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Understanding the Risks of Lombard Loans
We believe it's essential that you have a clear understanding of the risks associated with Lombard Loans, that way you can make informed decisions.

What is a Lombard Loan?
A Lombard Loan is a form of secured lending where you pledge eligible securities, such as stocks, bonds, or other liquid investments in your portfolio at Van Lanschot Kempen Switzerland as collateral to secure a loan. These loans are designed to provide a client with access to liquidity while keeping the investments intact.
The Bank determines the collateral values of the individual securities and ultimately the collateral value of the overall investment portfolio. The Bank applies a haircut, which is the difference between the market value and the collateral (pledge) value of that portfolio.

Lombard Loans with short term interest rates implicit the flexibility to withdraw and repay within your credit limit. Lombard Loans can also have a fixed term maturity where the interest rate is set for an agreed period.

Please note that "Borrowing costs money" and that you need to be able to service the loan, i.e. pay interest and repay the loan.
In addition, you have to be able to deal with a potential loss if any risk materialize.

Below some examples for illustrative purposes:

1. A Lombard loan can cause a loss, which can be greater than the market value of your initial portfolio. But you as client remain liable towards the bank.
2. Interest rates can rise and as a result the costs of your loan may rise.
3. Due to drops in value of your investment portfolio, or changed collateral values, the value of your collateral can fall below the outstanding loan. You may receive a margin call, requiring you to either deposit additional collateral and/or repay a portion of the loan within a given period.
4. Any mismatch in currency exposure, either within the portfolio or the currency of the loan versus the currency of your portfolio or your collateral may also be a reason that the collateral value of your portfolio drops below the withdrawn loan. Or vice versa, the value of the loan may increase versus your portfolio.
5. In cases where the value of your portfolio and therefore the value of your collateral deteriorates below the value of the outstanding loan, the bank has the right, not the duty, to liquidate some or all of your pledged assets to cover the outstanding loan balance, without consulting you as a client.

Risk Mitigation Strategies:
To manage the risks associated with Lombard Loans, consider the following strategies:
- Stay informed about market conditions and monitor the value of your portfolio and collateral value regularly and be prepared to respond to margin calls
- Diversify your investment portfolio to reduce concentration risk
- Avoid currency mismatches
- Consider if you are able to bear the related risks and potential losses