



**INTERACTIVE BROKERS AUSTRALIA PTY LTD | AFSL 53554 | ABN 98 166 929 568**

**MARGIN LENDING FACILITY PRODUCT DISCLOSURE STATEMENT**

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**IMPORTANT INFORMATION**

This Product Disclosure Statement (PDS) is a general summary of the significant information that you should consider before using the margin lending facility offered by Interactive Brokers Australia Pty Ltd ("IBA"). This PDS contains a number of references and hyperlinks to our website where important information is available and you should consider the relevant information on our website in conjunction with the information in this PDS before making a decision about using IBA's margin lending facility.

You should:

- Ensure you understand the contractual terms of the margin lending facility 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);
- Understand that the information in this PDS is general information only and does not take account of your personal investment objectives, financial situation or needs;
- Obtain financial advice tailored to your own personal circumstances;
- Only trade using a margin lending facility if you understand the nature of the loan and the extent of your exposure to risks;
- contact us should you have any questions on its contents; and
- retain a copy of this PDS for your records.

## 1 About Interactive Brokers Australia and our risk-based Margin Lending Facility

### 1.1 About IBA

IBA is an online broker providing a range of financial services, including dealing, custody, and product issuance. IBA is the issuer of this PDS and the margin lending facility to which this PDS relates. 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 to request a copy of this Product Disclosure Statement or a copy of any matter in writing that is applied, adopted or incorporated by this Product Disclosure Statement.

### 1.2 About IBA's margin lending facility

IBA's standard margin lending facility is a loan facility which allows you to borrow money to invest in financial products using the assets in your account as security for the loan. A margin lending facility allows you to increase the size of the portfolio in your account by borrowing money from IBA to invest in financial products, which is sometimes called "leverage" or trading on "margin".

### 1.3 Possible consequences of borrowing money to invest

- Borrowing money to buy assets on margin increases the potential for higher returns and greater losses. For instance, if you borrow money to buy more securities which then lose value, you still need to repay the original amount borrowed notwithstanding that the assets lost value.
- You must regularly monitor your account so that (i) you can be aware of any changes to the terms of your loan (e.g. decreases in account value and changes in margin requirements) and (ii) you can take timely steps to avoid or reduce any losses to avoid a margin call, or avoid the prospects of the assets in your account being automatically liquidated.
- You may need, at short notice, to pay an additional amount into the standard margin lending facility or sell some of the investments for which the standard margin lending facility is made.
- IBA has the right to sell all, or part of, the assets in your account without contacting you in certain circumstances, including if the equity in your account falls below the maintenance margin requirements. IBA may not be required under the terms of the standard margin lending facility to provide notice to you of its intention to sell.
- If the sale of your margin loan portfolio does not cover the cost of repayments of your margin loan, you may need to access other funds to repay the margin loan. IBA may sell assets provided as security for the standard margin lending facility to repay your margin loan.
- If IBA defaults on its obligations to an entity from which it has obtained funding (refer to section 3.2 of this PDS), that third party may sell and liquidate assets in your account.
- You are not entitled to choose the order in which assets are liquidated.
- IBA can vary its margin and/or LVR requirements at any time without providing you with advance notice.
- IBA is not required to assess whether the margin lending facility will be unsuitable for you.

## 2 Benefits of IBA's risk-based margin lending facility

- Margin lending provides you with access to more money to invest, making it easier for you to diversify your investments and manage your investment risk should one eligible investment perform poorly, and increasing the potential for higher and accelerated returns.
- You are able to borrow against your un-borrowed cash (in different currencies) and other financial products in your account. This allows you to increase the size of your investment without having to sell assets in the account, or to convert currencies 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.
- IBA's margin accounts help you to minimise the market risk that you face when trading on margin.
- IBA's real-time margining system allows you to monitor the current state of your account at any time in Client Portal which is accessible from IBA's website.

## 3 How IBA's risk-based margin accounts work

- We loan you money to invest using your un-borrowed cash (if holding different currencies to the financial products you are buying) and existing assets in your account as security.
- IBA does not publish an "approved products" list but instead maintains a dynamic list of products which it allows clients to purchase on margin. Further information is included under the "Margin Requirements" section of IBA's website.
- Because the financial products that you buy on margin, and any other assets in your account, are security for the margin loan, these may be sold without prior notice to you (refer to section 4.1 of this PDS for further information).
- Unlike trading on leverage using a derivative (for instance a CFD), you will beneficially own the investments you buy using the margin loan and will typically be entitled to dividends and, in the case of certain shares, franking credits.

You should read the important information about IBA's risk-based margin accounts before making a decision on

whether to use IBA's margin lending facility. Please:

- Refer to the "[margin trading](#)" overview<sup>1</sup> available on our website for general information on the margin lending facility;
- Refer to the "[Stocks Margin Overview](#)" available on our website for further explanation of how IBA's margin lending facility works;<sup>2</sup>
- Note that IBA provides a "[stock margin calculator](#)"<sup>3</sup> on our website to help calculate the approximate available margin for shares and ETFs held in your account.
- call us for any further enquiries.

The information relating to IBA's margin accounts on its website 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 Terms applying to the Products offered in this PDS**

The IBA [General Terms and Conditions](#) (T&Cs) and IBA's Margin Lending Facility: [Addendum \[F\] Margin Lending Facility Agreement](#) (together, the Agreement) set out details of the rights and obligations of you and IBA in relation to the margin lending facility. We recommend that you read the Agreement carefully before applying for a margin loan from IBA. Both documents are available on [IBA's website](#).

### **3.2 Security interests and liquidation of the assets in your account.**

As set out in the Agreement:

- All assets held by or on your behalf by IBA, including those purchased using the IBA margin lending facility, are subject to a perfected first priority lien and security interest in IBA's favour. If you fail to meet the margin requirements or repayment obligations in your account, IBA may sell the assets in your account to satisfy the outstanding obligations and apply the proceeds towards payments of your liabilities.
- In addition, the assets held by or on your behalf by IBA may also be subject to a security interest in favour of a 'secured party', which will be a related body corporate of IBA, to secure the performance of IBA's obligations and liabilities arising under any agreement with the secured party. This may include, for example, an agreement to obtain funding for the margin loan that IBA issues to you.
- If IBA defaults on its payment obligations to the secured party, the secured party may enforce any security interest in its favour. This means that, if IBA defaults on its obligation to the secured party, then the secured party may enforce its security interest over your assets and deal with those assets free of any interest you may have in those assets, even where you have not defaulted on your obligations to IBA. Accordingly, you are effectively exposed to the risk of IBA default and you may suffer loss of some or all of your assets if IBA defaults (even if you do not default). You may also have credit risk exposure to the secured party, including a risk of loss if that entity becomes insolvent.
- In no event will the sale/liquidation of assets in your account exceed the value of your margin loan from IBA.
- Important information about what happens if the secured party becomes bankrupt is located in our disclosure titled "[INTERACTIVE BROKERS AUSTRALIA PTY LTD DISCLOSURE OF RISKS OF MARGIN TRADING AND AUTOMATIC LIQUIDATION](#)"<sup>4</sup> which is available on IBA's website.

### **3.3 How much can you borrow?**

IBA's retail client margin loans have maximum cap of AUD\$150,000 (or foreign exchange equivalent). The actual maximum amount you may borrow in each instance depends on a number of factors, including:

- 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 requirements for your margin loan.

Unlike many other margin lenders in Australia, IBA uses the inverse of the LVR in order to determine how much you can borrow. Further information on margin requirements are set out on IBA's website under "Trading" >> "Margin" >> "[Margin Requirements](#)".

### **3.4 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 = \$20,000.00.
- After the trade, account values look like this:

<b>Cash</b>	(\$10,000.00)	
<b>Securities Market Value</b>	\$20,000.00	

<sup>1</sup> <https://www.interactivebrokers.com.au/en/trading/margin.php>

<sup>2</sup> <https://www.interactivebrokers.com.au/en/index.php?f=37749&hm=au&ex=au&rg>

<sup>3</sup> <https://www.interactivebrokers.com.au/en/trading/margin-calculator.php>

<sup>4</sup> [https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration\\_v2.formSampleView?formdb=3370](https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=3370)

<b>Equity with Loan Value (ELV)</b> <sup>5</sup>	\$10,000.00	
<b>Initial Margin (IM)</b>	\$5,000.00	IM = 25% * Stock Value
<b>Maintenance Margin (MM)</b> <sup>6</sup>	\$5,000.00	MM = 25% * Stock Value
<b>Available Funds</b>	\$5,000.00	<b>ELV-IM. Available Funds were &gt;=0 at the time of the trade, so the trade was submitted.</b>
<b>Excess Liquidity</b>	\$5,000.00	ELV - MM
<b>Equity with Loan Value (ELV)</b> <sup>7</sup> = Total cash value + stock value + value of all other securities.		

#### 4 What is a margin call?

If the value of the assets in your account decreases, bringing your account into noncompliance with margin requirements, your account will be in a state referred to as "margin call"<sup>8</sup>. If your account is in margin call, we may automatically liquidate some or all of your portfolio.

##### 4.1 Events that can trigger the account to be in "margin call"<sup>9</sup>

The market value of the financial products in your account falls quickly.

- IBA increases the margin requirement on the securities for which you have borrowed funds to purchase.
- IBA changes the collateral value assigned to an asset in your account.
- The amount you have borrowed increases, e.g. the interest on your margin lending facility is capitalised in your margin loan.

If your account goes into "margin call" and IBA provides you with time to respond to the margin call rather than immediately liquidating your assets, you must comply with the margin call by the time specified. If you do not, the assets in your account will be sold.

IBA will attempt to notify you before your account goes into margin call. IBA will typically do this through electronic notifications to alert you that your account is approaching margin call. 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 into your account. You must be contactable at all times in case of a margin call. You must ensure to keep us advised of your current contact details at all times to ensure that we can contact you in such situations, if necessary.

##### 4.2 Please review the following example:

Continuing from the above example in 3.4, if the value of the securities in XYZ Limited were to fall to \$30/ share, the following would occur:

<b>Cash</b>	(\$10,000.00)	
<b>Securities Market Value</b>	\$15,000.00	
<b>Equity with Loan Value (ELV)</b> <sup>10</sup>	\$2,000.00	
<b>Maintenance Margin (MM)</b> <sup>11</sup>	\$3,000.00	IM = 25% * Stock Value
<b>Excess Liquidity</b>	(\$1,000)	ELV - MM. Excess Liquidity is < 0 at the time of calculation, so portfolio is in margin call.

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

#### 5 The risk of losing money

The assets in your account may lose value or IBA may increase margin requirements to a level where such assets are no longer adequate security for your loan and your account is no longer in margin compliance. If this

<sup>5</sup> Assuming IBA's risk-based model calculated an initial margin requirement of 25%.

<sup>6</sup> Assuming IBA's risk-based model calculated a maintenance margin requirement of 25%.

<sup>7</sup> Assuming IBA's risk-based model calculated an initial margin requirement of 25%.

<sup>8</sup> As set out in section 761EA(2)(e) and (4) of the Corporations Act 2001.

<sup>9</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.

<sup>10</sup> Assuming IBA's risk-based model calculated an initial margin requirement of 25%.

<sup>11</sup> Assuming IBA's risk-based model calculated a maintenance margin requirement of 25%.

happens, and you have not deposited additional assets into your account (including by the time we specify IF we give you notice) or otherwise reduced your gearing level by closing some positions, assets in your account may be sold (including at unfavourable prices) to return your account to margin compliance.

If you are a "retail client", IBA's ability to sell your assets is limited to those which act as security for your margin loan or in any other account you hold with IBA. Refer to the "[INTERACTIVE BROKERS AUSTRALIA PTY LTD DISCLOSURE OF RISKS OF MARGIN TRADING AND AUTOMATIC LIQUIDATION](#)" disclosure which is available on IBA's website for more information.

### 5.1 The main factors for losing money

Market conditions change. This may raise your gearing level or result in the value of your investment falling, resulting in a margin call and forced sale of your financial products in your account.

- Interest rates. Interest is capitalized to your account, and an increase in an interest rate may erode your available cash or equity, triggering a margin call.
- We increase our margin requirements. We may increase the margin requirement or change the LVR of an investment that applies to some or all of your investments, or to your account portfolio as a whole, at any time. This may raise your gearing level, resulting in a margin call.
- We remove an investment from the list of products which can be purchased using a margin loan. 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.
- IBA defaults on its obligations to the secured party resulting in the sale of assets in your account.
- The secured party becomes insolvent, triggering a sale of assets in your account. In such circumstances, you will be reliant on IBA to make a claim on your behalf in the bankruptcy proceedings of the secured party.

For more information about margin loans, go to the ASIC website at [moneysmart.gov.au/how-to-invest/borrowing-to-invest](#).

### 6 The costs

In addition to our standard brokerage commissions (which is available on IBA's website [here](#)), IBA charges interest on any standard margin loan debit balance as set out on IBA's website at the rate with [surcharge](#).

Interest accrues daily. Interest is generally posted once a month on your Account within five business days following the end of the month. This information is shown in the statements of account IBA makes available to you which is accessible via the client portal. IBA does not pay any fees or commissions to any financial intermediary (such as a financial adviser), however, such intermediaries may "markup" IBA's margin financing rates – it is your responsibility to speak to your financial intermediary to obtain information if they markup IBA's margin financing rates, and it is your financial intermediaries' responsibility to disclose this information to you.

You should read the important information about the full list of fees and charges before making a decision on whether to use our margin lending facility. Go to "[Margin Rates & Financing](#)" or call us for more information. 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 unilateral change by IBA at any time.

### 7 How to apply

IBA will only accept direct applications via our website, or via Client Portal 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.

### 8 Dispute resolution

Please refer to the information on IBA's Internal Dispute Resolution (IDR) process which is outlined [here](#).<sup>12</sup>

<sup>12</sup> [https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration\\_v2.formSampleView?formdb=4253](https://gdcdyn.interactivebrokers.com/Universal/servlet/Registration_v2.formSampleView?formdb=4253)