

Financial Markets – Global Securities Finance

Linear Equity Derivatives

Linear Equity Derivatives (LED) comprise total return swaps and synthetic forwards (put-call combinations). They are typically traded over-the-counter. The underlying asset can be a single stock, a basket of stocks or an equity index. The product, at a basic level, enables the client to gain long or short exposure to the underlying asset, which offers many advantages to trading in the physical securities.

Advantages of Linear Equity Derivatives

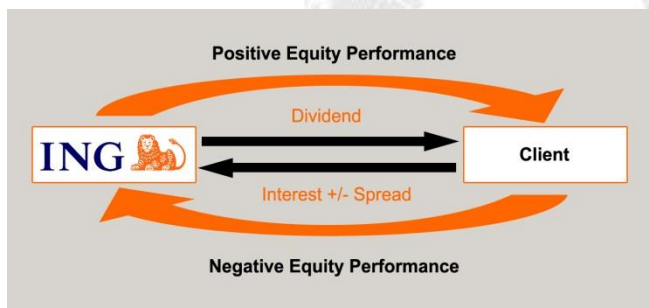
- **Financing** – Benefit from a simple form of collateralized borrowing and lending
- **Gain Synthetic Exposure** (long or short) to single equity, or a basket of stocks
- **Leverage** – Enhance returns by financing on margin
- **Highly Flexible Product** – Tenor, frequency of resets and currency can all be tailored to suit requirements
- **Market Access** – Obtain synthetic exposure to markets and securities that may otherwise be difficult or expensive to access directly
- **Standardized legal agreements** – Contracts governed by ISDA
- **Corporate actions and dividends** can be aggregated as one cash flow to reduce operational burden

Trading Linear Equity Derivatives with ING

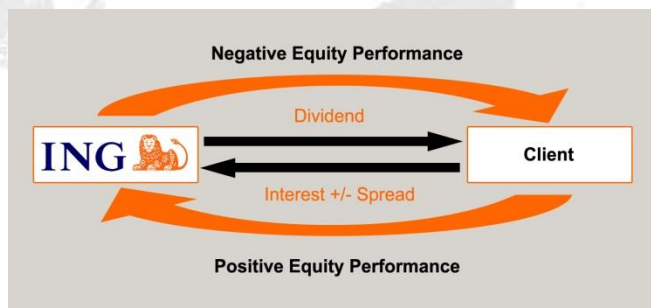
- **Rating** - ING Bank N.V has an A rating
- **Integrated platform** – Coordination with Equity Lending & Repo and Fixed Income Repo desks to provide the most efficient solution to clients' requirements
- **Global Presence** – Tap into ING's global network with unparalleled access to Emerging Markets
- **Dedicated team** – located in London and New York

Total Return Swaps

Positive performance Total Return Swap



Negative performance Total Return Swap



Main characteristics of a Total Return Swaps (TRS)

- **Positive performance swap** – Client receives upside performance on the underlying plus an agreed percentage of dividend income. Client pays downside performance on the underlying and pays interest plus a spread. The interest is a function of the initial notional amount, the relevant interest rate and the duration of the trade
- **Negative performance swap** – Client pays upside performance on the underlying plus an agreed percentage of dividend income. Client receives downside performance on the underlying and receives interest plus/minus a spread
- **Valuation** – All positions are marked-to-market, reflecting the performance of the underlying equity or basket and taking into account the prevailing foreign exchange where applicable
- **Frequency of resets** – Specified at the outset, these can be as short as daily and as long as is required (subject to credit availability). The interest rate tenor typically reflects the reset frequency
- **Corporate Actions** – Corporate actions are reflected in both long and short positions. It should be noted that a client does not retain any voting rights in respect of long swap positions
- **Margin** – Some clients may be required to maintain cash margin as a pre-agreed percentage of the value of the contract. Clients posting this margin may have to post additional collateral should the position move against them

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Linear Equity Derivatives

Linear Equity Derivatives – Applications

- **Synthetic stock borrowing/lending** – When it is not possible to engage in traditional stock borrowing or lending transactions, investors can obtain a synthetic position
- **Balance Sheet Management** – Linear Derivatives can provide a solution for clients who would like to keep the economic exposure to an asset whilst (temporarily) freeing up the part of their balance sheet used to fund this asset
- **Tailored Financing Solutions** – Total or Price Return Swaps, Put/call combinations, Margin Loans.
- **Acquisition and stake building** – Tailored to client needs & market, legal and regulatory restrictions
- **Share buyback programme** – Stock buybacks, Agency Repurchases, At The Market Offerings.
- **ETFs** – Long or short exposure to sector and index tracking ETFs for client portfolio hedging. Also, execution services.
- **Corporate Solutions** – Takeover Situations, Stock Option Plans, Deferred Compensation Plans, Asset Disposals.
- **Corporate Finance** – Monetizing cross-holdings.

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