



**INTERACTIVE BROKERS AUSTRALIA PTY LTD**

**AFSL 453554**

**ABN 98 166 929 568**

**MARGIN LENDING FACILITY**

**PRODUCT DISCLOSURE STATEMENT**

Date of issue: February 2020

## IMPORTANT INFORMATION

This Product Disclosure Statement (PDS) is a general summary of the significant information that you should consider before purchasing financial products using a margin lending facility. This PDS contains a number of references and hyperlinks to our website where this important information is available and you should consider the relevant information on our website in conjunction with the information in this PDS before you decide to purchase financial products using an IBA margin lending facility. This PDS has been prepared without taking into account your objectives, financial situations or needs. Therefore, before using IBA's margin lending facility, you should:

- Read and consider all sections carefully and be satisfied that any trading you propose to undertake using the margin lending facility described herein is appropriate in view of your objectives, financial position and needs;
- *Ensure you understand the contractual terms of the margin lending facility that we may issue to you and ensure you understand your obligations and rights under the terms and conditions governing trading with us;*
- Understand that the risk of loss in trading financial products using a margin lending facility can be substantial (i.e. more than your investment) and carefully consider whether trading using a margin lending facility is appropriate for you in light of your personal investment objectives, financial circumstances and needs;
- Obtain financial advice tailored to your own personal circumstances; and,
- Only trade using a margin lending facility if you understand the nature of the loan and the extent of your exposure to risks.

This PDS is an important document and we recommend you contact us should you have any questions on its contents. You should retain a copy of this PDS for your records.

Although the information in this PDS is up to date as at the date of publication, it is subject to change from time to time. Where such changes are not materially adverse, we may provide updates on our website. Certain changes to this PDS may require that we issue a new PDS or a supplementary PDS. The latest version of this PDS, including any updates and any supplementary PDS will be available on our website at [www.interactivebrokers.com.au](http://www.interactivebrokers.com.au) (under Forms and Disclosures > Disclosures).

If you received this document electronically or if you received any updated or new information other than in writing, we will provide a paper copy free on request.

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## 1. ABOUT IBA AND OUR RISK-BASED MARGIN ACCOUNTS

### 1.1 About Interactive Brokers Australia Pty Ltd

This PDS has been prepared by Interactive Brokers Australia Pty Ltd ("IBA") ABN 98 166 929 568, and holder of AFSL No. 453554, under which IBA is authorised to issue standard Margin Lending Facilities to retail and wholesale clients. **THIS PDS IS INTENDED FOR NATURAL PERSONS ONLY.** For further information about IBA, you should read our Financial Services Guide (FSG) and the other information about the services we provide available from our website: [www.interactivebrokers.com.au](http://www.interactivebrokers.com.au). You can also phone our Client Services team on (02) 8093 7300.

### 1.2 What is margin lending?

- Margin lending allows you to borrow money to invest in financial products using your existing portfolio as security. This helps you to increase the size and diversity of your portfolio.
- You must have money or an existing portfolio to contribute to your investment.
- Margin lending increases the potential for higher returns, but also increases the potential for greater losses.
- You must regularly monitor your account so you can take steps to avoid or reduce any losses, to avoid a margin call, or automatic liquidation of your portfolio and to be aware of any changes to the terms of your loan.
- IBA can and will liquidate assets in your account if the equity in your account falls below the maintenance margin requirements, or if we impose higher "house" margin requirements.
- IBA can and will liquidate assets in your account without contacting you.
- You are not entitled to choose the order in which assets are liquidated.
- IBA can change its "house" margin requirements at any time without providing you with advance written notice.
- If IBA chooses to issue a margin call rather than immediately liquidating under-margined positions, you are not entitled to an extension of time on the margin call.
- Because of the terms of IBA's margin lending facilities, it is not required to assess whether the margin lending facility will be unsuitable for you. Please review the Agreement for further details.

### 1.3 Terms applying to the Products offered in this PDS

The terms governing the agreement between you and us in relation to IBA's issue of a margin lending facility to you include the IBA General Terms and Conditions (T&Cs) and the additional supplemental terms governing the issue of IBA's Margin Lending Facility: Addendum [F] Margin Lending Facility Agreement (together, "the Agreement"). Please read the Agreement carefully.

## 2. BENEFITS OF IBA'S RISK-BASED MARGIN ACCOUNTS

- By increasing the value of your investments, you have the potential for higher and accelerated returns.
- Margin lending gives you more money to invest, making it easier for you to diversify your investments and manage your investment risk should one eligible investment perform poorly.
- You are able to borrow against your un-borrowed cash and portfolio. This allows you to increase the size of your investment without having to sell your portfolio and potentially incur capital gains tax. As such, margin lending may be tax effective, depending on your circumstances. You should seek advice from a tax adviser.
- Unlike many other providers of margin lenders in Australia, IBA's margin accounts help you to minimise the market risk that you face when trading on margin. Specifically, because of IBA's policy of automatic liquidation of under-margined positions, our clients are less likely to lose more than they invest if the market falls.
- IBA's real-time margining system allows you to monitor the current state of your account at any time in Account Management.

## 3. HOW IBA'S RISK-BASED MARGIN ACCOUNTS WORK

- We loan you money to invest using your un-borrowed cash or existing portfolio as security.
- Security can include cash or marketable securities.
- You will own the investments you buy at all times.
- The financial products that you buy on margin, and any other assets in your account will be used as security for your loan. This means that they may be sold to repay your loan without prior notice to you. You should regularly monitor your portfolio to manage your risk accordingly.

You should read the important information about IBA's risk-based margin accounts (portfolio margin) before making a decision. Go to <https://www.interactivebrokers.com.au/en/index.php?f=39726> and <https://www.interactivebrokers.com.au/en/index.php?f=37749&hm=au&ex=au&rgt=0&rsk=1&pm=0&rst=0404040101080101> or call us. The information relating to IBA's margin accounts may change between the time that you read this PDS and the day when you apply and is subject to change at any time.

### 3.1. How much can you borrow?

The maximum amount you have to invest depends on a number of factors:

- how much money you have to contribute and the value of the assets that you provide as security;
- which financial products you invest in, as we lend different amounts for different products under our risk-based model; and
- the maintenance margin requirement for your portfolio.

Unlike many other margin lenders in Australia, IBA uses the inverse of the Loan to Value Ratio in order to determine how much you can borrow. **Please review the following example:**

- Customer deposits \$10,000, but holds no other assets with IBA.
- Customer BUYS 500 shares of XYZ Limited at \$40.00/share. Total Amount = \$20,000.00.
- After the trade, account values look like this:

Cash	(\$10,000.00)	
Securities Market Value	\$20,000.00	
Equity with Loan Value (ELV) <sup>1</sup>	\$10,000.00	
Initial Margin (IM) <sup>1</sup>	\$5,000.00	IM = 25% * Stock Value
Maintenance Margin (MM)	\$5,000.00	MM = 25% * Stock Value
Available Funds	\$5,000.00	<b>ELV-IM. Available Funds were &gt;=0 at the time of the trade, so the trade was submitted.</b>
Excess Liquidity	\$5,000.00	ELV - MM
<sup>1</sup> Equity with Loan Value (ELV) = Total cash value + stock value + value of all other securities.		

- IBA's systems continuously monitor the customer's portfolio to determine that there is sufficient equity in the account to maintain the loan using the same methodology as above.

#### 4. WHAT IS A MARGIN CALL

If your gearing level is too high, we will take steps to reduce it. This is called a 'margin call'. If you receive a margin call, we will likely automatically liquidate some or all of your portfolio.

##### 4.1. Events that can trigger a margin call<sup>2</sup>

- The market value of your portfolio falls too far.
- The margin requirement on securities in your portfolio increases.
- IBA changes the collateral value assigned to an asset in your portfolio.
- The amount of your credit increases, i.e. interest on your margin lending facility is capitalised to your account.

In advance of a margin call, we will attempt to issue you with electronic notifications to alert you that your gearing level is approaching deficit. In a rapidly falling market, we cannot guarantee that you will receive these electronic notifications prior to any liquidations occurring. These notifications are transmitted via email and / or SMS message, as well as notifications directly to the various IBA trading interfaces, i.e. Trader WorkStation, when you are logged in to your account. Please keep us advised of your current contact details at all times to ensure that we can contact you in such situations, as necessary.

**Please review the following example:**

- Continuing from the above example, if the value of the securities in XYZ Limited were to fall to \$30/share, the following would occur:

<sup>1</sup> Assuming IBA's risk-based model calculated an initial margin requirement of 25%.

<sup>2</sup> IBA includes a buffer in its margin requirement calculations in order to mitigate the risk that these events will always lead to IBA liquidating some of your portfolio.

<b>Cash</b>	(\$10,000.00)	
<b>Securities Market Value</b>	\$12,000.00	
<b>Equity with Loan Value (ELV)</b>	\$2,000.00	
<b>Maintenance Margin (MM)<sup>3</sup></b>	\$3,000.00	MM = 25% * Stock Value
<b>Excess Liquidity</b>	(\$1,000)	ELV – MM. <b>Excess Liquidity is &lt;0 at the time of calculation, so portfolio is in margin call.</b>

- As the excess liquidity is negative, the customer's portfolio would likely subject to automatic liquidation in order to rectify the margin violation.

## 5. THE RISK OF LOSING MONEY

Your portfolio may fall to a level where it no longer provides adequate security for your loan. If this happens, and you have not deposited additional assets into your account or otherwise reduced your gearing level by closing some positions, we may liquidate your portfolio at unfavourable prices to return your account to an acceptable gearing level. If you are a wholesale client, there is a risk that you may lose more than the assets in your account. If you are a retail client, you will not be liable for any outstanding debit balance on your account resulting from losses connected to your purchase of securities using IBA's margin lending facility. See this [link](#) for more information.

### 5.1. The main factors for losing money

- Market conditions change. This may raise your gearing level, resulting in a margin call.
- Interest rates. Interest is capitalized to your account, and it may erode your available cash or equity, triggering a margin call.
- We increase the margin requirement. We may increase the margin requirement that applies to some or all of your investments, or to your portfolio as a whole, at any time. This may raise your gearing level, resulting in a margin call.
- A margin call which results in IBA liquidating some of your portfolio may trigger unwanted capital gains if you are unprepared.
- You default on the Agreement and IBA exercises its rights to sell or close out your portfolio which may be at unfavourable prices.
- Your financial position may materially change which may adversely affect whether IBA is willing to allow you to purchase more financial products using the margin lending facility.
- Tax laws may change. If this happens it may have an adverse impact on your tax position.

## 6. THE COSTS

In addition to our standard brokerage commissions, IBA charges interest on your margin loan debit balance. Interest is accrued daily based on your positions, margin requirement and balances on your daily statement for that date. Interest is generally posted once a month on your Account. This generally occurs within five business days following the end of the month.

You should read the important information about the full list of fees and charges before making a decision. Go to <https://www.interactivebrokers.com.au/en/index.php?f=39726> or call us. The material relating to the current fees and charges may change between the time when you read this PDS and the day when you apply. Fees and charges are subject to change at any time.

## 7. HOW TO APPLY

IBA will only accept direct applications via our website, or via account management for existing clients. Before applying, you may wish to speak to an adviser to see if margin lending is suitable for you. If you obtain a statement of advice from an adviser which recommends that you open a margin account with IBA, please provide this during your application.

### 7.1. Are you eligible?

- You must be over 18 and not be a self-managed superannuation fund.
- You must have executed over 100 trades in any product type.
- You must have appropriate investment objectives.
- You must have sufficient knowledge in any product type.
- You must have an annual income greater than \$40,000 Australian dollars.
- You must have a liquid net worth greater than \$100,000 Australian dollars.

<sup>3</sup> Assuming IBA's risk-based model calculated a maintenance margin requirement of 25%.

## 7.2. **Dispute resolution**

Please refer to our Internal Dispute Resolution Process located [here](#).