

## **Rules : securities margin account**

Please also refer to our Conditions for Services.

### **1. Securities margin account**

1.1 You request us to open a securities margin account. You may give us instructions to buy securities on your behalf. For each transaction, you will pay an initial cash margin set by us. We may at our discretion accept or decline your instructions. If we accept your instructions, we will finance the balance of the price payable for the securities by way of an overdraft to you. All purchased securities will be held in your margin account.

1.2 We may, among other things, take into account the value of the securities in your margin account, the cash balance, the value of pending settlements, and the net interest in your margin account, in deciding whether to accept your instructions.

1.3 We may determine the initial cash margin by reference to a percentage of the value of the securities ("**Initial Margin Percentage**"). We may debit the initial cash margin from any of your accounts as soon as we have decided to accept an instruction.

1.4 We may at any time, without notice, change the type or issue of securities which we will accept as collateral for your margin account, the Initial Margin Percentage, the method of calculating margins, the amount of margins required, or the amount of the overdraft available in your margin account.

1.5 All amounts owing by you on your margin account are repayable on demand.

1.6 We need not check whether you have not paid the initial cash margin or have exceeded the overdraft limit in the margin account. If either of the foregoing occurs, we may without notice cancel the instruction or sell the purchased securities. You will indemnify us against all losses and expenses.

1.7 Upon termination of your margin account for any reason, you will repay all debit balance together with interest thereon.

1.8 You may be required to sign a renewal facility letter from time to time. If you fail to do so, we may terminate your margin account.

### **2. Additional margins**

2.1 You will on demand pay such additional cash margins as we require from time to time. We may accept securities that are satisfactory to us as collateral in lieu of cash margin. The value of such securities at any time will be as decided by us.

2.2 We may at any time without notice apply any cash in your margin account including cash margins to reduce any amounts owing by you, in the order decided by us.

2.3 We may determine "**Exposure Percentage**" at any time in accordance with:

$$(X - Y) \div Z \times 100\%$$

The above formula applies only if  $(X - Y) < 0$ , and the outcome will be counted as an absolute value.

where: X is the outstanding cash balance (which could be positive or negative) actually in your margin account and interest thereon (excluding any accrued amount that has not actually been received or paid in the account);

Y is the total cost of net outstanding buying and selling orders that have been executed but not yet settled, and outstanding buying orders that have not yet been executed; and

Z is the effective loanable value as determined by us of the securities in your margin account.

For the above purpose, if any cash amount in your margin account is denominated in a currency other than the currency of calculation, we may notionally convert it into the currency of calculation at our spot exchange rate and reduce it by 10% or such other percentage as we decide.

2.4 You will at all times maintain an Exposure Percentage that is not more than the percentage required by us. Failure to do so is an Event of Default. It is your obligation to monitor your account, and ensure that at all times you comply with this Rule. We have no duty to notify you.

### **3. Charge**

3.1 You will charge to us all securities in your margin account (whether purchased by us on your instructions or deposited as collateral) as continuing security for the payment of all amounts owing by you to us (whether or not in connection with your margin account). The charge will extend to all dividends, interest, distributions, allotments, offers, benefits, entitlements, securities and rights accruing, paid, made, offered or arising in respect of, and the proceeds of sale of, the charged securities.

3.2 You will within the time required by us do all things which we require to perfect our security interests. You will (where applicable) deposit with us all share and other certificates, and duly signed and stamped instruments of transfer and sold notes, in respect of the charged securities. They will be held at your sole risk and expense. They may be held by our nominees or agents in or outside Hong Kong. We may at any time register any charged securities in the name of our nominees, and deposit any charged securities in any clearing system, without notice and at your cost and risk.

3.3 You will, at your cost, exercise any rights arising from the charged securities to subscribe for securities or rights. The subscribed securities and rights will form part of the charged securities. If the subscription rights can be sold in the open market, you may instead sell them at a price agreed by us. If you fail to give us instructions in time, we may (but are not obliged to) exercise such rights or effect a sale on your behalf and at your cost.

3.4 We will not be liable for any failure to collect any amount payable on the charged securities, to pay any call or instalment, or to take any action in respect of them, or for any loss in connection with them.

3.5 Charged securities and margins will not be released by reason of any rise in value, unless agreed by us.

3.6 On release of any securities, we will discharge our liabilities to you by transferring to an account nominated by you or by making available for your collection securities (or certificates, instrument of transfer and sold note) of the same class and denomination (subject to any capital reorganisation which may have occurred).

#### **4. Sale**

Before the occurrence of an Event of Default, and subject to our consent, you may instruct us to sell all or any of the securities in your margin account.

#### **5. Events of Default**

5.1 If any Event of Default (as defined in Rule 2.4 or in Condition 6, Part 3 of our current Conditions for Services) occurs, or if any circumstances arise which in our sole opinion might jeopardize our interests in relation to your margin account, whether or not we have made a call for margin and whether the time to meet the call has expired, all sums owing by you in your margin account will immediately become due and payable, and we may without notice:

- (a) transfer from any or all of your accounts (of any nature, and whether the amounts are matured or not) any amounts to your margin account; and
- (b) sell any or all of the securities in your margin account and use the sale proceeds after deducting all expenses to pay any amounts owing by you, in the order decided by us.

5.2 If any Event of Default occurs, we may cancel any outstanding instructions or terminate any contracts for your margin account without notice and without liability.

#### **6. Interest and charges**

6.1 Interest will accrue on the debit balance in your margin account at the overdraft rate and in the manner decided by us from time to time, and will be debited to your account at the times decided by us.

6.2 Interest will accrue on any credit cash balance in your margin account at the savings account rate and in the manner decided by us from time to time, and will be credited to your account at the times decided by us.

6.3 Interest will accrue on all sums due from you but unpaid, and on any overdraft exceeding the pre-arranged overdraft limit, at the rates decided by us from time to time from the due date until full repayment (before and after judgment).

6.4 We may levy a charge if the debit balance in your margin account exceeds the pre-arranged overdraft limit.

#### **7. Statements**

We will send you daily and monthly statements of your margin account.

#### **8. Additional risk disclosure**

There is a high degree of leverage associated with margined transactions in securities



because of the small initial margin payable. High leverage can work for as well as against you and can lead to large losses as well as gains. Under certain market conditions, you may find it difficult or impossible to liquidate a position and therefore the losses may not be limited to the margins or securities you have paid or charged to us.

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 or interest payments. If the required margin 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 such a financing arrangement is suitable in light of your own financial position and investment objectives.