# LOMBARD LOANS

Swissquote

# TABLE OF CONTENTS





# DEFINITION

## What is a Lombard loan?

**A Lombard loan, also known as Lombard Credit, is a type of secured loan, in which the loan amount is secured by assets, which are called «collaterals».**

## What is the role of collaterals?

A collateral acts as a protection for the creditor; if borrowers fail to repay their loan, the bank can sell the assets to get its money back. It is similar to the way you use your house as a guarantee for your mortgage.

### Lombard loans Collaterals

| | |
|---|---|
| Stocks | Bonds |
| Investment Funds | Other liquid Assets |

**Other liquid assets can be:**

- Structured products
- Precious metals
- Fiduciaries

## The structure of Lombard loans' interest rates

**Market rate (LIBOR)**

**+**

**Swissquote margin**

Indeed, flexibility appears to be one of the main features of Lombard loans. Terms will vary, but investors can expect to pay LIBOR + Swissquote standard margin (3%).

### How much can be borrowed through a Lombard loan?

**Swissquote will typically lend up to, depending on the quality:**

- 70% for stocks
- 90% for bonds
- On demand for investment funds and other liquid assets



# ADVANTAGES OF LOMBARD LOANS

## A cost-effective and flexible solutions

Lombard loans can be a customized and **cost effective financial vehicle** that allows investors to catch more investment opportunities and allow you to optimize your profitability.

### Rapidity to grant the credit

**A Lombard loan enables you to expand your securities portfolio or rapidly take advantage of new opportunities on the market without having to inject new liquidity or sell assets in your portfolio.**

You can obtain liquidity at attractive rates in just a few clicks, against the pledge of your various assets.

### Enhanced financial flexibility

**Flexibility is one of the key advantages of Lombard loans.**

Indeed, Swissquote Lombard loans are Open-End financial products that do not have any maturity.

### Low costs

**Swissquote only applies the interest rate on the used amount. No commission nor fees are charged.**

Low costs are considered by many as a key point that makes Lombard loans an interesting credit facility.

# LIMITATIONS & RISKS OF LOMBARD LOANS

## Potential declines of collaterals' value

The main risk of Lombard loans lies in the **potential decline of the value of assets used as collateral** and therefore be in overdraft situation.

1

If the assets used as collateral decline in value, whether it is stocks, bonds, investment funds or others assets, **the first solution you have is increasing the amount of collaterals, therefore providing additional assets.**

2

To offset a value decline of your collaterals, **you could also reduce the outstanding loan by the relevant amount** selling a part of your assets.



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