

FULLY PAID LENDING (FPL) SEGREGATION

01.

What

Asset owners holding fully paid securities can earn extra passive income by giving permission to their broker dealer to loan securities through Fully Paid Security Lending* (aka FPL). Not only does FPL provide extra income for security holders (aka Beneficial owners), but also it provides liquidity to markets.



02.

How

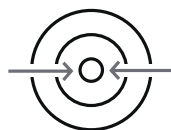


In Fully Paid Lending, security borrowers (registered broker-dealers) are required to pledge acceptable collateral (i.e. cash, U.S. Treasury bills or notes, an irrevocable letter of credit issued by a bank) to fully secure the borrow of securities to protect the securities lenders in the event of the borrowers' insolvency. The borrower is required to deliver the collateral to the lender. BNY offers segregation services for pledgors to facilitate their underlying FPL deals. The SEC indicates the borrower may not hold lender collateral. Collateral must be at a location directly accessible by the lender.

03.

Why

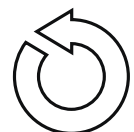
BNY offers segregation services for pledgors to facilitate their underlying FPL deals. BNY is a market leading provider of segregation services. We provide two solutions for FPL segregation. FPL segregation can be easily added to segregation services a client is currently receiving at BNY.



04.

Simplicity

Security Exchange Act rule 15c3-3(b)(3) defines providing acceptable collateral to the customer, but without much prescription in the manner of the collateral management. This allows flexibility in which a pledgor and a secured party can agree in handling return of collateral - i.e. the two parties can agree to allow the pledgor to hold control of collateral and its return. The BNY solution supports this flexibility.



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