

## Margin Guide and Guide to Margin Close Out

The purpose of this guide is to set-out the treatment of your positions and the actions we may take in the event that your Margin Level falls below your Margin Close-Out (MCO) Level.

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### What is a Margin?

Margin trading requires you to deposit a percentage of the underlying value of the investment you wish to deal in rather than paying the full purchase price of the asset. This means you can increase your exposure to an underlying asset from the same capital outlay. As a result, you can increase your leverage, giving you far greater potential profits or losses, than if you were to trade the underlying asset directly.

### What is Margin Requirement?

Margin Requirement is the amount of money you need to deposit with us in order to place a trade and keep the position open. When you place a trade you must have at least enough Net Equity (cash and unrealised Profit & Loss) to cover the Margin Requirement for that trade and the commission (if applicable) and/or any charges including the spread.

### Margin Factors

You can calculate the Margin Requirement for a trade by using the Margin Factor which will vary from market to market and is generally expressed as a percentage or a number. You can find the Margin Factor for a particular market in our Market Information which can be accessed via the Trading Platform by selecting the Market Information icon next to the name of the market. We set Margin Factors according to the liquidity and volatility of the underlying instrument. Market conditions can change quickly therefore Margin Factors can also change at [short notice](#).

### Margin Multiplier

We may apply a Margin Multiplier to all Trades placed in your Account or to a specific Trade. The application of a Margin Multiplier or any change in a Margin Multiplier will result in a change to the Margin Requirement for any Trades or Open Positions for the relevant Markets. If your account is subject to a Margin Multiplier of 2.0 for example, all standard Margin Requirements would be multiplied by 2.0. We will notify you if a Margin Multiplier applies to your trades.

### Margin Level Indicator

The Margin Level indicator displays the ratio of your Net Equity to Total Margin, i.e the extent to which your Margin Requirement is covered by your available funds (Cash Balance plus any Unrealised Profit or Unrealised Loss).

#### Example

$(\text{Net Equity} / \text{Total Margin}) = \text{Margin Level}$

Cash Balance        £30,000

Unrealised P & L   (£5,000)

Net Equity         £25,000

Total Margin       £20,000

$\text{Margin Level} = (£25,000 / £20,000) = 125.0\%$

Therefore there is a 25% surplus of Net Equity to margin required to maintain all open positions.

#### Margin Close Out Level


If your Margin Level is at or below the Margin Close Out Level, we may close all or any of your Open Positions immediately and without notice at Our Price. You should not expect to receive a margin call or warning prior to closure. We therefore strongly recommend that you strictly monitor your margin level. To find out more about the Margin Close Out Level, please refer to our Guide to Margin Close Out in this document or Section 11 of our General Terms.

The Margin Level indicator feature is located in the upper left corner of the Trading Platform and acts as a guide to your proximity to the Margin Close Out Level. It displays one of the three scenarios listed below, depending on the level of cover you have associated with your Open Positions. Please note that the Margin Level indicator may not be available on certain mobile versions of the trading platform.

#### 1. Above 200 %

Margin level:  >200%

If your Margin Level is greater than 200%, this will permanently show as >200%. This means that you have more than double the amount of funds needed to keep your positions open.

2. **Between 100% and 200%** Margin level:  150%

If your Margin Level falls below 200%, the Margin Level will display a percentage between 100% and 200%, depending on the ratio.

3. **Below 100%** Margin level:  90% 

Should your Margin Level fall below 100%, you do not have enough funds (including Open Position profits or losses) in your account to cover your Total Margin. Consequently, depending on your Margin Close Out Level (which you can find in our Key Service Features), this may trigger closure of your Open Positions. A warning symbol will be displayed next to the Margin Level if it drops below 100%. You should always ensure that your Margin Level remains above the Margin Close Out Level. The value of your Open Positions can often change quickly and by large percentages, bringing your Margin Level towards or below the Margin Close Out Level. To avoid closure of your Open Positions, we recommend that you closely follow your Open Positions and Margin Level and keep surplus funds in your account to ensure you are prepared for potential market movement.

**How to increase your Margin Level:**

You can increase your Margin Level to prevent it reaching the Margin Close Out Level by adding funds or reducing your exposure.

1. Increase your account balance

Adding funds into your account will improve your Net Equity and therefore your Margin Level. If you do need to transfer funds into your account, please ensure you leave plenty of time for your payment to arrive in your account, as we cannot be held responsible for any delays in payments being credited. The fastest way to pay is by depositing funds online by card transaction, but you can also contact us by telephone to make payment. Please refer to the payments page on our Trading Platform for more information.

2. Reduce your Total Margin

It is possible to reduce your Total Margin by fully or partially closing some of your Open Positions. By reducing your position exposure, you decrease your Total Margin Requirement, which means your Margin Level will then increase.

3. Placing Stop losses

You can place stop losses on your positions to provide orders for closing your positions at a certain level which can help reduce the risk on the position. If the market is Orders Aware (see explanation below) you can not only help reduce the risk on the position but also the Margin Requirement. As explained above, a reduction in Margin Requirement will help to improve your Margin Level because the ratio of your Net Equity is improved. However, please be aware that placing stop losses will not prevent your positions being closed out at a different level should your Margin Close Out Level be breached.

**Margin Calculation:**

This is how you calculate your Margin Requirement using the Margin Factor; Please note there are exceptions to these calculations for particular products shown at the end of this help guide;

When Margin Factor is expressed as a percentage:

*When Margin Factor is expressed as a percentage:*

*Margin Requirement = (Quantity x Our Price) x Margin Factor*

*BUY £10 per point of Stock 'A' at 250p which has a margin factor of 10%*

*Margin Requirement = (£10 x 250p) x 10% = £250*

*Therefore, to open a £10 trade on Stock 'A' at 250p, you would need to deposit at least £250 in your account plus enough to pay for any commission/spread and you should ensure you provide sufficient room above your Margin Close Out level.*

*This would be calculated exactly the same way for a BUY or a SELL position. Margin requirements are based on the current 'our price' in the market and so will change as the price of the market changes.*

Margin Factor is a number:

*Margin Requirement = Quantity x Margin Factor*

*BUY £10 per point of Market 'B' which has a margin factor of 50.*

*Margin Requirement = £10 x 50 = £500*

*Therefore, to open a £10 trade on Market 'B' you would need to deposit at least £500 in your account plus enough to pay for any commission/spread and you should ensure you provide sufficient room above your Margin Close Out level.*

*This would be calculated exactly the same way for a BUY or a SELL position.*

**Margin Calculations – exceptions**

There are certain circumstances where Margin Requirement is not calculated as shown in the examples above. These are as follows:

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### Orders Aware

For certain markets we may offer a reduction in margin if you place a Stop Loss. You can see if we offer this reduction via the Market Information, this is called Orders Aware Margining.

If Orders Aware is applicable your margin may be reduced, the Margin Requirement will be calculated as the higher figure of:

- a) *the Margin Requirement using the Margin Factor multiplied by the Orders Aware Margining minimum percentage*
- b) *the difference between the specified Stop Loss price and Our Price x Quantity*

#### Example

*Long Position at £10 per point on Index A at Our Price of 7227 with a Stop Loss at 7150. If Margin factor is 400 and the Orders Aware minimum percentage is 50%*

- a) *the Margin Requirement multiplied by minimum percentage is  $£10 \times 400 \times 50\% = £2,000$*
  - b) *the Stop Loss price is 7150 so the difference will be  $(7227 - 7150) \times 10 = £770$*
- The higher of a) and b) = a), so the Margin Requirement is £2,000.*

**Please note: Your Orders Aware margin will not exceed the standard Margin Requirement**

### Guaranteed Stop Loss Order (GSLO)

If a Guaranteed Stop Loss Order is placed on a position, the Margin Requirement will be calculated as the lower of:

- a) *the Margin Requirement as standard using the Margin Factor.*
- b) *the difference between the specified GSLO price and Our Price x Quantity*

#### Example:

*Long Position at £10 per point on Index A at Our Price of 7227 with a GSLO at 7150.*

*If Margin Factor is 400;*

- a) *the Margin Requirement is  $£10 \times 400 = £4,000$*
- b) *the GSLO price is 7150, so the Margin Requirement will be  $(7227 - 7150) \times 10 = £770$*

**The lower of a) and b) = b), so the Margin Requirement is £770.**

### Buying Options

The Margin Requirement will be calculated as the lower of:

- a) *the Margin Requirement as standard using the Margin Factor*
- b) *Quantity x Our Price*

#### Example:

*If you open a Long Position on Index 'A' 4250 Call at £50 per point, the underlying market factor is 200x stake and Our Price is 20, the Margin Requirement will be:*

- a)  *$£50 \times 200 = £10,000$*
- b)  *$£50 \times 20 = £1,000.$*

**The lower of a) and b) = b), so the Margin Requirement is £1,000.**

You would not be charged any higher than the standard Margin Requirement.

### Selling Options

*Margin Requirement = Quantity x Our Price x 2*

*However, this amount is subject to a minimum of 30% and a maximum of 100% of the Margin Requirement for an equivalent Quantity Trade in the same Underlying Instrument (futures).*

#### Example:

*If you open a Short Position on Index 'A' 4250 Call at £50 per point and Our Price is 20.*

*If the Margin Factor of Index 'A' futures is 200:*

*$£50 \times 20 \times 2 = £2000$*

- a) *Minimum Equivalent Margin Requirement:  $30\% \times £50 \times 200 = £3000$*
- b) *Maximum Equivalent Margin Requirement:  $100\% \times £50 \times 200 = £10000$*

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**As a) is less than b) the Margin Requirement will be b) so Margin Requirement = £3000**

### **Two or more opposing Trades in the same Underlying Instrument**

It is possible to hold Open Positions where one or more Trades within the same Underlying Instrument is in the opposite direction. The aggregate Margin Requirement for all Open Positions with the same Underlying Instrument will then be the larger of:

- a) the aggregate of the Margin Requirements for all positions with a long view of the market or*
- b) the aggregate of the Margin Requirements for all positions with a short view of the market.*

*Example:*

*long positions on Stock 'B' March at £50 per point and*

*short positions on Stock 'B' June at £30 per point*

*- The aggregate of all Margin Requirements on long Stock 'B' March = £12500*

*- The aggregate of all Margin Requirements on short Stock 'B' June = £7500*

*The Margin Requirement will be the larger of these positions, which is the long positions.*

**Therefore, Margin Requirement = £12500.**

**Please note that not all examples contained in this guide will be applicable to your account.**

CFD trading and spread betting carries a high level of risk to your capital with the possibility of losing more than your initial investment and may not be suitable for all investors. Ensure you fully understand the risks involved and seek independent advice if necessary.

## Guide to Margin Close Out

### Introduction

The purpose of this guide is to set-out the treatment of your positions and the actions we may take in the event that your Margin Level falls below your Margin Close-Out (MCO) Level.

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### Your Margin Close-Out Level

Your MCO Level can be found in your Key Service features and examples of calculating your Margin Level are shown below.

The purpose of providing a MCO level is to help protect you against substantial losses on your account.

### What happens if your Margin Level breaches the MCO Level?

If your Margin Level falls below your MCO Level this is an "Event of Default" under our General Terms. This triggers a notice of your account default to our dealing team.

Upon such notice, we may close all or some of the positions across your portfolio to help protect you from incurring further losses on your account. We are not however obligated to do so at any determined price, or even at all. You are responsible for your positions and for ensuring that you have sufficient margin in your account at all times.

Remember that you can use stop loss and/or guaranteed stop loss orders to ensure that your positions are closed when and at the price you desire them to be. Please see clause 8 of our General Terms or contact our Client Management Team for more information on stop losses. However, please be aware that any stop loss or guaranteed stop loss orders are not taken into account should your margin fall below your MCO level.

### Closing Your Positions

In closing your positions in an Event of Default the following will usually apply:

*Timing* - As each market trades during different times, only positions in markets trading at the time of the Event of Default are closed. Any remaining positions in markets which may not have been trading at that time are left open and will then be liquidated if your Margin Level remains below the MCO Level when the relevant market opens.

*Price* - The closing price of your positions will be Our Price prevailing when the position is actually closed i.e. our current prices at the time of closure and not the time when you fell through the MCO Level.

Each closure is treated as a best execution order to close the open trade. Please refer to our Trade and Order Execution Policy (Annex 3 of the General Terms) and the Market Information found on the Trading Platform for details..

*Other* - It is important for you to note that on occasion and especially in volatile periods, it may take several minutes to execute a closing trade on your account, so pricing and timing delays can occur.

The account balance (margin level) after closures may be higher or lower than the MCO level which was triggered.

For certain positions where the underlying market is illiquid, we may decide to partly rather than fully close an open position in an attempt to raise your margin back above your MCO level. We may do this with or without prior notice to you.

### Continuing to Trade

If your positions are closed under the MCO policy, your account will remain active and so long as your Margin Level is back above 100% you will in most circumstances be able to trade immediately afterwards.

### Examples

Here are some examples of the closeout process:

#### Example 1

- You have one position; long FTSE CFD.
- Your Margin Level falls below MCO Level when the FTSE100 falls below 4800 at 8.01 a.m.
- At 8.01 a.m. we receive notice of your default – at this point the FTSE100 hits 4799.8
- At 8.02 a.m. the position is fully closed out at our price of 4797.5
- The close-out price of 4797.5 is achieved, no further action is taken and the account remains active.

#### Example 2

- You have one position; long FTSE CFD.
- Your Margin Level falls below MCO Level when the FTSE100 falls below 4800 at 8.01 a.m.
- At 8.01 a.m. we receive notice of your default – at this point the FTSE100 hits 4799.8

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- At 8.03 a.m. the position is fully closed out at our price of 4800.5
- The close-out price of 4800.5 is achieved, no further action is taken and the account remains active.

### *Example 3*

- You have two positions; long Vodafone CFD (UK); long Apple Inc CFD (US)
- Your Margin Level falls below MCO Level when both US and UK markets are open.
- Both positions are fully closed and the account remains active.

### *Example 4*

- You have two positions; long Vodafone CFD (UK); long Apple Inc CFD (US)
- Your Margin Level falls below MCO Level when the US market is closed and only the UK market is open.
- The Vodafone position is fully closed. The Apple position remains open.
- The closure of the Vodafone position has improved the Margin Level which is now above the MCO, the US Market opens and no further action is taken. The long Apple position remains open and the account is still active.

**If you would like further information about Margin Close-Out or any of our policies please contact our Client Management team.**