

Important information Macquarie Investment Lending



Margin Lending

Q: I have a margin loan with Macquarie Investment Lending (MIL) and I worried that I will find myself in the same situation as Opes Prime clients. Can Macquarie lend my stock on without my permission?

A: Clients retain full legal ownership of their stock. Clients have to actively **opt-in** to stock lending and no stock will be lent unless clients give their permission and say they want to participate.

Q: How do I know that my Macquarie Margin Loan is safe?

A: Macquarie Bank Limited is an "A" rated institution. (Macquarie Bank Limited is rated A by S&P, A+ by Fitch and A1 by Moody's). This rating reflects our more sophisticated risk management strategy plus a more diverse business mix.

Our Margin Lending book is funded by Macquarie Bank. MIL has a relatively conservative lending approach with lower LVRs. In contrast, Opes Prime was offering up to 80% LVR on stocks in some instances, where we would typically offer a more conservative 40% LVR. We limit lending against individual stocks; allowing Macquarie to cap the level of exposure the Bank has to an individual stock ensuring any losses are reasonable relative to the P&L and capital at risk.

Q: Does Macquarie Investment Lending engage in stock lending?

A: We offer stock lending to our clients as an income feature predominantly in a protected loan e.g Macquarie GEI plus. MIL is proactive in disclosing risks. We disclose that Macquarie is the counter party to our clients offering up their stock (we are not the on-lent party).

Stock lending is also offered to select clients with margin loans, as an additional feature to the standard loan agreement. This means that clients have to actively **opt-in** to this feature and no stock will be lent unless clients actively give their permission and say they want to participate. Full disclosure of the client's risk of becoming an unsecured creditor in the event of Macquarie's insolvency is provided and acknowledged by the client when they sign on to lend their stock and receive a fee for taking this risk .

Q: What protection do you have in your stock lending program?

A: We limit our stock lending program to stocks in the ASX top 50-100 as these stocks are subject to less short selling pressure from hedge funds. In contrast, Opes Prime conducted stock lending on a much broader range of shares.

Other shares held by the client are ineligible for the program but our clients retain full legal ownership of those ineligible shares. Macquarie has very clear procedures, years of experience in the institutional securities lending market and processes in place to ensure stock is always returned to the client's Holder Identification Number (HIN) within 3 business days.

Macquarie has also minimal credit exposures to hedge funds. This extends to stock lending and means the stock is not being lent to these entities.

This advice has been prepared by Macquarie Bank Limited ABN 46 008 583 542, AFSL No. 237502 ("MBL") and is general advice and does not take account of your objectives, financial situation or needs. Before acting on this general advice, you should therefore consider the appropriateness of the advice having regard to your situation. We recommend you obtain financial, legal and taxation advice before making any financial investment decision.

Q: As a Macquarie Margin Loan client who has not opted into the stock lending feature, have I signed over my interest in the stock I lodged as collateral to Macquarie?

A: No. The registered stock owner (i.e. you or a third party whose stock you have opted to pledge) remains the legal and beneficial owner of all stock pledged to or purchased through your Macquarie Margin Loan.

Q: As a Macquarie Margin Loan client, who has not opted into the stock lending feature, if Macquarie has clients that don't pay their loans, are my shares/cash at risk?

A: No, you are not at risk if an unrelated borrower defaults on their loan arrangement with Macquarie. However, there is a level of risk where you have entered a joint and several liability agreement with a party in default. For example, if you have applied for a loan as a joint borrower on a loan facility and the joint borrower defaults, you would be jointly and severally liable for that debt.

Q: Is my loan agreement a standard "Margin Lending Loan and Security Agreement" or an 'Australian Master Securities Lending Agreement' or 'AMSLA'?

A: If you currently hold a Macquarie Margin Loan facility then you have entered into a standard margin lending agreement. Your agreement is the Margin Loan - Loan and Security Agreement that is contained in your Margin Loan brochure. A copy is available on our website www.macquarie.com.au/lending.