

Cash Collateral for the Securities Lending Fully Paid Program

Frequently Asked Questions

Why does Schwab provide collateral for securities it borrows through its Securities Lending Fully Paid (SLFP) program?

While securities are on loan, they're not protected by the Securities Investor Protection Corporation (SIPC). Schwab provides clients with collateral for the full value of the securities it borrows through the SLFP program.

Where is cash collateral held?

A Supplemental Lending account is created for each account enrolled in the SLFP program. When a client agrees to lend securities from an enrolled account, the client can see the loaned securities in the Supplemental Lending account, which can be viewed on Schwab.com and account statements. Cash collateral is held at the Charles Schwab Trust Company (CSTC). In case of a Schwab default as outlined in the Securities Lending Program Agreement, clients can contact CSTC directly to draw on or withdraw the collateral.

Does the value of the collateral change with the value of the securities?

Yes. The amount of cash collateral is adjusted daily to 102% of the value of the securities on loan to Schwab. Schwab provides the additional 2% of collateral to help account for intraday fluctuations in the value of the securities on loan.

Does cash collateral earn interest?

No. Cash collateral does not earn interest.

When can cash collateral be withdrawn or transferred?

Cash collateral should only be withdrawn if there is a Schwab default as defined in the Securities Lending Program Agreement. If cash collateral is withdrawn in the absence of a Schwab default event, Schwab may sell the borrowed securities and you will be entitled to the market value of those securities.

How is cash collateral withdrawn?

Cash collateral can only be withdrawn by contacting CSTC, and should only be done in the event of a Schwab default as defined in the Securities Lending Program Agreement. Clients can request to withdraw the collateral by calling Charles Schwab Trust Company at 1-877-576-7924 during normal business hours.