

How a brokerage firm protects your assets

Updated: October 2025



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The natural protection of a brokerage firm

According to the law, a brokerage firm in Belgium is not authorised to offer loans to its clients. In other words, Leleux Associated Brokers does not deal in any products such as mortgages or consumer loans. We focus on our core business: helping our clients manage their assets. This legislation also means that, before giving a stock market purchase or subscription order, every investor must pay a sufficient amount to guarantee payment for the transaction.

If, despite this guarantee, a client of the Brokerage Firm goes into debt (following a purchase, a margin call, or for any other reason), the Brokerage Firm is obliged to finance them through its own funds. It may not under any circumstances use the assets of its credit customers.

This is the main reason why Leleux Associated Brokers has adopted the policy of never taking positions in securities for its own account, so that its own funds are always liquid and available to finance our settlements, with regard to both our counterparties and our clients.

Segregation of securities and cash assets

The law also stipulates that every brokerage firm must segregate the cash assets deposited by its clients pending investment. In other words, Leleux Associated Brokers must deposit all of its clients' credit balances into a bank account every day. This bank account is not a traditional bank account. It is an account governed by a segregation agreement between the Brokerage Firm and the custodian bank. In this agreement, the custodian bank acknowledges that the assets deposited in this account do not belong to the Brokerage Firm, but to the clients of the Brokerage Firm. In other words, in the event of the Brokerage Firm going bankrupt, its clients' assets would be protected from its creditors.

Any sum from a cash deposit or a credit to the client account (sale, credit coupon, refund, etc.) must be segregated within three business days. At Leleux Associated Brokers, we apply an even stricter segregation policy giving our clients a guarantee that any payment deposited before 2 PM is segregated the same day. Deposits made after 2 PM are segregated directly on the next business day.

Moreover, our clients' credit cash balances denominated in euros are deposited with the National Bank of Belgium, which eliminates any risk of a cascade of bankruptcies following a bankruptcy of a commercial bank. Credit cash balances denominated in foreign currencies are deposited with well-known commercial banks whose solvency is checked on a quarterly basis by the Brokerage Firm's Risk Manager.

When you deposit cash denominated in euros with our Brokerage Firm, you enjoy total, complete protection of your cash assets.

Distribution of the risk of cash assets amongst custodians

The legislation further stipulates that a brokerage company has an obligation to distribute the cash assets deposited by its clients amongst different private banking institutions (where each account is covered by a segregation agreement, as described above) or with the National Bank of Belgium. In the case of private

banking institutions, the maximum amount that Leleux Associated Brokers can deposit with a banking institution is set by Law and depends on the Brokerage Firm's own funds.

Although the Law currently authorises Leleux Associated Brokers to deposit up to the amount of its own funds per commercial custodian bank, Leleux Associated Brokers has decided to prioritise the security of its clients' cash assets by depositing all of its clients' cash assets denominated in euros in a segregated account with the National Bank of Belgium. This policy protects clients' cash assets from any bankruptcy of either the Brokerage Firm or a custodian bank.

For example, any 20-EUR deposit by one of our clients corresponds, in practice, to a 20-EUR deposit with the National Bank of Belgium.

Depositing your securities with leading custodians

A Brokerage Firm is under an obligation to deposit its clients' securities into a securities account at a custodian bank.

Every securities deposit must be covered by a segregation agreement, just like cash deposits, where the bank acknowledges that the assets deposited in that account belong to the Brokerage Firm's clients, not the Brokerage Firm.

Leleux Associated Brokers entrusts financial instruments directly to the securities custodians closest to the issuers, based on strict, demanding criteria.

Types of financial instrument	Leleux Associated Brokers custodians
Government bonds	National Bank of Belgium
European equities and euro-bonds	Euroclear Bank, Euroclear ESES
American equities	Bank of New York Mellon
SICAVs	Fundsettle, Transfer agents
European derivatives (listed on Euronext Derivatives)	LCH.Clearnet
American derivatives (listed on CBOT)	Pershing
Cash vouchers issued by a Belgian or Luxembourg bank	Cash voucher issuer

High-level internal monitoring

The National Bank of Belgium, the supervisory authority for banks and stockbrokers in Belgium, imposes certain basic rules concerning the organisation of the financial institutions it supervises, in order to prevent incidents. These rules of various types are not only intended to prevent any internal fraud, but also to ensure the proper handling of the transactions and assets of savers.

First, the National Bank of Belgium requires a good governance structure to be put in place within the financial institution. This means that the institution's day-to-day management can be inspected at any time by non-executive administrators, who must include some independent administrators. This first check is a real counterbalance for the purpose of protecting the interests of the Brokerage Firm's clients.

Next, the National Bank of Belgium requires that high-level prudential supervision be applied. At Leleux Associated Brokers, this prudential supervision consists of three levels. The first level is a front-line control within the operational departments, which could consist of automated checks or checks carried out by the department's employees. The second level consists of the Inspection Department, which checks on the application of procedures in branches and departments, the Risk Manager, who continually measures and monitors risk levels in the various departments, and, finally, the Compliance Officer, who ensures that procedures and operations are compliant with the applicable legislation (prevention of money laundering and the financing of terrorism, protecting privacy, etc.). The third level of internal control is provided by an internal audit, which continually aims to improve procedures and the smooth operation of the second level.

Finally, the National Bank of Belgium must approve the appointment of the Brokerage Firm's company auditor, who must be approved by its departments and to whom it may entrust inspection tasks, or execute them itself.