

# Central Securities Clearing System (CSCS) Limited

## The use of Shares in CSCS Depository As Collateral for Loan Facility

### Notes For Guidance

1. The lender should demand from the borrower, a current statement of stock position issued to him/her/it by CSCS Ltd
2. The lender can confirm from CSCS, the statement of shareholding issued to a shareholder/prospective borrower by CSCS (status report) on payment of a fee of ₦100.00. The Lender must obtain from the borrower/shareholder a letter of authority to the effect that the borrower/shareholder has mandated the lender to collect the stock position on his/her/its behalf.
3.
  - (a) A memorandum jointly, signed by the parties requesting CSCS to place a lien on specific quantity of the stock(s), should be forwarded to CSCS Ltd. Also, an undated letter signed by the Borrower, authorizing the Lender to sell the stocks in the event of default at the expiration of the loan due date, must be given to the Lender upon which CSCS would act when the Lender so instructs.
  - (b) It is essential that the Joint Memorandum be registered at the Stamp Duties Office or sworn to before a Commissioner for Oaths in any Court of Law. Note that the Joint Memorandum must have been completed on the front and reverse sides as directed thereon and explicit therefrom, before same is stamped or sworn to.
  - (c) It is in the interest of the lender not to disburse funds until a letter advising lien placement has been received from CSCS Ltd.
  - (d) The Lender, the Borrower and the Stock-broking firm(s) may be required to confirm and/or consent to the lien agreement. The stock broking firm(s) in particular is required to expressly ascertain/confirm **in writing** that the Shareholder is the genuine owner of the stated stock(s) and that they therefore have no objection on Lien being placed on the stated stock(s) by CSCS Ltd.
  - (e) The stock broking firm (s) must write the letter (referred to in paragraph (d) above and **addressed to CSCS** of which same is expected to accompany the Joint Memorandum when forwarded to CSCS Ltd.
  - (f) Any insertion/alteration on the Joint Memorandum may be a ground for rejection of the application although a **Letter of Indemnity** from the Applicant/Lender or stock-broking firm may give us the comfort to process the application.
  - (g) The draw down date and duration of the lien agreement must be specifically stated (filled out) in the Joint Memorandum.
4. Upon the receipt of the executed Joint Memorandum referred to in Paragraph 3 (three) above and after the lien processing at CSCS have been completed, the shareholding of the shareholder would be moved into a CSCS **Reserved Lien Account** with the interest of the Lender **Noted**. This will be communicated to the parties, thereafter.

5. The Lender (and no other party) should advise CSCS to remove the lien placed on stocks **en bloc** when the Borrower has discharged his/her/its obligation under the contract. The stock(s), which should be listed on the letter of instructions from the Lender, is/are moved back to the original stock-broking firm(s) from where the stock(s) was taken.
6. When the Borrower defaults and/or fails to discharge his/her/its obligation under the contract, the Lender at the expiration of the loan due-date shall:
  - (a) Inform CSCS of the default by the Borrower and advise CSCS to remove the lien to enable sale to be effected.
  - (b) With a copy of the undated letter written by the Borrower to the Lender further give instructions/directives to CSCS for the purpose of the release and sale of the totality of the holdings through a mandated or named stock-broking firm, which is a member of The Nigerian Stock Exchange.
  - (c) CSCS, if satisfied that the procedure has been complied with, will be obliged to remove the lien on the stock(s) upon such information/instructions from the Lender after the expiration of the loan due-date without recourse to the Borrower, moreso when evidence of Notice of Default from Lender to Borrower is received/sighted by CSCS Ltd.
  - (d) If the Debtor/Shareholder refuses to acknowledge receipt of the Notice of Default mentioned in Paragraph “c” above, write a letter to CSCS affirming such position/situation which may suffice for CSCS to release the stock(s) without recourse to the Debtor/Shareholder.

Note that lien is placed on shares whose owners are the direct Borrowers and not third party to the contract, which fact the Lender must attest to, expressly or by implication.

#### **Lien Service – Schedule of Charges**

##### **Amount given as loan (consideration) charges**

₦1	-	₦ 1,000,000	=	0.1 % of consideration
₦ 1,000,001	-	₦ 20,000,000	=	₦ 5,000
₦ 20,000,001	-	₦ 50,000,000	=	₦ 10,000
Over ₦ 50,000,000			=	₦ 20,000

**Plus =N=50.00 per Security**

**CSCS Ltd**