



Fact Sheet – Margin Lending Account

Saxo Bank, Market Projects & Communication, May 2019



Margin Lending explained

A Margin Loan is a facility that enables you to borrow money to invest in stocks.

The benefit of Margin Lending is that it increases your buying power and exposure in stocks, beyond the value of cash and/or securities held on your account. Margin Lending is an attractive solution if you're trading actively (day trading etc), or an investor who expects the return on their portfolio to be more than the borrowing costs associated with the loan.

The leverage is provided against security in cash or securities (as collateral) on your Margin Lending account. The loan works as a 'credit facility', and the amount you can borrow depends on your financial situation and the collateral value of the assets on your account.

Trading stocks and ETFs on margin

With a Margin Lending account, you can invest in stocks and ETFs listed on the Hong Kong Stock Exchange and US exchanges (Nasdaq, NYSE, AMEX, ARCA).

When trading stocks on your standard Saxo account, your buying power is limited to the cash available on the account. However, with a Margin Lending account, you can use cash or securities as collateral for a loan that will enable you to leverage your positions.

The total amount you can borrow depends on the stocks you've invested in. Each tradeable stock has a risk rating from 1 to 6 – with 6 being the highest risk – and there is a specific collateral value attached to each rating group.

A rating 1 stock, for example, is 70% of the market value of the position, due to a haircut of 30%.

You can find the risk rating of each stock and its associated collateral values under 'Trading Conditions' on the platform.

If you only hold cash on your Margin Lending account, there is no collateral value haircut (ie it's 0%), so the collateral value is equal to the full cash amount.

Position in Risk Rating 1 stock

■ Own funds ■ Loan



Stocks' Risk Rating	1	2	3	4	5	6
Collateral value haircut	30%	30%	30%	30%	50%	100%
Collateral value	70%	70%	70%	70%	50%	0%
Implied Leverage	3.3x	3.3x	3.3x	3.3x	2.0x	n.a.

What are the costs?

Commissions

When trading on a Margin Lending account, you will pay the same commission rates for HK and US stocks as on your standard trading account.

Financing (interest)

Since the leverage on a Margin Lending account is financed via a loan, you will need to pay an interest charge when utilising the facility.



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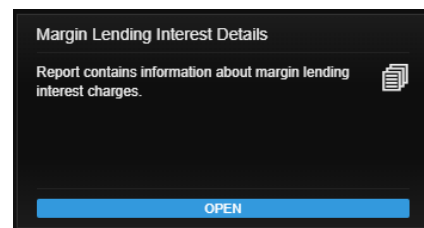
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The interest rate you pay on the loan is comprised of two components: the benchmark rate (relevant one-month interbank rate) plus a fixed mark-up. The interest rate is dependent on the currency of the sub-account, ie the interest rate on HKD and USD accounts will be different.

Please note that the daily interest is calculated based on the net cash balance on each sub-account (in different currencies).

You can see the associated trading costs for individual instruments under 'Trading Conditions' on the platform. The "Margin Lending Interest Details" can be seen under "Historic Reports" on the Trading Platforms.



What are the risks?

When trading equities you are subject to market risk, which means that the value of your investments will fluctuate in line with the market price of the underlying stocks. However, there are additional risks associated with a Margin Lending account.

When you trade with leverage, you are amplifying your potential returns on equity but also increasing your risk for loss.

Trading on a Margin Lending account includes the risk of a 'Margin Call' if the net collateral value of your positions drops below the loan amount. On a Margin Lending account, you need to keep your collateral utilisation below 100% to avoid a stop-out (liquidation of open positions).

How to trade on a Margin Lending account

Once your Margin Lending account has been created and funded, you can trade on it just as you would on your standard account. Please note that you will receive multiple sub-accounts in different currencies.

In the trade ticket, simply select your 'Margin Lending' account and place your order. You can see the estimated impact of the trade on your collateral utilisation – and the loan you'll receive when entering the trade – at the bottom of the ticket.



Danish banks are required to categorise investment products offered to retail clients depending on the product's complexity and risk as: green, yellow or red. Stocks are categorised as yellow or red products depending on the individual instrument. For more information about the categorisation of the individual instrument and the level of risk involved, please see the 'Product Risk Categorisation' located under our [General Business Terms](#).

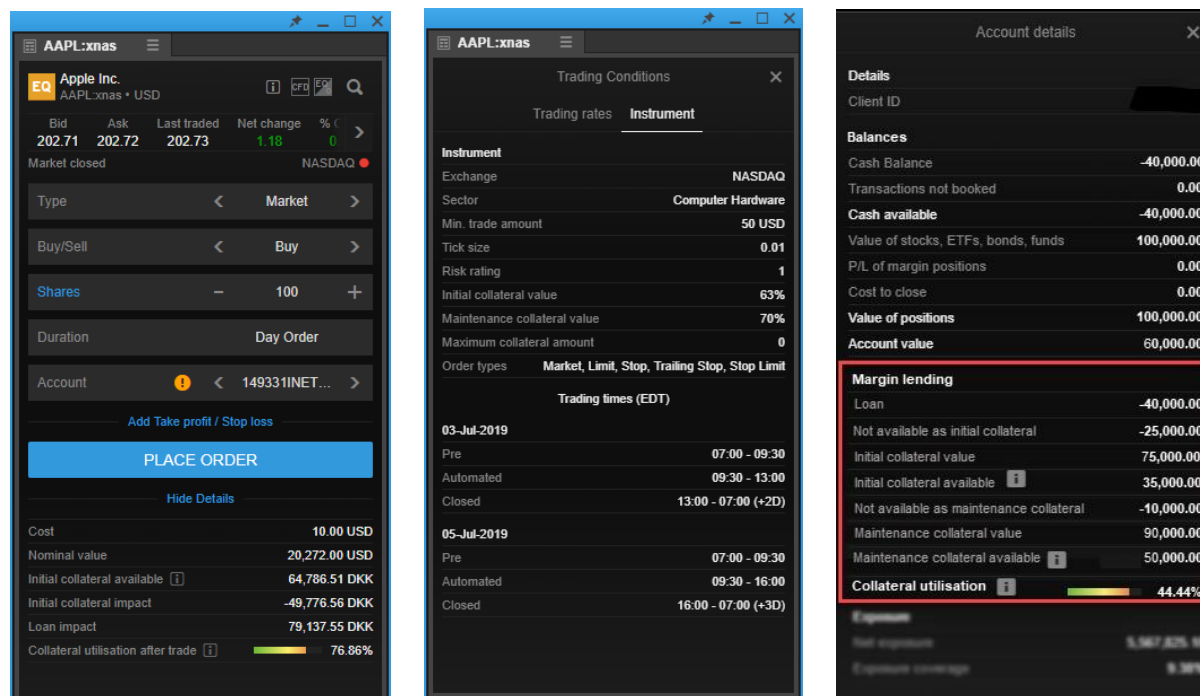


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In the 'account detail' section, you can see information about your Margin Lending account, including your loan and collateral utilisation.



Trading examples

Imagine you deposited USD 10,000 on your Margin Lending account and plan to buy 1,000 shares in the US listed Stock ABC, priced at USD 25/share.

Stock ABC has a risk rating 1, with an initial collateral value of 63% and maintenance collateral value of 70% (haircut = 30%). This means you'll need to put up 37% of the transaction value as collateral (cash or positions) to open the position. This will give you an effective leverage of up to 2.70x your capital at the time of opening.

After the trade, your net cash balance will change from USD 10,000 to minus USD 15,000, since you have now borrowed USD 15,000 to finance the position value of USD 25,000.

After the trade you will have utilised 86% of your account's maintenance collateral value. That means you'll have USD 750 left as unused initial collateral to open new positions worth up to USD 2,027 (assuming a risk rating 1 stock with 63% initial collateral value).



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Pre Trade

Account Details	
Details	
Client ID	
Cash and Positons	
Cash Balances	10,000.00
Transacitons not booked	0.00
Cash available	10,000.00
Value of stocks, ETFs, bonds, funds	0.00
Cost to close	0.00
Value of positions	0.00
Account Value	10,000.00
Margin Lending	
Loan	0.00
Not available as initial collateral	0.00
Initial collateral value	10,000.00
Initial collateral available ⓘ	10,000.00
Not available as maintenance collateral	0.00
Maintenance collateral value	10,000.00
Maintenance collateral available ⓘ	10,000.00
Collateral utilization ⓘ	0.00%

Position details - Stock ABC	
# shares	-
Share Price	-
Market Value	-
Risk Rating	-
Initial Collateral Value (%)	-
Maintenance Collateral Value (%)	-
Haircut (Maintenance Margin Req., %)	-

Post Trade

Account Details	
Details	
Client ID	
Cash and Positons	
Cash Balances	-15,000.00
Transacitons not booked	0.00
Cash available	-15,000.00
Value of stocks, ETFs, bonds, funds	25,000.00
Cost to close	0.00
Value of positions	25,000.00
Account Value	10,000.00
Margin Lending	
Loan	-15,000.00
Not available as initial collateral	-9,250.00
Initial collateral value	15,750.00
Initial collateral available ⓘ	750.00
Not available as maintenance collateral	-7,500.00
Maintenance collateral value	17,500.00
Maintenance collateral available ⓘ	2,500.00
Collateral utilization ⓘ	85.71%

Position details - Stock ABC	
# shares	1,000.00
Share Price (USD)	25.00
Market Value (USD)	25,000.00
Risk Rating	1.00
Initial Collateral Value (%)	63%
Maintenance Collateral Value (%)	70%
Haircut (Maintenance Margin Req., %)	30%

Please note that the above example does not take transactional costs (commissions etc) and financing costs (interest) when holding the position overnight into account.

How to open a Margin Lending account

As a new client, you can apply for a Margin Lending account as part of the normal account-opening process.

If you already have a standard trading account with Saxo Bank, you can request to add a Margin Lending account via the trading platform. Simply go to 'Contact Support', then 'Request Margin Lending account'.

Contact support

help.saxobank.com[Submit ticket](#) [My tickets](#)

Request margin lending account

Apply for a margin lending account

Please enter the following figures in USD:

Yearly gross income: Liquid net worth: Expected funding: Total debt: Have you previously declared bankruptcy: ☐ Yes ☐ No

We recommend that you upload the following documents in order for us to process your application:

1. Latest Tax Statement
2. Latest Payslip
3. Bank statements supporting your Liquid Net Worth and Total Debt

[Attach files](#)

I hereby confirm that I have read, understood and acknowledged all terms and conditions for opening this margin lending account including, but not limited to, granting authority for title of transfer under the Margin Client Agreement.

The risk of loss in financing a transaction by deposit of collateral is significant. You may sustain losses in excess of your cash and any other assets deposited as collateral with the licensed or registered person. Market conditions may make it impossible to execute contingent orders, such as "stop-loss" or "stop-limit" orders. You may be called upon at short notice to make additional margin deposits or interest payments. If the required margin deposits or interest payments are not made within the prescribed time, your collateral may be liquidated without your consent. Moreover, you will remain liable for any resulting deficit in your account and interest charged on your account. You should therefore carefully consider whether a margin lending account is suitable in light of your own financial position and investment objectives.

Please see the [Margin Client Agreement](#) and the [terms and conditions](#) you are deemed to have read, understood and accepted in full by clicking Submit.

[SUBMIT](#)

You'll need to provide a bit of information regarding your financial situation for us to process your application. Once we have received your request, we will evaluate the information provided and create a Margin Lending account as a sub-account to your standard account.

You will receive confirmation once we've created your Margin Lending account and it's ready to use.

If you have a Corporate Account, please contact your account manager for more information.



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Terminology

Term	Description & Calculation
Margin Lending account	Account type that enables you to apply leverage to your equity trading, by obtaining a loan with securities as collateral.
Collateral value haircut	<p>The amount deducted from the value of securities when held as collateral for a loan. The haircut reflects the perceived risk of the individual securities.</p> <p><i>Haircut = 100 (%) - collateral value (%)</i></p>
Initial collateral available	<p>The free 'initial' collateral value, which you can use to open new leveraged positions.</p> <p><i>Initial collateral available = value of cash and positions - initial haircuts - loan</i></p>
Maintenance collateral available	<p>The remaining free collateral value currently left on the account. You can use it to obtain additional exposure.</p> <p><i>Maintenance collateral available = value of cash and positions - maintenance haircuts - loan</i></p>
Collateral utilisation	<p>The utilisation (in %) of your portfolio's net maintenance collateral value to obtain margin financing (loan).</p> <p><i>Collateral utilisation = loan / maintenance net collateral value</i></p> <p>You must ensure you keep your utilisation below 100% to avoid any stop-outs and liquidation of positions.</p>
Loan	The amount of cash you have borrowed to finance positions in securities held on the Margin Lending account.
Benchmark rate (BM rate)	The relevant interbank rate, which is one of the components in your margin loan financing of negative cash positions.
Financing rate	<p>The interest rate you pay on the loan (negative cash balance).</p> <p><i>Financing rate = BM rate + mark-up</i></p>