



BUX Zero

**SECURITIES LENDING
HANDBOOK**

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BUX B.V. is a private limited liability company (besloten vennootschap met beperkte aansprakelijkheid) with its statutory seat in Amsterdam, the Netherlands, registered with the Trade Register of the Dutch Chamber of Commerce in Amsterdam under number 58403949. BUX B.V. is authorised as an investment firm and supervised as such by the Dutch Authority for the Financial Markets (AFM).

CONTENT

Introduction	3
Securities lending	3
When active	3
All types of Financial Instruments	3
Definitions	3
Beneficial ownership	3
Counterparty	4
Legal title	4
How securities lending works	4
What it involves	4
What it means for You	4
Selection of Financial Instruments	5
Partners	5
Collateral	5
BUX Custody Foundation	5
Dividend	5
Risks	6
Risk of insolvency	6
Price risk	6

INTRODUCTION

You have become a client of BUX and explicitly given approval for the lending of Your Financial Instruments. The aim of lending Your Financial Instruments is to achieve a return for BUX, make it possible to offer certain services free of charge and keep other costs as low as possible for You. This allows us to not charge any custody fee, for instance. This Securities Lending Handbook (hereafter: the Handbook) explains how this works and what risks are involved.

The Handbook is intended to provide explanation and is in supplement to the BUX Zero Securities Lending Agreement. The Handbook contains relevant information which is important for You to read before becoming a client. Read the BUX Zero Securities Lending Agreement and this Handbook carefully, therefore, and don't hesitate to contact BUX's Customer Support at support@getbux.com if You have any questions.

SECURITIES LENDING

WHEN ACTIVE

Securities lending is immediately active as soon as You have become a client and explicitly given approval for this. BUX will not immediately make use of this and will inform You when BUX starts lending Financial Instruments.

ALL TYPES OF FINANCIAL INSTRUMENTS

Securities lending pertains to all Financial Instruments that BUX offers.

DEFINITIONS

The terms used in this Handbook have the same meaning as attributed to them in the BUX Zero Client Agreement, unless defined otherwise below.

BENEFICIAL OWNERSHIP

In securities lending, You retain beneficial ownership of the Financial Instruments lent. This means that You are exposed to the price risk of the securities, whether or not the Financial Instruments are lent. The claim You have on BUX, which is equal to the value of the Financial Instruments lent, will count towards the total on the annual income statement for tax purposes. You also receive a manufactured payment of dividend if Your Financial Instruments are lent during a dividend payment. After all, You may not hold the Financial Instruments any longer, but You are still the beneficial owner.

COUNTERPARTY

BUX is always the counterparty for Your Financial Instruments when these are borrowed. BUX may, in turn, lend the Financial Instruments to various parties. For every transaction in which securities are lent, BUX will require security in the form of collateral. The most common collateral is cash or government bonds.

LEGAL TITLE

When BUX borrows Financial Instruments from You, You transfer the legal title to the Financial Instruments to BUX for the duration of the loan period. In return, You receive a security interest in the collateral.

HOW SECURITIES LENDING WORKS

WHAT IT INVOLVES

Securities lending is a term for the lending of Financial Instruments. By becoming a client of BUX, You agree that the Financial Instruments in Your account may be lent. In return for lending Your Financial Instruments, You receive a security interest in the collateral.

It is common practice for brokers to lend out Your Financial Instruments. Most large brokers do this. There are various reasons why a third party might want to borrow these Financial Instruments. The most common reasons are:

- The Financial Instruments are used to hedge brief short positions;
- The Financial Instruments are used by large parties that believe they can buy the share for a cheaper price in the future by borrowing it now and selling it on.

WHAT IT MEANS FOR YOU

As soon as You have become a client of BUX and have therefore agreed to the BUX Zero Securities Lending Agreement, all Financial Instruments in Your portfolio can be lent. You will not notice anything resulting from this; the Financial Instruments will appear as usual in Your account. This simply means that:

- You can sell Your Financial Instruments at any time, regardless of whether they are lent or not;
- You will always still receive the dividend, but in the form of a manufactured payment of dividend;
- The value of the Financial Instruments counts towards the total on Your annual income statement for tax purposes;
- You can see in Your account what Financial Instruments are lent at any given time;
- You retain beneficial ownership of the Financial Instruments, which also means that You still run the price risk of the securities.

SELECTION OF FINANCIAL INSTRUMENTS

We do not know in advance which Financial Instruments will be lent or when; sometimes just a part of the portfolio is lent and sometimes none of it. The market dictates the demand for the Financial Instruments; there is no certainty whatsoever whether BUX will indeed be lending the Financial Instruments.

PARTNERS

BUX works with extremely professional parties with vast experience in lending Financial Instruments. Much of the work is done by them; they also ensure that the borrower furnishes security for the Financial Instruments and they supervise the collateral and its value.

COLLATERAL

An allocation method is used to assign which account holders will be borrowed from, BUX is the counterparty in every transaction. From a legal standpoint, You lose the legal title to the securities during the lending period, but via the foundation BUX Custody (Stichting BUX Custody) You acquire a security right in the collateral held by BUX in Stichting BUX Custody's account. You will not notice anything as a result of this; it all takes place behind the scenes.

BUX ensures that there is sufficient collateral of a certain quality. The collateral is usually extremely liquid and readily marketable; the most commonly used collateral is cash or bonds. The collateral is adjusted daily to ensure there is always sufficient collateral.

BUX CUSTODY FOUNDATION

In the event of BUX's insolvency or other cases in which BUX is unable to return the Financial Instruments, You can claim the collateral held in the name and for the account of the BUX Custody Foundation. The Foundation will seize and execute the collateral on behalf of the clients, which means that the Financial Instruments lent are bought to return them to You.

DIVIDEND

During the period that Your Financial Instruments are lent, You will receive a manufactured payment of dividend instead of a normal dividend. This is because You are no longer the legal owner, but are indeed entitled to dividends or other corporate actions. These are usually equal to the net payment of a dividend and sometimes equal to the gross dividend. With American Financial Instruments, the normal dividend tax on the dividend payment is usually withheld from a manufactured payment of dividend. For all corporate actions other than dividends, BUX makes every effort to recover the Financial Instruments so that the same situation results as would have been the case if BUX had not lent the Financial Instruments.

RISKS

RISK OF INSOLVENCY

Since BUX is Your counterparty for every transaction, You are logically exposed to some risk in the event that BUX becomes insolvent. If this risk should manifest, BUX will be unable to return the Financial Instruments lent. This risk is hedged by Stichting BUX Custody, which holds the collateral in custody. There is also the risk that the value of the collateral may be insufficient to buy back all the Financial Instruments on the market. If the market price increases during the liquidation process, it is highly likely that only in this scenario the collateral may prove to be insufficient and You run the risk of a loss.

PRICE RISK

Aside from whether the Financial Instruments are lent or not, You are always exposed to price risk on the Financial Instruments. The price of Financial Instruments rises and falls, this risk continues to exist.