



# Fully Paid Securities Lending

Fully Paid Lending is a strategy investors choose to try to generate additional income on their portfolios by loaning securities through an intermediary. The investor (lender) temporarily loans securities to a financial institution (borrower), such as a broker-dealer, hedge fund or bank. Interest, based on the daily market rates, can be earned while the security is on loan.

## > Getting started

Your introducing firm utilizes the Fully Paid Lending Program through its clearing firm, Axos Clearing LLC. Axos Clearing serves as the intermediary for this process.

To enroll, you will be required to read Axos Clearing's *Important Disclosures Regarding Risks and Characteristics of Participating in Axos Clearing's Fully Paid Securities Lending Program* and sign a Master Securities Lending Agreement (MSLA), copies of which will be provided to you by your introducing firm for your review prior to possible enrollment.

## > How fully paid lending works

- MSLA between investor, borrower and advisor is signed.
- Shares are identified by the Axos Clearing Securities Lending desk.
- If the Axos Clearing Securities Lending desk elects to borrow the investor's shares, Axos Clearing will hold an appropriate amount of loan collateral for the duration of the loan.
- A percentage of the loan fee generated from the borrowed securities is deposited into the investor's brokerage account



## Common Questions

### **Why are securities loaned and borrowed?**

There are many reasons, for example to cover short sales, support a trading strategy or satisfy customer possession and control requirements. Many of these securities are considered "hard to borrow," because they are in limited supply or unavailable to borrow.

### **Is there specific eligibility criteria to participate in the program?**

A minimum of \$25,000 in account equity is generally required.

### **Will I need a separate agreement for each fully paid stock in my account that will be loaned out?**

Once you sign the MSLA, all fully paid securities in the account are covered by the MSLA. Axos Clearing may attempt to lend any and all in demand fully paid securities. Additional securities you purchase after signing the MSLA will be covered under the MSLA as well.

### **How is it determined which shares will be loaned?**

Axos Clearing, your introducing firm's clearing firm, manages the Fully Paid Lending Program and has authorization to lend any participating shares. Axos Clearing is likely to select for lending the securities that are in demand. However, there is no guarantee that your fully paid shares will be lent out.

### **Are my loaned securities protected from loss due to market fluctuation?**

No. Loaned securities are subject to the same market risks and fluctuations as securities that are not in the lending Program.

### **Will I still receive dividend payments?**

Securities lending programs traditionally offer substitute payments for dividends, for example cash in lieu. It is important to read the MSLA and Axos Clearing's *Important Disclosures Regarding Risks and Characteristics of Participating in Axos Clearing's Fully Paid Securities Lending Program* for specific information concerning such substitute payments. Investors may also lose proxy voting rights on shares that are out on loan.

### **Can I sell securities that are on loan?**

With fully paid lending, you retain full economic ownership of the securities on loan. You may sell the shares at any time without restriction. On the day following the sale of those securities, the loan will be terminated.

### **How is the loan secured?**

The borrower provides collateral for the loan (usually cash) to protect the lender in the event of the borrower's default. That collateral is held at a custodial bank. Please refer to the MSLA for specific information.

## Want to learn more? Contact your introducing firm:

Trading Direct

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