Margin Loan

CommSec

Product Disclosure Statement (PDS)

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Issued By: Commonwealth Bank of Australia
ABN 48 123 123 124 Australian Financial Services Licence 234945

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Important Information

Margin Loan facilities are issued by Commonwealth Bank of Australia (The Bank) ABN 48 123 123 124 AFSL and ACL 234945 and administered by its wholly owned but non-guaranteed subsidiary Commonwealth Securities Limited (CommSec) ABN 60 067 254 399 AFSL 238814. CommSec is a market participant of the ASX and Cboe Australia Pty Limited, a clearing participant of ASX Clear Pty Limited and settlement participant of ASX Settlement Pty Limited. This PDS contains a summary of significant information about the product and contains a number of references to important information
(each of which forms part of the PDS). You should consider this PDS and seek independent advice before making any decision about the product.

The information contained in this PDS is general information only and does not take into account the investment objectives, financial situation and needs of any particular individual. Because of that, you should assess with the help of legal, financial and taxation advice, whether the information is appropriate in light of your own circumstances before acting on it. Information in this PDS may be updated from time to time where that information is not materially adverse to clients. CBA may provide such updated information on the CommSec website, commsec.com.au. A copy of the updated information is also available upon request free of charge by contacting CommSec. CBA may be required to issue a supplementary PDS as a result of certain changes, in particular where the changes are materially adverse from the point of view of a reasonable person deciding as a retail client whether to open a Margin Loan. This PDS and any supplementary PDS are available in paper form and in electronic form from our web site at commsec.com.au or by calling 13 17 09.

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About the Commonwealth Bank and its *Margin Loan products*

The Commonwealth Bank of Australia (CBA) is one of Australia's leading providers of integrated financial services and is a listed company on the Australian Securities Exchange.

KEY INFORMATION ABOUT A MARGIN LOAN:

- A Margin Loan allows you to borrow money to invest in acceptable shares and managed funds, using existing investments or cash as security.
- Borrowing to invest can multiply your investment returns in a rising market. However, it can also multiply your investment losses if the market declines and your investments perform poorly.
- You must regularly monitor your margin loan so you can take steps to prevent a Margin Call, minimise any losses and to be aware of any changes to the terms of your loan.
- Should you receive a Margin Call, you may be required to pay additional funds or sell some or all of your investments to reduce the loan balance, at short notice. In some instances, we may sell your investments without giving you prior notice.
- If the sale of your investments does not clear the Margin Call, you will be required to access funds from elsewhere.
- We are required by law to assess whether an investment loan is 'not unsuitable' for you. This assessment is available on request should your application be approved.

Benefits of a *Margin Loan*

A MARGIN LOAN CAN PROVIDE YOU WITH THE FOLLOWING BENEFITS:

- Increasing the size of your investment portfolio can allow you to accelerate your wealth faster and depending on your investment, may earn you more dividends or distributions.
- A larger investment amount can allow for greater diversification, helping you to better manage risk as you can spread your money across a wider range of investments.
- Most shares and managed funds can be bought and sold on most business days, so you can sell all or part of your investment quickly if needed.
- By borrowing against your portfolio, you can unlock the equity to increase the size of your investment without having to sell your portfolio and potentially incur capital gains tax.
- May provide tax effectiveness depending on your situation. You should seek independent advice from a tax adviser.

How a *Margin Loan works*

1. We lend you money using your own money or existing portfolio as security. Security can include cash, shares or managed funds.
2. You may then use the loan to invest.
3. You should regularly monitor your portfolio and take steps to avoid or respond to any potential Margin Calls.
4. You will own the investments you buy at all times, however they will be used as security for your investment loan. This means that they may be sold to repay your loan if your obligations are not met.

HOW MUCH CAN YOU BORROW?

The maximum amount you can borrow depends on:

- How much money you have to invest or the value of the assets you provide as security.
- Which shares or managed funds you invest in, as we lend different amounts for different types of investments.
- The Borrowing Limit for each accepted security is set out in our Accepted Securities Lists. Borrowing Limits, which we determine, may change from time to time at our discretion.

You should read the important information about the latest Accepted Securities List and associated Borrowing Limits before making a decision.

Go to www.commsec.com.au/marginloanpds or call us.

The material relating to the Accepted Securities List may change between the time when you read this PDS and the day when you sign the application form.

For Example

You wish to purchase $10,000 of Managed Fund XYZ which we assign a Borrowing Limit of 70%. This means if you put in $3,000 of your own money you could borrow up to $7,000.

Your Capital		Margin Loan		Total investment
$3,000	+	(up to) $7,000	=	(up to) $10,000

- As a client, you will also have access to our 'What If Calculator' which allows you to simulate transactions and view the resulting loan positions.

Other important terms that will help you manage your investment loan:

- **LVR** stands for **L**oan to **V**alue **R**atio. The LVR for each accepted security is set out in our accepted securities list and states the borrowing limit which we determine and may change at our discretion.
- **Base LVR** is the maximum loan amount that you can borrow against your accepted securities, expressed as a percentage.
- **Current LVR** is your loan amount divided by the value of your accepted investment/s expressed as a percentage. Also known as your gearing level.
- **Margin Call LVR** is a point when your account will be subject to a Margin Call. It is when your Current LVR exceeds the Base LVR plus the Buffer.
- **Buffer** is a percentage amount that is provided to allow for market fluctuations and provides the opportunity to restore the gearing level of your portfolio before a Margin Call is triggered. The current Buffer amount is published on our Accepted Securities List.
- **Maximum Gearing Ratio (MGR)** is the maximum level of gearing we will allow, expressed as a percentage against your portfolio (disregarding any Financial Products with a Borrowing Limit of 0%) as determined by us from time to time. The current MGR is published on our Accepted Securities List.

Details of your rights and obligations are set out in the Margin Loan Terms and Conditions.

We recommend you carefully read the Margin Loan Terms and Conditions.

For more information on how a Margin Loan works, visit our website or call us.

What is a *Margin Call?*

A MARGIN CALL OCCURS WHEN:

- Your Current LVR exceeds the Margin Call LVR; or
- Your Current LVR exceeds the Maximum Gearing Ratio.

A MARGIN CALL CAN OCCUR WHEN:

- The market value of your portfolio falls; and/or
- We reduce the LVR of an investment securing your loan; and/or
- We reduce the Buffer amount; and/or
- Interest that is capitalised increases your loan.

IN THE EVENT OF A MARGIN CALL:

- We will take reasonable steps to notify you and your adviser (if applicable) by SMS, email or phone. You must ensure you are contactable at all times in the event of a Margin Call. Please ensure you keep us informed of your current contact details.
- You must adjust your gearing level within the timeframes stipulated in the Margin Loan Terms and Conditions so that it is below the lower of:
  - The Base LVR; and
  - The Maximum Gearing Ratio.

HOW TO RESOLVE A MARGIN CALL:

If a Margin Call is triggered on your account, you have the following options to resolve it:

- Deposit money into your investment loan to reduce your loan balance; and/or
- Provide us with additional accepted shares or managed funds to increase your portfolio value; and/or
- Sell a sufficient amount of your portfolio to reduce your loan balance and gearing level.

For example

The following examples illustrate how to resolve a Margin Call where the loan buffer amount is set at either 5% or 10%. For the current buffer applicable, please refer to the relevant product's Approved Securities List.

In both scenarios, assume a loan balance of $10,000, an initial portfolio market value of $20,000, and a portfolio Base LVR of 60% (your gearing level will be 50% - $10,000/$20,000 - which is below the Base LVR of 60%).

Scenario 1 – 5% buffer

If the value of your portfolio falls to $15,000, your gearing level will increase from 50% to 67% ($10,000/$15,000). As this is above the calculated Base LVR and the Buffer allowed, a Margin Call will occur and you will be required to reduce your gearing level by either paying money into your loan account, contributing additional investments to your portfolio, or selling some or all of your investments.

	Initial Position	After Portfolio Drop
Portfolio Market Value	$20,000	$15,000
Loan Balance	$10,000	$10,000
Current LVR	50%	67%
Base LVR	60%	60%
Margin Call LVR	65%	65%
Portfolio Lending Value	$12,000	$9,000
Available Funds	$2,000	-$1,000
Loan Status	**Account in Order**	**Margin Call**

In this example, the Margin Call amount will be $1,000. This is the minimum payment required to bring the Current LVR back to the Base LVR.

Scenario 2 – 10% buffer

If the value of your portfolio falls to $14,000, your gearing level will increase from 50% to 71% ($10,000/$14,000). As this is above the calculated Base LVR and the Buffer allowed, a Margin Call will occur and you will be required to reduce your gearing level by either paying money into your loan account, contributing additional investments to your portfolio, or selling some or all of your investments

	Initial Position	After Portfolio Drop
Portfolio Market Value	$20,000	$14,000
Loan Balance	$10,000	$10,000
Current LVR	50%	71%
Base LVR	60%	60%
Margin Call LVR	65%	70%
Portfolio Lending Value	$12,000	$9,000
Available Funds	$2,000	-$1,600
Loan Status	**Account in Order**	**Margin Call**

In this example, the Margin Call amount will be $1,600. This is the minimum payment required to bring the Current LVR back to the Base LVR.

The risk of *losing money*

All investments are subject to risk. This means that you may lose money on your investments or fail to meet your financial objectives.

THE KEY RISKS OF A MARGIN LOAN INCLUDE:

- Adverse market conditions may result in your portfolio value being reduced and subsequently your gearing level may increase, triggering a Margin Call.
- We may reduce or remove the LVR applied to some or all of your investments, or to your portfolio as whole at any time, which may result in a Margin Call.
- The variable interest rate may increase resulting in higher interest costs, which may exceed the portfolio's return.
- Margin Calls may require investments to be sold by you or us quickly at unfavourable prices and may trigger unwanted capital gains if you are unprepared.
- Tax legislation or marginal tax rates may change and have an adverse impact on your tax position.
- The loss of any assets (including property) if they have been mortgaged as security or to provide security to the Margin Loan.
- Default events or enforcement events (as defined in the terms and conditions) occurring. The consequences of such an event occurring includes all amounts owing becoming immediately payable.
- Your financial situation may materially change, adversely affecting your investment loan.
- Adverse market and/or security specific conditions may result in the value of your security being insufficient to repay your loan.

For general information on the risks involved, visit www.moneysmart.gov.au/investing/borrowing-to-invest/margin-loans.
For more information on Margin Lending visit www.commsec.com.au.

The costs

INTEREST

We offer both fixed and variable interest rates.

- A variable rate loan is when the interest rate can change at any time. Interest is calculated daily on the outstanding loan balance. You must pay accrued interest monthly in arrears either by direct debit or by capitalising it to the loan.
- You can also request a fixed rate loan which allows payment (in advance or arrears) of interest on all or part of your loan balance.

For example, if the outstanding balance on your margin lending facility is $100,000 and the current variable interest rate is 8.00% p.a., you will pay $8,000 per year or $666.67 per month, interest to CBA, assuming the variable interest rate does not change.

A default (higher) interest rate may apply if you do not pay on time.

You should read the important information about current interest rates before making a decision. Go to **www.commsec.com.au/marginloanpds** or call us. The material relating to the current interest rates may change between the time when you read this PDS and the day when you sign the application form. Interest Rates are subject to change at any time.

FEES AND CHARGES

There are no application fees, establishment fees or account keeping fees unless you are applying as a trustee. Government charges may apply. Fees and charges are subject to change at any time.

You should read the important information about the full list of fees and charges before making a decision. Go to **www.commsec.com.au/marginloanpds** or call us. The material relating to the current fees and charges may change between the time when you read this PDS and the day when you sign the application form. Fees and charges are subject to change at any time.

REMUNERATION

We may pay a commission or fee to your financial adviser (if applicable) or other financial intermediary who refers you to us when your Margin Loan is approved and for the period it is maintained. For more information on what commission or fee may be payable, please contact your financial adviser or other financial intermediary, or refer to the Statement of Advice provided to you by your financial adviser, or otherwise contact us.

Commonwealth Bank (or its nominated related entity) will receive the interest payable on the outstanding balance of your margin loan. Commonwealth Bank will also receive any fees and charges payable as noted in the Fees and Charges section. CommSec does not receive any compensation for its services in administering the CommSec Margin Loan.

WHAT SHOULD I DO IF I HAVE A COMPLAINT?

If you have any complaints regarding your loan or application, please call us. A phone call is all that is required to resolve most issues. If at this stage your complaint has not been resolved to your satisfaction, you may contact our Customer Relations team.

By phone:	1800 805 605
By email:	**www.commbank.com.au/feedback**
By mail:	CBA Group Customer Relations Reply Paid 41, Sydney NSW 2001

If you feel that the response from Customer Relations is unsatisfactory, you may also lodge a complaint with the Australian Financial Complaints Authority (AFCA) on 1800 931 678, or by emailing **info@afca.org.au**, or by writing to Australian Financial Complaints Authority, GPO Box 3, Melbourne, VIC 3001, or online at **www.afca.org.au**.

How to apply

Margin Loans are available to approved applicants who are 18 years of age or order, are Australian permanent residents, are assessed as 'not unsuitable', and are an individual, company or trust. Superannuation funds and minor trusts are excluded.

TO APPLY

1. You may apply online at **commsec.com.au**
2. Request an application form to be sent to you by calling **13 17 09**.
3. Before applying you may wish to speak to a financial adviser to see if Margin Lending is suitable for you.

We're here *to help*

To find out more, call us on **13 17 09**,

8am to 6pm (Sydney time), Monday to Friday,

or visit our web site at **commsec.com.au**

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