Share Lending Risk Disclosures

Share Lending is a complex practice that entails risks.

Settlement risk: There could be instances where settlement of your sale is delayed beyond the normal settlement cycle – this may result in you not being able to withdraw those sale proceeds from your account until settlement.

Non-Central Clearing of Share Lending Transactions risk: Share lending transactions are not settled through a central securities depository to facilitate simultaneous exchange of loaned shares and collateral. Therefore, there could be a gap between the transfer of your lent shares to a Borrower and receipt of the collateral. To manage this risk, we have agreed controls which include ensuring receipt of collateral before or at the same time loaned shares are transferred to a Borrower.

Fluctuations in Collateral Value Risk: A drop in the value of collateral and/or an increase in the value of loaned shares (because of market movements and new loans) since the last collateral adjustment may result in a collateral amount insufficient to cover your loaned position/s. We manage this risk by requiring the revaluing of the lent shares and collateral daily and by requiring the Borrowers to provide collateral to a minimum of 102% of the market value of the shares lent. Rarely, situations may arise where – after we have executed an instruction from you to (for example) sell a security or to leave the Share Lending program - a borrower or the lending agent may subsequently fail to return all or some of the securities. If this happens, we may recover any shortfall in value from you. This could include deducting money from your eToro account, closing open positions, selling your assets if your balance is not sufficient, or adjusting the position of your securities.

Counterparty credit risk: Share lending transactions indirectly expose you to counterparty credit risk. This is a risk when a counterparty - in this case, the Lending Agent or a Borrower of your shares - does not fulfill their obligation to return your shares. For example, this could arise because the Lending Agent or the Borrower becomes insolvent.

Default risk: Share lending transactions indirectly expose you to counterparty credit risk. This is a risk when a counterparty - in this case, the Lending Agent or a Borrower of your shares - does not fulfill their obligation to return your shares. For example, this could arise because the Lending Agent or the Borrower becomes insolvent.

In the event of the Lending Agent or a Borrower's default, the collateral received from the Lending Agent and in turn the Borrower will be liquidated to return the value of the loaned shares to you, in cash. The value of collateral received from the Lending Agent and in turn the Borrower should be greater than the value of your lent shares, but in a scenario where this is not the case (e.g., the collateral losing value and/or the value of lent shares increasing since the last collateral adjustment), the payment you receive may be less than the loaned shares value.

This risk is further mitigated by entering into additional protections with the Lending Agent who indemnifies us for any difference between the liquidated collateral value and the value of your lent shares in the event of a Borrower’s default.

Dividend taxation risk: In some jurisdictions, payments in lieu are taxed differently than dividend payments. You should seek independent tax advice if required.

Market risk: Lent out shares are typically used for shorting. Market participants often borrow shares to sell them short, possibly affecting the value of those shares.