

Lombard loans and wealth financing

*Dr Alexander Ressos, TEP
Attorney-at-Law (Switzerland), Solicitor (Hong Kong),
Solicitor (England & Wales)*

Swiss banks have long offered credit secured by a client's securities portfolio, commonly called a Lombard loan. It allows clients to obtain liquidity without selling investments, which can be useful for bridging, opportunistic purchases or tax-efficient planning. The flexibility comes with risks that should be understood before any drawdown.

1 How a Lombard loan works

The client pledges the assets held in their custody account to the bank, and the bank grants a credit facility up to a lending value calculated on those assets. The facility may be drawn as a fixed advance with an agreed term or as a current account overdraft. Interest is usually linked to a reference rate plus a margin, and the pledge typically covers the entire account, including assets added later.

2 Lending values and loan-to-value

Each bank applies its own lending values, expressed as a percentage of the market value of each asset. High-quality bonds and diversified funds generally receive higher lending values than individual equities, while concentrated positions, less liquid instruments or securities of smaller issuers may receive a low value or none at all. Foreign currency mismatches between the loan and the collateral can also reduce the available credit. The resulting loan-to-value ratio changes daily with market prices.

3 Margin calls

If market values fall and the loan exceeds the permitted lending value, the bank will ask the client to provide additional collateral or reduce the loan, often within a short period. If the client does not respond in time, the credit agreement usually allows the bank to sell pledged assets, potentially at

unfavourable prices. In volatile markets, this can crystallise losses that a patient investor would otherwise have been able to sit out. Clients who are travelling or difficult to reach should agree on clear communication channels in advance.

4 Using Lombard credit for real estate or business

Some clients consider using a Lombard loan to finance property or to inject capital into a business. Caution is advisable in both cases. Property and business investments are illiquid, while the loan remains exposed to daily market fluctuations, so a downturn in securities markets could force sales at the worst moment. For Swiss real estate, mortgage lenders examine the origin of the equity contribution, and borrowed funds may not be accepted in the same way as the purchaser's own assets. For business funding, the loan and the business risk can compound each other.

5 What pays off in practice

- **Borrow well below the maximum** lending value to leave a buffer against market downturns.
- **Match the currency of the loan** to your income or the collateral where possible to limit exchange-rate risk.
- **Plan the exit before drawing** and decide how the loan will be repaid if markets move against you.

6 How Ressos Legal helps

I advise clients on the structuring of Lombard and wealth financing, review credit and pledge agreements, and assist in disputes about margin calls or forced sales. [Contact me](#) for a first conversation.

For general information only. This article does not constitute legal or tax advice, does not replace advice on an individual case and creates no lawyer-client relationship. It reflects the legal position as of September 2026.

Online version: helveticaregister.com/lombard-loans-and-wealth-financing