bank name, currency, face value amount, yearly leasing fees rate, maturity date and ISIN Code) when they are ready to issue an application form. On receipt of the application form, the Lender will verify the availability of selected bank instruments because contracts/agreements are issued on a first-come-first-served basis. However, a Lender can definitively confirm instrument availability only after the call option. If a selected bank instrument is no longer available, Lenders will offer another instrument at a similar rate.

**Security Lending and Borrowing Agreement:** The contractual documentation is negotiated in line with the Applicant's/Borrower's specific requirements. Once the parties have duly executed the Contract/Agreement, the Applicant/Borrower is the only legal and authorised entity allowed to handle the lending transaction, to receive the documents and to maintain communication with the Lender or their representative.

**Commencement of the transaction:** Upon the receipt and acceptance of the Application Form, the Lender will send a Lending Agreement for signature, issued according to the Application form requests and, at the same time, the Applicant/Borrower will receive the invoice covering the bank expenses due covering the call option settlement fees to reserve the bank instrument in the relevant amount as stated.



Currency must be in Euros regardless of the instrument's currency:

- bank instruments with a face value amount EUR 15 million up to 500 million – EUR 25,000
- bank instruments with a face value amount from 501 to 999 million – EUR 33,000.00
- bank instruments with a face value amount from 1 billion – EUR 37,500.00

NOTE: THE ABOVEMENTIONED MONEY WILL BE REFUNDED AFTER SUCCESSFULLY CLOSING THE TRANSACTION OR BORROWERS HAVE THE RIGHT TO DEDUCT IT WHEN ARRANGING FOR SERVICE FEES PAYMENTS.

**Why the Lender asks clients to pay the call option:** On many occasions Lender are asked why a client should pay a call option deposit a/o if he can make a deferred payment or add it to the service fee plus many other requests. This should not be interpreted as an upfront fee. These are real costs that Lender must pay. The deposit is contractually guaranteed to be returned by the Lender upon successful completion of the transaction. As per below explanation, when Lenders receive a request to borrow a bank instrument they are obliged to take out an option for which fees must be paid; if for some reason the Borrower did not precede with the lending process the Lender would be out of pocket It is therefore essential that anyone wanting to borrow a bank instrument must pay a Call Option fees which are either refundable on completion of the transaction or can be deducted by Borrowers when they arrange for payment or service fees.

**What is a call option:** In finance options are types of contracts, including and, where the future payoffs to the buyer and seller of the contract are determined by the price of another security, such as a common stock More specifically, a call option is an agreement in which the buyer (holder) has the right (but not the obligation) to buy an asset at a set price (x y) and the seller has the obligation to honour the terms of the contract A put option is an agreement in which the buyer has the right (but not the obligation) to exercise by selling an asset at the strike price on or before a future date and the seller has the obligation to honour the terms of the contract Since the option gives the buyer a right and the seller an obligation, the buyer pays the option premium to the seller. The clearing houses guarantee that an assigned seller will fulfil his obligation if the option is exercised.

**Possibility of a Pre-Advice:** At request of the Borrower, Lender is ready, willing, and available to organise the delivery of a Pre Advice which can be sent as follows:

By Swift MT799/MT999 to the Borrower's designated receiving bank.

SWIFT will be issued by an "advising bank" which is not MT760 issuing bank that, because at this step of the leasing process, the Lender has not yet purchased the bank instrument (it will be purchased after receipt of leasing fees payment and the Lender cannot know in advance what their bank charges to perform the transaction.

**NOTES:**

1. WHEN PRE ADVICE IS ISSUED, INSTRUMENT RESERVATION (CALL OPTION) IS EXTENDED BY THE LENDER FOR A FURTHER 30 CALENDAR DAYS FROM THE DATE OF PRE-ADVICE SWIFT OR CERTIFIED E-MAIL.
2. THE ABOVEMENTIONED MONEY WILL BE REFUNDED AFTER SUCCESSFULLY CLOSING THE TRANSACTION OR THE BORROWERS HAVE THE RIGHT TO DEDUCT IT WHEN ARRANGING FOR A LEASING/SERVICE FEES PAYMENT.

**Delivery of documents:** After the signing of the lending agreement and wire transfer of the call option fees in the above agreed mentioned amount, within 48 hours after receipt of funds on the Lending Manager Account, a call option of the bank instrument will be arranged by the Clearing and Settlement Company (Lending manager). After that, the Lender will send their Corporate Pre-advice Invoice with all details of the Bank Instrument, Corporate Deed of Assignment, Bond Power, Euroclear, Bloomberg Printout and Security Card of the Stock Exchange market where the instrument is quoted. The Prospectus of the Issuing Program of the Instrument (if available) is to permit the designated Borrower's Bank Officer to check and authenticate the bank instrument.

**The Fees:** The Credit Enhancement Bank Instrument is available at service fee, i.e. % of Face Value due to the lender for the duration of one Year (excluding any interest or coupons) plus 2.00% commission due to the intermediaries group. Only the following payment terms and conditions are allowed. No payment from profits that the applicant/borrower expects in the future through a trading/platform or loans can be accepted.

**Service Fee Payment Options:** The Borrower must provide for the payment of service a/o leasing fees, not later than 20 calendar days from call option date, according to following terms (which drafts are attached and cannot be amended by Borrower or their bank):

- Conditional ICPO (Irrevocable Corporate Pay Order) endorsed by an acceptable borrower bank or
- Unconditional bank backed Promissory Notes, with expiring date from 180 to 270 days as negotiated between the parties (having the endorsement per aval of an acceptable bank) or
- Conditional swift MT103 or MT700

**Intermediary Fees:** Intermediaries are allowed to receive a commission (International standard rate is 2%) which is not included in the service/leasing fees rate.

**Assignment of Bank Instrument:** Upon successful due diligence arranged by the Lender's compliance officer on receipt of payment covering service fees, the Lender will send a Swift MT 760 for BOND/MTN, BG or SBLC on receipt of which conditional payment (ICPO, MT103, MT700) must be unblocked and funds released to the Lender.

**Bank communication:** The Lender's and Borrower's banks will not communicate and will not deal directly with each other unless all parties of the transaction have given written authorisation. There shall be total freedom of communication between the parties of the contract at all times. Borrower Banks must be listed in the International Bankers Almanac. If Borrower banks are not registered/listed in the Swift System as required, the Borrower must introduce a Closing Bank (internationally recognised and registered within the Bankers Almanac), which must have full knowledge of the lending transaction signed by and between the Lender and Borrower, for the receipt of the Pre-Advice/due diligence and for any further bank-to-bank communication.

**Knowledge and Awareness of Bankers:** Borrower Bank Officer(s), provided that the Borrower Closing bank is qualified as per the above, must be fully aware and knowledgeable of the ongoing lending transaction. This means that at any specific time, when a Bank-to-Bank communication will be established between the Borrower Bank and the Lender Bank, whether for the due diligence carried out by lender compliance officer, for Pre-Advice transfer, or for Bank Instrument transfer, Borrower Closing Bank Officers will be in a position to fully approve the receipt of the Instrument in favour of the Borrower, as well as to confirm payment for this Instrument and take engagement to return by Swift Bank Instrument to the Lender's bank 15 days before its maturity date unencumbered and free on liens.

**Call Option Extension:** The Borrower can ask the Lender for a further 30 days' extension of lending agreement validity at least three working days before the call option expiry date. If the Lender accepts the Borrower's request, an Amendment will be issued including an invoice for the amount of EUR 15,000. Amendment will be in place upon receipt of a SWIFT wire transfer of funds on account of the designated appointed Clearing and Settlement Company (Lending Manager) to the bank coordinates stated on the abovementioned invoice, at least one day before the original call option expiring date.

After the call option extension, the Lender will send to the Borrower updated documents and print outs. The 30-day extension begins on the first day this agreement expires.

**NOTE: THE ABOVEMENTIONED MONEY WILL BE REFUNDED AFTER SUCCESSFULLY CLOSING THE TRANSACTION OR THE BORROWERS HAVE THE RIGHT TO DEDUCT IT WHEN ARRANGING FOR A SERVICE FEES PAYMENT.**

For more general information, watch the video about securities lending at [https://youtu.be/E42XA0g\\_wrY](https://youtu.be/E42XA0g_wrY) and see how the securities lending market is organized and regulated at <https://www.isla.co.uk/>

## **Q & A Lending Agreement**

Why the Lending Agreement must be signed and stamped also by the Account Holder?

The Account Holder must know all the terms and conditions of the Lending Agreement about the allowed use of the Bank Instrument. The Instrument is sent unconditionally by MT760, while terms and conditions are contained in the Lending Agreement. Moreover, the Account Holder signing the Lending Agreement allows the Lender to contact the Receiving Bank to carry out the Due Diligence.

What is the Lending Manager?

The Lending manager is a third party involved in the search, request and placing the Call Option. It is a special unit of the Lender only for technical purpose. It has its own trading department that will negotiate call options on behalf of the Lender.

Electronic Signature is accepted?

Yes, it is stated that all the parties accept electronic signature as

It is possible to stop transaction even if the Lending Agreement is signed?

Yes, it is important to do so before the Call Option is placed, otherwise it is not possible to recover the funds paid for Call Option purchasing.

It is possible to change the chosen instrument in the Lending Agreement?

Yes, but only before the Call Option. After Call Option is placed, it is not possible.

## **Q & A Call Option**

Why is a Call Option needed?

A Call Option is required to be placed to secure the right for the lender to buy the security at a fixed price within 20 days. The Lender does not own the bank instrument at that stage. So placing a Call Option is needed in order to reserve the right to purchase the chosen bank instrument at certain date and at a certain price, giving in this way the certainty to the Borrower about the availability of the bank instrument.

It is possible extend the Call Option?

Yes, there is a fee to extend 30-days more the Call Option, as per Lending Agreement.

Which operations must be performed within the Call Option expiry date?

Within the Call Option expiry date following operations must be performed: The Borrower must prepare the conditional payment for the service fees and give time to the Lender to carry out the Due Diligence with a positive and satisfactory reply from the Receiving Bank.

## **Q & A Conditional Payments**

Promissory Note is a Conditional Payment?

No. Promissory Note is not conditional due its nature. But the Lender allows the customers to issue Promissory Note with maturity at 180 days so if bank instrument

is not received it is possible to delete it. But the Promissory Note will have to be endorsed by the receiving bank to be acceptable.

SWIFT MT700 must be confirmed?

Yes, a SWIFT MT700 must be confirmed.

ICPO or Promissory Note must be endorsed by the bank?

Yes, it must be an acceptable bank for the Lender. ICPO and Promissory Note must be endorsed with Bank's Stamp and signature of two bank officers to engage the bank to guarantee the payment in full bank responsibility.

## **Q & A Due Diligence**

How the Due Diligence is carried out?

The Compliance Officer of the Lender will send a Due Diligence through certified email to the Designated Receiving Bank. The Designated Receiving Bank must reply to the queries contained in the Due Diligence one by one.

It is possible to negotiate the Verbiage of the Due Diligence?

Absolutely not. Due Diligence is carried out in full compliance to the international banking rules and it contains queries about the Lending Agreement that are known to the Borrower and Account Holder

What's happen if the Bank will not reply or will reply negatively to the Due Diligence?

If the designated Receiving Bank replies in negative way or do not reply to the Due Diligence email, Due Diligence will be considered negative and Transaction closed. If there is time before Call Option expiry date, the Lender can allow the Borrower to try to change the receiving bank.

## **Q & A Pre-Advice**

Why Pre-Advice by certified email or by Swift have high fees?

Because the Lender, at this point of the Transaction, do not own the Bank Instrument, then he must purchase a performance bond to cover the Pre-Advice.

Which bank will issue the Pre-Advice?

Pre-Advice by SWIFT will be issued by an Advising Bank. It is not possible issue said Pre-Advice from the bank who will assign the instrument because the Lender does not own the instrument at this point of the Transaction.

Is the Verbiage of the Pre-Advice negotiable?

No it is not. It must be sent in compliance with international laws, because the Lender do not own the Instruments at the moment of issuing the Pre-Advice.

## **Q& A MT760 Assignment**

Where can I see the Verbiage of MT760?

You can see the Verbiage for assignment of Bond/MTN, BG or SBLC in the section "Attachments".

Can I submit a custom Verbiage?

Yes you can. The Lender's Compliance Office will revise it and will accept it, reject it or will accept with modifications.

Which is the Law under the MT760 is issued?

The instrument will be issued in accordance to the Law of the Country of the issuing bank.

There are conditions in the Verbiage?

No. The MT760 is sent without condition.

In which name is sent the MT 760?

Beneficiary of the MT 760 will be the Borrower or, in case, the Account Holder.

### **Q & A Application**

It is possible to request just a tranche of a bank instrument?

Yes, it is possible. Minimum tranche is Euro 15 M.

When can I have confirmation about availability of the requested Instrument?

When you apply for an Instrument, the Lender before issuing the Lending Agreement will check if requested tranche is still available in the Markets, then he will issue the Lending Agreement. Please note that full confirmation can given only after the Call Option has been placed and the Lender has been given the right to purchase the chosen Instrument within (20 days) the maturity date of the Call Option itself.

How is commission secured?

The FPA (Fee Protection Agreement) is a contract between the Broker and the Borrower to let the Broker to secure the payment of his commission. The Broker can request the Lender to collect the Broker Fee together with the Service Fee if the broker fees are not exceeding 2% in total. In such case it will be written in the Lending Agreement that the Service Fees are X%, formed by X% as Service Fee and X% Broker Fee.

If I want receive a BG/SBLC, why I should choose an MTN, Bond, an Europaper, or a Commercial Paper?

The selected highly rated Certificates of Debt (listed and rated Security) will be the underlying security which backs up the issuing of a BG or SBLC.

## Quick Start Summary

### Step 1

The borrower submits an application and requests an offer in the form of a personalized Global Master Security Lending and Borrowing Agreement to lease an instrument.

### Step 2

The borrower presents the draft of the Global Master Security Lending and Borrowing Agreement to his bank and negotiates acceptance of the securities borrowing transaction and the payment method.

### Step 3

Once the borrower has the agreement of his receiving bank, the client submits his Letter of Intent.

### Sep 4

The final and fully completed original copy of the Global Master Security Lending and Borrowing Agreement will be issued and sent for signature, together with an invoice for the expenses due to cover the Call Option fees.

### Step 5

Once the Global Master Security Lending and Borrowing Agreement has been accepted by the borrower and the call option fee has been paid, the lender will place the Call Option for the purchase the security.

### Step 6

Instrument will be booked by the Lender

Pro-Forma Invoice will be issued for the Lending Fees and provided to the Borrower with this information:

- full details of the instrument
- Corporate Deed of Assignment
- Euroclear and Clearstream Printout
- Security Card for the Stock Exchange for Borrower bank to verify
- Invoice for Commission

### Step 7

Within 20 days conditional payment of Securities Lending Fee has to follow

### Step 8

Instrument purchased and transmitted to borrower bank with all rights to use it against the simultaneous release of Securities Lending Fee payment.

### Step 9

Instrument has to be returned 15 days prior maturity.



## Starting the Process

Request, download and complete the Application. Request your copy of the Global Master Security Lending and Borrowing Agreement to negotiate with your bank the transaction of borrowing securities to receive a support SBLC or Bank Guarantee into your account. [You can request and directly download the Application Form HERE](#)

The Global Master Security Lending and Borrowing Agreement (The GMSLBA - Draft for Approval) that you will receive includes the Letter of Intent (format) which will have to be completed by the Borrower once in agreement with the terms of the (GMSLBA)

## For further details, please contact your Authorized Collateral Advisor

### **JW. Morris, Intake Officer**

Authorized Collateral Advisor

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If you reside outside of the country of the authorized Collateral Advisor stated above, you can apply to become authorized Collateral Advisor in your country. [You are welcome to place your Application HERE](#)

## LEGAL NOTICES

### **DISCLAIMER**

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The Lender must keep the information strictly confidential and Borrowers are not allowed to make the information available to others without our written consent. The abovementioned details are for information purposes only and not to be considered a Solicitation of Funds or to Sell Securities. The transaction is subject to a qualified client and the availability of the service at the time of application.

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**Attachment 1 - Conditional Irrevocable Pay Order (ICPO)**

ON CLIENT FULL LETTERHEAD  
ENDORSED BY AN ACCEPTABLE BORROWER'S BANK (APPROVED BY LENDER)  
(Must include details as per Pro-Forma Invoice)

Date  
To the lender: (as per corporate pre-advice of pro-forma invoice)

We hereby present our Irrevocable, Assignable, Transferable and Callable Cash Backed Bank Pay Order in your favour, in the amount of EUR/USD .....for the Bank Instrument herein described. The herein listed Bank Instrument shall be returned unencumbered via SWIFT to the Lender fifteen days prior to maturity. The payment of the herein funds represents the service fees payable to the Assignor under Transaction code ..... dated .... day of ....

We hereby confirm that the funds are good, clean, and cleared of non-criminal origin and are from a legal source.

This Irrevocable Bank Pay Order is a binding fully performed due bill and is immediately callable on for Cash payment upon receipt of the SWIFT MT 760 delivery of the Bank Instrument (specified herein) to the Client’s Bank Account.

- TYPE OF INSTRUMENT
- ISSUER NAME
- ISSUER COUNTRY
- CURRENCY
- MATURITY DATE
- ISIN NUMBER
- FACE VALUE

This Irrevocable, Assignable, Transferable and Callable Bank Pay Order is valid for twenty (20) international banking days from day of . 20.. and until day of , 20..

This is an operative bank instrument and is subject to the uniform commercial code as it relates to Bank credit instruments.

For and on behalf of the Borrower:  
..... [Borrower Name and Stamp]

“WE, BANK ....., UNDER FULL RESPONSIBILITY ARE ENDORSING THE PRESENT IRREVOCABLE CONDITIONAL PAY ORDER OF OUR CLIENT.”

Endorsed by:  
Name & Title Bank Officer (1) ID Name & Title Bank Officer (2) ID  
..... [Bank Name and Stamp]

**Attachment 2 - Unconditional Promissory Note**

ENDORSED BY AN ACCEPTABLE BANK (APPROVED BY LENDER)

(Must include details as per Pro-Forma Invoice)

TOTAL SERVICE FEES AMOUNT EUR/USD.....  
PAYABLE BY PROMISSORY NOTE WITH MATURITY DATE AT ..... DAYS

PROMISSORY NOTE

PER BANK AVAL

Bank full name and seal \_\_\_\_\_

Registration Nr \_\_\_\_\_ Ref: \_\_\_\_\_

Bank Officer's Signature (1) \_\_\_\_\_

ID (Identification Code) \_\_\_\_\_

Bank Officer's Signature (2) \_\_\_\_\_

ID (Identification Code) \_\_\_\_\_

At/on \_\_\_\_ day of \_\_\_\_\_ 20\_\_ for value received, we promise to pay against this promissory note to the order of Messrs \_\_\_\_\_ Or to ORDER the sum of:

\_\_\_\_\_ EURO or US DOLLARS

Effective payment to be made in accordance to the transaction Code Number \_\_\_\_\_ without deduction and/or free of any present or future taxes, impost, collection charges, levies or duties of any nature.

This promissory notes is payable at \_\_\_\_\_ (place of payment with name and address of bank)

Company \_\_\_\_\_  
AND SIGNATURE

BORROWER SEAL

Address \_\_\_\_\_

City \_\_\_\_\_

**Attachment 3 - Conditional Payment SWIFT MT103**

(Must include details as per Pro-Forma Invoice)

-----INSTANCE TYPE AND TRASMISSION-----

ORIGINAL RECEIVED FROM SWIFT:  
PRIORITY:  
MESSAGE OUTPUT REFERENCE:  
CORRESPONDENT INPUT REFERENCE:

-----MESSAGE HEADER -----

SWIFT OUTPUT: FIN 103 SINGLE CUSTOMER CREDIT TRAFISFER SENDER :  
(BORROWER’S BANK DETAILS)  
RECEIVER: (LENDER’S BANK DETAILS)  
ACCOUNT NUMBER: (LENDER’S BANKING ACCOUNT NUMBER)

-----MESSAGE TEXT-----

20: SENDER

23B: BANK OPERATION CODE

32A: VALUE DATE/ CURRENCY / INTERBANK SETTLED AMOUNT

50A: ORDERING CUSTOMER

59A: BENEFICIARY CUSTOMER

71A: DETAILS OF CHARGES

72: WE (BORROWER’S BANK) HEREBY PRESENT OUR IRREVOCABLE, DIVISIBLE, ASSIGNABLE, TRANSFERABLE AND CALLABLE CASH BACKED S.W.I.F.T. WIRE TRANSFER IN YOUR FAVOUR FOR THE ACCOUNT OF (LENDER’S NAME), ON THE ACCOUNT NUMBER (LENDER’S NUMBER OF ACCOUNT) IN THE AMOUNT OF (AMOUNT OF LEASING FEES) IMMEDIATELY WITHIN 8 BANKING HOURS UPON RECEIPT, VERIFICATION AND AUTHENTICATION OF THE BANK INSTRUMENT AS STATED IN THE AGREEMENT SIGNED BETWEEN (LENDER’S NAME) AND (BORROWER’S NAME) ON .....20... UNDER TRANSACTION CODE .....

WE HEREBY CONFIRM THAT THE FUNDS ARE GOOD, CLEAN AND CLEARED OF NON-CRIMINAL ORIGIN AND FROM A LEGAL SOURCE.

**Attachment 4 - Conditional Documentary Credit**

TO BE SENT BY SWIFT MT 700  
(Must include details as per Pro-Forma Invoice)

SENDER:  
BANK NAME:  
ADDRESS:  
SWIFT CODE:  
ACC. NUMBER:  
ACC. HOLDER:  
MT RECEIVER BANK:

27: SEQUENCE OF TOTAL  
40A: TYPE OF DOCUMENTARY CREDIT  
20: DOCUMENTARY CREDIT NUMBER  
31C: DATE OF ISSUE  
31 D: DATE AND PLACE OF EXPIRY  
*(DATE 60 DAYS AFTER THE ISSUING DATE)*  
51 A: APPLICANT BANK  
50: APPLICANT

59: BENEFICIARY  
32B: CURRENCY CODE/AMOUNT  
39B: MAXIMUM CREDIT AMOUNT  
45A: DESCRIPTION OF GOODS AND SERVICE

46A: DOCUMENT REQUIRED

*(NO MENTION OF THE FACE VALUE)*  
47A: ADDITIONAL CONDITIONS

49: CONFIRMATION

72: SENDER TO RECEIVE INFORMATION

IRREVOCABLE  
.....  
.....  
(BANK BRANCH)

.....  
.....  
INVOICE DATED FOR  
LENDING / BORROWING  
SECURITIES, TRANSACTION  
CODE .....  
BANK INSTRUMENTS  
ISSUED BY ..... ISIN  
CODE .....

THE PAYMENT WILL BE  
FREELY AVAILABLE UPON  
RECEIPT, AUTHENTICATION  
AND VERIFICATION OF THE  
ABOVEMENTIONED BANK  
INSTRUMENT  
CONFIRMED

**Attachment 5 - for the Assignment of a BOND or MTN**

SWIFT MT760 (ICC 500/600 URDG 758) for assignment of a BOND or MTN

Bank Name: Address:  
Bank Officer Telephone:  
Fax:  
Account No.  
Account Name:  
Swift:

----- Normal-----

20: Transaction Reference Number:  
21: Reference Original  
79: Explanation  
CURRENCY:  
BANK INSTRUMENT NUMBER:  
AMOUNT:  
DATE OF ISSUE:  
MATURITY DATE:  
BENEFICIARY:

77C: NARRATIVE: TEXT OF THE INSTRUMENT

FOR THE VALUE RECEIVED, WE THE UNDERSIGNED HEREBY IRREVOCA8LY AND UNCONDITIONALLY, WITHOUT PROTEST OR NOTIFICATION, PROMISE TO PAY AGAINST THIS BANK INSTRUMENT NO XXXXX TO THE ORDER OF THE BENEFICIARY THEREOF, AT DATE OF MATURITY. THE SUM OF XXXXX IN LAWFUL CURRENCY OF XXXXX UPON PRESENTATION AND SURRENDER OF THE GUARANTEE AT THE OFFICE OR ANY OFFICES OF XXXXXX UPON PRESENTATION AT MATURITY.

SUCH PAYMENT SHALL BE MADE WITHOUT SET-OFF FREE AND CLEAR OF ANY DEDUCTIONS, CHARGES, FEES, OR WITHHOLDING OF ANY NATURE, NOW OR HEREAFTER IMPOSED, LEVIED, COLLECTED, WITHHELD OR ASSESSED BY THE GOVERNMENT OF THE ISSUING BANK OR ANY POLITICAL SUBDIVISION OF AUTHORITY THEREOF OR THEREIN.

THIS GUARANTEE IS CASH BACKED, NEGOTIABLE, ASSIGNABLE AND TRANSFERABLE WITHOUT PRESENTATION OF IT TO US AND WITHOUT THE PAYMENT OF ANY TRANSFER OR ASSIGNMENT FEES.

THIS GUARANTEE IS GOVERNED BY AND IS CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE COUNTRY OF THIS ISSUING BANK AND ISSUED IN ACCORDANCE WITH THE RULES, REGULATIONS AND PRACTICE FOR BANK GUARANTEES AS SET FORTH BY THE INTERNATIONAL CHAMBER OF COMMERCE, PARIS, FRANCE, LATEST REVISION OF PUBLICATION 500/600 URDG 758.

THIS ..... DAY OF .....

FOR AND BEHALF OF (BANK)  
AUTHORIZED SIGNATORY (BANK OFFICER #1)  
AUTHORIZED SIGNATORY (BANK OFFICER #2)



**Attachment 6 - for the Assignment of a Bank Guarantee**

SWIFT MT760 (ICC 500/600 URDG 758) for Assignment of a Bank Guarantee

Bank Name: Address:  
Bank Officer Telephone:  
Fax:  
Account No.  
Account Name:  
Swift:

----- Normal-----

20: Transaction Reference Number:  
21: Reference Original  
79: Explanation  
CURRENCY:  
BANK INSTRUMENT NUMBER:  
AMOUNT:  
DATE OF ISSUE:  
MATURITY DATE:  
BENEFICIARY:

77C: NARRATIVE: WE HEREBY OPEN OUR BANK GUARANTEE No XXXXXX AS FOLLOWS:

FOR THE VALUE RECEIVED, WE, THE UNDERSIGNED, .XXXXX BANK, HEREBY ISSUE OUR IRREVOCABLE, UNCONDITIONAL, TRANSFERABLE, DIVISIBLE, AND WITHOUT PROTEST OR NOTIFICATION, PROMISE TO PAY AGAINST THIS BANK GUARANTEE NR. XXXX TO THE ORDER OF (BENEFICIARY), THE BEARER OR HOLDER THEREOF, AT MATURITY, THE SUM OF EURO XXXXX (EURO XXXX MILLION ONLY) IN THE LAWFUL CURRENCY OF THE EUROPEAN UNION, UPON PRESENTATION AND SURRENDER OF THIS BANK GUARANTEE AT ANY OF THE COUNTERS OF OUR OFFICES AT XXXXXXXX

SUCH PAYMENT SHALL BE MADE WITHOUT SET-OFF AND FREE AND CLEAR OF ANY DEDUCTIONS, CHARGES, FEES, OR WITHHOLDING OF ANY NATURE PRESENTLY OR IN THE FUTURE IMPOSED, LEVIED, COLLECTED, WITHHELD OR ASSESSED. THIS BANK GUARANTEE IS CASH BACKED, DIVISIBLE, ASSIGNABLE AND TRANSFERABLE WITHOUT PRESENTATION OF IT TO US AND MAY BE RELIED UPON FOR THE PURPOSES OF OBTAINING CREDIT LINES OR LOANS.

THIS BANK GUARANTEE SHALL BE GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF (COUNTRY OF ISSUE). THIS BANK GUARANTEE IS AN OPERATIVE INSTRUMENT. THIS BANK GUARANTEE IS GOVERNED BY THE UNIFORM RULES FOR DEMAND GUARANTEES AS SET FORTH BY THE INTERNATIONAL CHAMBER OF COMMERCE LATEST REVISION OF PUBLICATION 500/600 URDG 758.

YOUR DEMAND FOR PAYMENT SHOULD REACH US NOT BEFORE XXXXXXXX BUT NOT LATER THAN XXXXXXXX AFTER WHICH DATE, THIS BANK GUARANTEE EXPIRES IN FULL AND SHOULD BE CONSIDERED NULL AND VOID. FOR AND ON BEHALF OF (NAME OF THE ISSUING BANK)  
THIS ..... DAY OF .....

FOR AND BEHALF OF (BANK)  
AUTHORIZED SIGNATORY (BANK OFFICER #1)  
AUTHORIZED SIGNATORY (BANK OFFICER #2)

## Attachment 7 - for the Assignment of an SBLC

SWIFT MT760 (ICC 500/600 URDG 758) f. Assignment of a Standby Letter of Credit

Bank Name: Address:  
Bank Officer Telephone:  
Fax:  
Account No.  
Account Name:  
Swift:

----- Normal-----

20: Transaction Reference Number:

21: Reference Original

79: Explanation

CURRENCY:

BANK INSTRUMENT NUMBER:

AMOUNT:

DATE OF ISSUE:

MATURITY DATE:

BENEFICIARY:

77C: NARRATIVE: WE HEREBY OPEN OUR STANDBY LETTER OF CREDIT NO XX AS FOLLOWS:

AT THE REQUEST OF OUR CUSTOMER XXXXXXXXX WE HEREBY ESTABLISH IN YOUR FAVOUR OUR CASH BACKED IRREVOCABLE STANDBY, TRANSFERRABLE AND DIVISIBLE LETTER OF CREDIT FOR A MAXIMUM XXXXXX MILLION (EURO XXXXX), TO GUARANTEE PAYMENT OF THE SUMS DUE TO YOU BY XXXXXXXXX. THE FACILITIES COVERED BY THIS INDEMNITY ARE AS FOLLOWS: TYPE: STANDBY LETTER OF CREDIT AMOUNT: EURO XXXXX MAXIMUM.

WE HEREBY IRREVOCABLY UNDERTAKE AND AGREE TO PAY YOU ON RECEIPT OF YOUR CLAIM BY WAY OF EITHER A TESTED TELEX OR AUTHENTICATED SWIFT, WITHOUT ANY FURTHER PROOF OR CONDITION. THIS STANDBY LETTER OF CREDIT WILL EXPIRE ON THE ABOVEMENTIONED EXPIRY DATE AT OUR COUNTERS, AFTER WHICH DATE OUR LIABILITY TO YOU UNDER THIS LETTER OF CREDIT WILL CEASE AND WILL BE OF NO FURTHER EFFECT WHETHER THIS INSTRUMENT IS RETURNED TO US OR NOT.

WE HEREBY ENGAGE YOU THAT CLAIMS RECEIVED IN CONFORMITY WITH THE TERMS OF THIS CREDIT WILL BE DULY HONOURED AND THE DRAWING AMOUNT ACCOMPANIED BY THE APPLICANTS CONFIRMATION OF DEFAULT SENT TO US, BY WAY OF AUTHENTICATED SWIFT THROUGH AN ADVISING BANK. THIS STANDBY LETTER OF CREDIT IS SUBJECT TO THE UNIFORM CUSTOMS AND PRACTICES FOR DOCUMENTARY CREDITS, INTERNATIONAL CHAMBER OF COMMERCE LATEST REVISION OF PUBLICATION 500/600 URDG 758 AND ENGAGES US IN ACCORDANCE WITH THE TERMS THEREOF.

THIS STANDBY LETTER OF CREDIT SHALL BE GOVERNED BY AND SHALL BE CONSTRUED IN ACCORDANCE WITH THE LAWS OF (COUNTRY OF ISSUE). THIS STANDBY LETTER OF CREDIT IS AN OPERATIVE INSTRUMENT.

FOR AND BEHALF OF (BANK)  
AUTHORIZED SIGNATORY (BANK OFFICER #1)  
AUTHORIZED SIGNATORY (BANK OFFICER #2)