# Margin Requirements

*This Bulletin represents Pershing's policy on this subject.*

*Please review this policy carefully, as it impacts your firm and your clients.*

Pershing, a BNY Mellon company, provides your firm the ability to offer your clients margin accounts. Please consult this Bulletin for details on the current initial and maintenance requirements for securities on margin.

**NOTE**: This document is for the general guidance of your firm only and may not be given to third parties.

Please contact Pershing's Margin Department regarding anticipated client account margin debit balances of $2,000,000 or more or in connection with requirements for unusual transactions or situations. You may also contact the Margin Department for a list of securities with higher requirements or regarding loans against control or restricted securities.

## Equities

If your client elects to purchase equities on margin, refer to the table below for the initial and maintenance requirements associated with each type of equity. The minimum equity requirement is $2,000 for margin accounts.

| Type of Security | Initial Requirement | Maintenance Requirement |
|---|---|---|
| Stocks Listed on a National Securities Exchange | 50% of the net amount | The greater of 30% of the market value or $3 per share<br>Concentrated positions will have higher maintenance requirements.* |
| Exchange-Traded Funds Leveraged Two Times | 50% of the net amount | The greater of 60% of the market value or $3 per share |
| Other Equities, Warrants, Auction Rate Securities and Exchange-Traded Funds Leveraged Greater Than Two Times or More | 100% of the net amount | 100% of the market value |
| Stocks (Listed or Unlisted) Sold Short | 50% of the net proceeds | The greater of 35% of the short market value or $5 per share |

**NOTE**: Initial margin is not extended to stocks trading below $5 per share.

*Pershing systematically identifies concentrated positions and applies higher margin maintenance requirements. Review the Pershing Update, *Securities Automated Concentration Requirements*, dated April 17, 2014, for specific criteria and rates.

## Mutual Funds and Unit Investment Trusts (UITs)

Mutual fund and UIT purchases must be made in the cash account and paid in full. They become eligible for margin 30 days after settlement date or payment date, whichever comes later.

| Type of Security | Initial Requirement | Maintenance Requirement |
|---|---|---|
| Mutual Funds and UITs | 50% of the market value, provided the holding period described above is met | The greater of 30% of the market value or $3 per share |

**NOTE**: Initial margin is not extended to mutual funds and UITs trading below $5 per share.

## When-Issued Securities

If your client elects to purchase when-issued securities in a cash account, refer to the table below for the initial and maintenance requirements.

| Type of Security | Initial Requirement | Maintenance Requirement |
|---|---|---|
| When-Issued Securities | The greater of 25% of the net amount or $2,000, but not to exceed 100% of the net amount | The greater of 25% of the net amount or $2,000, but not to exceed 100% of the market value |

**NOTE:** When-Issued securities purchased in a margin account have the same initial and maintenance requirements as issued securities.

## Fixed Income Securities

If your client elects to purchase fixed income securities on margin, refer to the table below for the initial and maintenance requirements.

| Type of Security | Initial Requirement | Maintenance Requirement |
|---|---|---|
| *Convertible Corporate Bonds* | | |
| Listed on a National Securities Exchange | 50% of the net amount | 30% of the market value |
| Convertible Bonds Sold Short | 50% of the net amount | 35% of the market value |

## Fixed Income Securities (continued)

| Type of Security | Initial Requirement | Maintenance Requirement |
|---|---|---|
| *Non-Convertible-Corporate Bonds* | | |
| Interest-Paying Corporate Bonds (Rated No Lower Than BAA3 by Moody's or BBB- by Standard & Poor's® [S&P®]) | 30% of the net amount | 25% of the market value<br>Concentrated positions will have higher maintenance requirements.* |
| Corporate Bonds Sold Short | 35% of the net amount | 35% of the market value |
| Zero-Coupon Bonds (Rated No Lower Than BAA3 by Moody's or BBB- by S&P) | The greater of 30% of the net amount or 10% of the face amount | The greater of 25% of the market value or 10% of the face amount |
| *Municipal Bonds* | | |
| Interest-Paying Municipal Bonds (Rated No Lower Than BAA3 by Moody's or BBB- by S&P) | 30% of the net amount | 25% of the market value<br>Concentrated positions will have higher maintenance requirements.* |
| Municipal Zero-Coupon Bonds (Rated No Lower Than BAA3 by Moody's or BBB- by S&P) | The greater of 30% of the net amount or 10% of the face amount | The greater of 25% of the market value or 10% of the face amount |
| Auction Rate Securities Backed by Fixed Income Products | 100% of the net amount | 100% of the net amount |
| *Government Securities* | | |
| U.S. Government Direct Obligations (Bills, Notes, Bonds) | 10% of the net amount | 8% of the market value if 20 years to maturity<br>7% of the market value if 10 years to maturity<br>6% of the market value if five years to maturity<br>5% of the market value if three years to maturity<br>4% of the market value if one year to maturity<br>3% of the market value if less than one year to maturity |

*Pershing systematically identifies concentrated positions and applies higher margin maintenance requirements. Review the Pershing Update, *Securities Automated Concentration Requirements*, dated April 17, 2014, for specific criteria and rates.

## Fixed Income Securities (continued)

| Type of Security | Initial Requirement | Maintenance Requirement |
|---|---|---|
| U.S. Government Agency and Pass-Through Bonds (Such as Government National Mortgage Association [GNMA] and Federal National Mortgage Association [FNMA]) | 15% of the net amount | 10% of the market value |
| U.S. Government Agency Bonds Sold Short | 15% of the net amount | 10% of the market value |
| U.S. Government Zero-Coupon Bonds | 10% of the face amount | The greater of 7% of the market value or 7% of the face amount |
| U.S. Government Bonds Sold Short | 10% of the net amount | 8% of the market value if 20 years to maturity<br>7% of the market value if 10 years to maturity<br>6% of the market value if five years to maturity<br>5% of the market value if three years to maturity<br>4% of the market value if one year to maturity<br>3% of the market value if less than one year to maturity |
| *Other Bonds* | 100% of the net amount | 100% of the market value |

**NOTE**: Interest-paying bonds trading below $40 per bond and zero-coupon bonds trading below $10 per bond are not marginable and have 100% initial and maintenance requirements.

# Options and Option Strategies

No account is permitted to execute a straddle, spread or uncovered ("naked") option transaction without the required margin in the account, including minimum equity of $10,000. Refer to the table below for the initial and maintenance requirements for option transactions.

| **Option Transactions** | **Initial and Maintenance Requirements** |
|---|---|
| *Long Purchases* | Payment must be made in full. During the current expiration cycle, sufficient equity must be in the account before the trade is executed. The cycle begins on the Monday following the prior month's expiration date. |
| *Spreads on European-style Options* | Spreads are not permitted on European-style options unless both sides expire at the same time. |
| Debit Spreads | The net premium difference must be paid in full, and a minimum equity of $10,000 is required. |
| Credit Spreads | The requirement is the greater of 100% of the strike price differential or $10,000 minimum equity. |
| Complex Spreads | A complex spread must adhere to the following criteria:<br>(1) All option contracts must have the same underlying security or index.<br>(2) All option contracts must be either all American-style or all European-style.<br>(3) All option contracts must be listed.<br>(4) The aggregate underlying contract value of "long" versus "short" contracts within option type(s) must be equal.<br>(5) For complex spreads with American-style options, the "short" options must expire on or before the expiration date of the "long" options.<br>(6) For complex spreads with European-style options, all options must have the same expiration date.<br>The requirement is the maximum potential loss determined by computing the intrinsic value of the options at price points for the underlying security or index that are set to correspond to every exercise price present in the spread. The intrinsic values are netted at each price point, and the maximum potential loss is the greatest loss, if any.<br>A minimum equity of $10,000 is required. |

## Options and Option Strategies (continued)

| Option Transactions | Initial and Maintenance Requirements |
|---|---|
| *Uncovered Options*<br><br>Listed Equity/Narrow and Broad-Based Index Options<br><br>Listed Equity/Narrow and Broad-Based Based Leveraged ETF Options | The initial and maintenance requirements are the greater of the following three:<br>1. The premium plus 30% of the market value of the underlying security, adjusted for the out-of-money amount,<br>2. But not less than:<br>a. **For Calls**: 15% of the market value of the underlying security plus the premium<br>b. **For Puts**: 15% of the assignment value plus the premium<br>**OR**<br>3. The Pershing minimum requirement per contract:<br>a. **For Calls**: If the underlying security is currently less than $50 per share, the minimum is $1,000 per contract. If the underlying security is currently more than $50 per share, the minimum is $2,000 per contract.<br>b. **For Puts**: If the strike price is less than $50 per share, the minimum is $1,000 per contract. If the strike price is more than $50 per share, the minimum is $2,000 per contract. This requirement should not exceed 100% of the put assignment value.<br>Uncovered Option requirements based on 2x, 2.5x and 3x leveraged ETFs will have their percentage requirement increased by the leverage multiplier for that underlying ETF. |
| *Straddles* | The requirement is the greater of the requirement on the put or call, plus the premium on the other side. |
| *Collars* | 1. The initial requirement on the underlying security is 50% of the purchase amount, plus or minus the net option premiums.<br>2. The maintenance requirement for the underlying security is the lesser of 10 percent of the aggregate exercise price of the put plus the put “out-of-the-money” amount, or 25 percent of the call aggregate exercise price. |
| *Covered Leaps* (with an expiration period greater than nine months) | 100% of the difference between the intrinsic value and the long-term equity anticipation (LEAP) security market value. |
| *All Other Options* | Contact Pershing’s Margin Department. |

## NOTES:

- Special requirements apply to accounts that are classified as belonging to pattern day traders. For further information, please contact Pershing's Margin Department.
- Concentrated or volatile securities may be subject to higher margin requirements.
- Requirements set forth in this document are subject to change by Pershing at its sole discretion at any time.