Interactive Brokers Central Europe Zrt.

ANNOUNCEMENT

Disclosure on Collateral and Securities

Effective: from 14 December 2020

This announcement (“Announcement”) provides a list of eligible collateral for loans extended on the basis of investment loan contracts provided by Interactive Brokers Central Europe Zrt. ("IBCE” or “Company"), i.e. eligible securities and their acceptable quantities.

1. Collateral and liquidation

Collateral is represented by those securities admitted to trading on a regulated market that are in the Client’s account at any given time. The Client agrees to ensure that the Portfolio Value defined below exceeds the Company’s minimum maintenance margin requirement during the term of the investment loan transaction and agrees that if the Net Liquidation Value of the Client’s account falls below this minimum requirement, the Company may liquidate any securities as required for meeting the required maintenance margin.

In the event that the value of total deposits made by the Client divided by the total liability in the Client’s account falls below the minimum requirement specified by the Company in this Announcement, the Company may liquidate the Client’s securities (including those purchased using investment loans) based on the order of liquidation specified in this Announcement and may use such proceeds to reduce the Client’s debt.

2. Collateral analysis

Prior to extending an investment loan, the Company assesses the availability of appropriate collateral based on the following factors:

- Portfolio Value (Net Liquidation Value): Portfolio Value is determined by assessing the investment positions (i.e. shares, options, bonds and other securities) in the account and the price of all market investments in the account.
- Marginability of assets: Depending on the specific assets included in the portfolio, the Company might not consider the entire value of the portfolio as collateral against the investment loan. This may be due to the liquidity of instruments, price uncertainty, regulatory restrictions and a number of other factors. Collateral value is determined by assessing risk through a security assessment and at account level. All encumbered assets in an account may serve as collateral for an investment loan, which includes all categories of financial assets.
- Risk assessment: The margin requirement of an investment loan is essentially a performance guarantee which ensures that the Client possesses sufficient assets to cover losses in different market scenarios. The minimum margin requirement of an investment loan is the minimum share or minimum amount of equity required under the applicable rules to be posted by the Client as a security deposit against the investment positions opened by the Client in their account using the loan.

The Company’s systems continuously monitor compliance with this section. Clients may track their margins and the probability of liquidation in real time via the Company’s systems at any time.

3. Margin requirements

The Company only accepts securities admitted to trading on a regulated market as collateral. The margin requirements for each security are disclosed via the Company’s website.

4. Personal requirements

Clients must meet the personal requirements imposed by the Company in order to be eligible for an investment loan account. The Company considers the following factors when deciding whether to approve or reject an account application and whether to offer investment loans to Clients:

a) age;
b) financial information;
c) trading experience;
d) knowledge of the products that the applicant wishes to trade; and
e) type of trading to be conducted in the account.

5. Exposure fee

In an effort to increase client awareness as to their potential exposure, the Company has implemented a daily Exposure Fee that is assessed to any account reporting end of day uncovered risk in excess of specified levels.

The calculation method of the Exposure Fee is described on the Company’s website.
At the initial point an account is detected as being subject to the Exposure Fee, a communication will be sent out explaining the fee and affording the account holder one week to adjust positions and equity before the Fee, if still applicable, will take effect.

To assist with the avoidance or mitigation of the Fee, the Company provides a daily Exposure Fee Calculation report which details the Fee and provides examples of hypothetical adjustments to existing positions which, if implemented, are projected to reduce the Fee, given information then available.

6. Final provisions

The definitions of each term used herein are provided in the Company’s Business Rules and General Terms and Conditions and the Investment Loan Framework Agreement.

This Announcement may be unilaterally amended by the Company.