CommSec Margin Loan

Product Disclosure Statement (PDS)

Effective date: 1 March 2024

Contact Us

13 17 09 (within Australia)
+61 2 9115 1402 (from outside Australia)
8am to 6pm Sydney time, Monday to Friday

Locked Bag 34
Australia Square NSW 1215

commsec.com.au

Contents

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

Important Information

CommSec Margin Loan facilities are issued by Commonwealth Bank of Australia (The Bank) ABN 48 123 123 124 AFSL 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). Use the references marked with to see further important disclosure on our website.

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 CommSec Margin Loan. This PDS and any supplementary PDS are available in paper form and in electronic form from our website at commsec.com.au or by calling 13 17 09.

1. About Commonwealth Bank of Australia and the *CommSec Margin Loan*

The Commonwealth Bank (CBA) is Australia's leading provider of integrated financial services.
For more information about CBA, please visit *commbank.com.au.*

Key information about a Margin Loan:

- A Margin Loan allows you to borrow money to invest in financial products such as shares, exchange traded funds and managed funds, using your existing investments or cash as security.
- Where you are a company (including a corporate trustee) a CommSec Margin Loan may also be used for business or investment purposes (excluding residential property investment purposes) as a joint purpose together with investing 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 timely action to prevent a Margin Call, minimise any losses and to be aware of any changes to the terms of your loan.
- 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 proceeds from the sale of your investments do not cover the loan balance, you will be required to access funds from elsewhere. We may sell any other assets provided as security for the loan.
- Before a Margin Loan is issued to you, we are required by law to assess whether a Margin Loan is 'not unsuitable' for you. A copy of the assessment is available on request should your application be approved.

2. Benefits of a *CommSec Margin Loan*

A Margin Loan can provide you with the following benefits:

- **Leveraged Exposure:** Access additional funds to increase the size of your investment portfolio. This can allow you to accelerate growth and/or increase returns from dividends or distributions.
- **Diversification:** 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.
- **Unlock Equity:** 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.
- **Flexibility:** A CommSec Margin Loan offers a wide range of features for you to optimise the loan facility to suit your needs. This includes but is not limited to: choosing a variable interest rate or fixing all or part of your loan, writing covered calls against eligible shares and regular gearing into managed funds.
- **Tax Effectiveness:** Depending on your personal circumstances, you may be entitled to claim tax deductions from the borrowing costs incurred on the Margin Loan. Please seek advice from your tax adviser.

3. How a *CommSec Margin Loan* works

A CommSec Margin Loan works by CBA lending you money to invest using your existing investment portfolio as security or by combining your own cash with the money we lend you to invest. You will own the investments you buy at all times, however they will be used as security for your Margin Loan. This means that they may be sold to repay your loan if your obligations are not met.
You should regularly monitor your portfolio and take steps to avoid or respond to any potential Margin Calls.

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.
- The Credit Limit you are approved for. This represents the maximum amount that CBA will lend to you based on the financial information you provided to us for assessment on the application.
- Which shares or managed funds you invest in, as we lend different amounts for different types of investments.
- The borrowing limit (Loan to Value Ratio) for each accepted security is set out in our Accepted Securities Lists. Loan to Value Ratios 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 Loan to Value Ratios 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.

Example:

You wish to purchase $10,000 of Exchange Traded Fund XYZ which we assign a Loan to Value Ratio (LVR) of 70%. This means if you put in $3,000 of your own money you could borrow up to $7,000.*

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

*This example assumes that the Credit Limit approved on your loan is $7,000 or higher. If the Credit Limit approved is lower than $7,000 and all else remains the same, you will be able to borrow up to the Credit Limit approved despite the LVR allowing for a higher lending ratio.

Important terms that will help you manage your Margin Loan:

- **LVR** stands for **L**oan to **V**alue **R**atio (also known as Lending Ratio). 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 an LVR 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 CommSec Margin Loan Terms and Conditions. We recommend you carefully read the CommSec Margin Loan Terms and Conditions. For more information on how a Margin Loan works, or if you wish to obtain a copy of the CommSec Margin Loan Terms and Conditions, please visit our website or call us.

4. 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 remove a security from our Accepted Securities List(s); and/or
- We reduce the Buffer amount; and/or
- There is an increase in your loan balance (including but not limited to failed payments or capitalised interest).

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 CommSec 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 Margin 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.

Example:

In the example below, we demonstrate the resulting position of a Margin Loan across 3 scenarios of market movements.

Note: the Buffer used in the example is 5%. The current Buffer amount is published on our Accepted Securities List. The term Buffer is explained in Section 3.

	Starting Position	Scenario 1: Market Rise +10%	Scenario 2: Market Fall -20%	Scenario 3: Market Fall -30%
Portfolio Market Value	$20,000.00	$22,000.00	$16,000.00	$14,000.00
Loan Balance	$10,000.00	$10,000.00	$10,000.00	$10,000.00
Current LVR	50%	45%	63%	71%
Base LVR	60%	60%	60%	60%
Margin Call LVR	65%	65%	65%	65%
Portfolio Lending Value	$12,000.00	$13,200.00	$9,600.00	$8,400.00
Available Funds	$2,000.00	$3,200.00	-$400.00	-$1,600.00
Loan Status	Account in Order	Account in Order	Account in Buffer	Account in Margin Call
Client Action Required	Continue to monitor your Margin Loan	Continue to monitor your Margin Loan	Monitor your Margin Loan and consider reducing your Current LVR (gearing level) to avoid triggering a Margin Call	You must adjust your Current LVR (gearing level) within the stipulated timeframe so that it is the lower of the Base LVR and MGR

In this example, Scenario 3 will result in a Margin Call amount of $1,600. This is the minimum payment required to bring the Current LVR back to the Base LVR.

5. 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.

- 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 a whole at any time, which may result in a Margin Call.
- 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.
- The variable interest rate may increase resulting in higher interest costs, which may exceed the portfolio's return.
- 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 CommSec Margin Loan 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 Margin 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**

6. 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 interest accrued monthly is paid monthly and not capitalised to the loan and the variable 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.

7. How to apply

Margin Loans are available to approved applicants who are 18 years of age or older, 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 for a CommSec Margin Loan

1. Apply online at **commsec.com.au**; or
2. Request for an application form to be sent to you by calling **13 17 09**.

Before applying you may wish to speak to a financial adviser to see if Margin Lending is suitable for you.

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.

Phone: **1800 805 605**

Web: **www.commbank.com.au/feedback**

Post: CBA Group Customer Relations,
Reply Paid 41, Sydney NSW 2000

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.**