

## Lombard Lending Video V4 Transcript

Welcome to our video presentation on Lombard lending overdraft facility offered by HSBC. Today, we'll delve into lending against portfolio with our loans, exploring the benefits and potential risks and importance of understanding margin calls. So let's get started. Lombard lending allows you to access additional funds to meet your investments and liquidity needs. However, this facility can be a double edged sword.

On one side, it offers a great deal of flexibility, but on the other it comes with certain risks. Let's explore both sides. First, let's look at the benefits of Lombard lending overdraft facility.

**Flexibility.** You can access funds quickly for investment opportunities even when your cash balance is low.

**Cost effective.** Interest rates are typically lower than other forms of borrowing.

**Convenience.** It simplifies your investment strategy by providing ready access to funds.

Now let's examine the potential risks involved.

**Margin calls.** If the value of your portfolio collateral falls below a certain threshold you may receive a margin call. Losses amplified while it can boost your returns in a rising market it can also amplify losses in a falling market.

**Risk of forced liquidation.** A margin call can lead to forced liquidation of your assets, potentially locking in the losses.

**Interest costs.** You'll incur interest charges which can accrue and add up over time.

Let's dig deeper into margin calls. One of the most crucial aspect of a Lombard lending overdraft facility. A margin call is a demand by the bank for additional funds when the value of your portfolio collateral falls below a specific threshold. This threshold is called net margin ratio.

When margin call occurs the bank will notify you to restore your net margin ratio to above 100%. You must provide additional funds, additional eligible collateral, or an instruction to sell existing collateral.

You have a limited time to meet this demand. Failure to do so may result in forced liquidation of assets. Forced liquidation, can lead to significant losses and may disrupt your investment strategy. To manage margin calls effectively, you can monitor your portfolio's value regularly to ensure it stays above net margin ratio of 100%.

Monitor your overdraft account limit. Making sure it has sufficient available balance to avoid a margin call. Have a financial plan in place to cover potential margin calls without jeopardizing your overall financial health. Diversify your investments to reduce concentration risks.

In conclusion, a Lombard lending overdraft facility can be a powerful tool for investors but it's essential to be aware of the key risks particularly margin calls.

At HSBC, we are committed to helping you make informed decision and manage your investments effectively. If you're considering our Lombard lending facility or would like to know more, please reach out to your relationship manager. Thank you for watching. Remember that knowledge and careful risk management are key in ensuring that this facility adds value to your finances.