

RISK DISCLOSURE: securities lending

1. There are risks inherent in securities lending, including the risk of failure of the other party to comply with the terms of the agreement as regards payments to be made or securities to be delivered to the other party. Such failure can result in the inability of the lender to return the securities deposited and the possible loss of corporate benefits accruing thereon.
2. In addition to the above, the risks inherent in securities lending include the following:
 - (a) your rights, including any proprietary rights that you may have had, in loaned securities will be replaced by an unsecured contractual claim to the borrower for delivery of securities equivalent to the loaned securities and in the event of insolvency or default of the borrower your claim against the borrower will be subject to the terms of applicable law and contract and, accordingly, you may not receive equivalent securities or recover the full value of the loaned securities;
 - (b) as a result of you ceasing to have a proprietary interest in the loaned securities you will not be entitled to exercise any voting rights attached to the loaned securities, and even if the borrower has agreed to exercise such voting rights in accordance with your instructions, in the event that the borrower does not hold and is not able to readily obtain equivalent securities, it may not be able to comply with your instructions;
 - (c) in the event that the borrower is not able to readily obtain equivalent securities to deliver to you at the time required, you may be unable to fulfil your settlement obligations under a hedging or other transaction you have entered into in relation to those equivalent securities; a counterparty or other person may exercise a right to buy-in the relevant securities; and you may be unable to exercise rights or take other action in relation to those equivalent securities;
 - (d) in the event that a competent authority acting as a competent resolution authority exercises its powers under any relevant resolution regime in relation to the borrower, any rights you may have to take any action against the borrower, such as to terminate the agreement, may be subject to a stay by the relevant resolution authority and your claim for delivery of equivalent securities may be reduced (in part or in full) or converted into equity or a transfer of assets or liabilities may result in your claim on the borrower, or its claim on you, being transferred to different entities, although you may be protected to the extent that the exercise of resolution powers is restricted by the availability of set-off or netting rights;
 - (e) if the market value of the loaned securities you have borrowed increases, you may be required to deposit more money at short notice. This may also lead to extraordinary losses because you may have to purchase equivalent securities at a very high price;
 - (f) where you hold any cash or assets with the other party to a loan, your securities and cash balances may be subject to the security interests created in favour of the other party. In the event you become unable to make any payments or deliveries, the other party may be entitled to sell your securities to recover funds or to apply cash held by it for you to satisfy your obligations under the loan without prior notice to you;
 - (g) where you receive or are credited with a payment by reference to dividend, coupon or other income payable in relation to any loaned securities, your resulting tax treatment may differ from your initial tax treatment in respect of the original dividend, coupon or other payment in relation to those loaned securities.