

# BT Margin Lending

Margin Loan –  
Product Disclosure Statement

1 July 2013

Issued by BT Securities Limited  
ABN 84 000 720 114  
AFSL No. 233722  
trading as BT Margin Lending and  
Westpac Banking Corporation  
ABN 33 007 457 141  
AFSL No. 233714

This Product Disclosure Statement  
contains the following information:

- 1\_About BT Margin Lending and  
a BT Margin Loan
- 2\_Benefits of a BT Margin Loan
- 3\_How a BT Margin Loan works
- 4\_What is a margin call?
- 5\_The risk of losing money
- 6\_The costs
- 7\_How to apply
- 8\_Our complaints policy

Use the references marked with a **1** to see  
important disclosure about this product  
online. The information relating to such  
disclosure may change between the time  
when you read it and the day when you  
sign the application form.

This Product Disclosure Statement is  
only a summary of significant information  
and contains a number of references to  
important information, each of which forms  
part of the disclosure under this document  
(together, the Statement).

You should consider that information before  
making a decision about this product.

The information provided in the Statement  
is general information only and does not  
take account of your personal objectives,  
financial situation or needs.

You should obtain financial advice about  
your personal circumstances from your  
financial adviser.

Prepare for the best.



## 1 About BT Margin Lending and a BT Margin Loan

BT Securities Limited (ABN 84 000 720 114) (BTS) trades under the registered business name 'BT Margin Lending' (BTML). BTS is a wholly-owned subsidiary of Westpac Banking Corporation (ABN 33 007 457 141) (Westpac). BTS has entered into an arrangement with Westpac under which it provides margin lending facilities to borrowers under this Product Disclosure Statement as agent for Westpac. BTS and Westpac are together the issuers of this Product Disclosure Statement, and are referred to as 'we' or 'us' throughout this document.

BTML has been helping Australians create and manage wealth since 1985. Westpac has been delivering banking and other financial services to Australians since 1817.

A BT Margin Loan allows you to borrow money to invest in shares and managed funds, using your own money or your existing portfolio as security. This helps you to increase the size and diversity of your investment portfolio.

Borrowing money to invest can potentially result in higher returns from your investments. However, it can also magnify your losses if the value of your investments falls. You have to pay interest on your margin loan and you must repay the money you borrow. You may be required to repay all or part of your margin loan in the event of a margin call or default.

### Managing your margin loan

Before issuing a margin loan, an assessment is required to be made as to whether a margin loan is unsuitable for you. If your margin loan is approved, we will send you a copy of our assessment on request.

You should regularly monitor your investments so that you can take steps to avoid a margin call or quickly respond to and reduce potential losses in relation to your margin loan portfolio. You also need to be aware of any changes to interest rates, loan to value ratios (LVR) or other changes to the terms of your margin loan.

You may be required, at short notice, to pay an additional amount into your margin loan or sell some of the investments which form your margin loan portfolio.

Under the margin loan terms, all or part of your margin loan portfolio may be sold in certain circumstances. We may not be required, under the terms of your margin loan, to provide you with prior notice of this.

In some situations, the sale of your margin loan portfolio may not cover the costs of repayment of your margin loan. In these situations, you'll still need to repay your outstanding margin loan balance from

other sources. If you have provided other assets as security for your margin loan, they may be sold to repay your margin loan.

## 2 Benefits of a BT Margin Loan

A BT Margin Loan provides the following benefits:

- ▶ Borrowing money to invest gives you access to a larger amount of capital to invest and may create higher and accelerated returns in a shorter period of time.
- ▶ With more money to invest, you can build a more diversified portfolio across different types of investments. By investing in additional shares and managed funds, you can spread your investment risk across different sectors of the economy and different parts of the world. This can help you to better manage the risk that poor performance in one investment will reduce your total return.
- ▶ You're able to borrow against an existing portfolio of eligible shares and managed funds. This allows you to increase the size of your investment without having to sell your existing portfolio and potentially create a capital gains tax event.
- ▶ You may be entitled to a tax deduction for interest expenses that you incur under the BT Margin Loan. The tax consequences will depend on your circumstances. You should seek advice on these from an independent tax adviser.

**!** You should read the important information about the benefits of a BT Margin Loan before making a decision. Go to [bt.com.au/marginloan](https://bt.com.au/marginloan)

The material relating to the benefits of a BT Margin Loan may change between the time when you read this statement and the day when you sign the application form.

## 3 How a BT Margin Loan works

### How much can you borrow?

The maximum amount of money that you may borrow depends on:

- ▶ The credit limit we provide to you following our assessment of your current financial position.
- ▶ How much money and/or securities you contribute.
- ▶ Which shares, managed funds or other securities you want to invest in.
- ▶ The LVR we apply to those investments. Different amounts are lent for different investments and the LVR is the percentage of the value of each of the approved securities in your margin loan portfolio. We determine what the LVR is for each security, and may change it at any time, including reducing it to zero.

Example: If we assign a LVR of 70% to a security, you could use a BT Margin Loan to borrow up to 70% of that security's value. This means that you could borrow up to \$70,000 towards a purchase of \$100,000 worth of those securities.

### What can you invest in?

The financial products that you may invest in using your margin loan include:

- ▶ certain shares and other securities listed on the Australian Securities Exchange.
- ▶ certain managed funds.

We have extensive Approved Securities Lists which specify which securities you may invest in together with their LVRs. For a full list of the current eligible investments go to [bt.com.au/ManagedFundsASL](http://bt.com.au/ManagedFundsASL) and [bt.com.au/ListedSecuritiesASL](http://bt.com.au/ListedSecuritiesASL)

**! You should read the important information about the Approved Securities Lists before making a decision. Go to [bt.com.au/MLasI](http://bt.com.au/MLasI)**

The material relating to the Approved Securities Lists may change between the time when you read this statement and the day when you sign the application form.

You are the beneficial owner of the securities in your margin loan portfolio. However, as they will be used as security for your margin loan, they may be sold to satisfy a margin call or repay your margin loan.

### What are your obligations?

We recommend that you read the section entitled 'BT Margin Lending Facility Agreement' contained in your BT Margin Loan application. This includes the agreement you will enter into for your margin loan. It details your rights and obligations in relation to the margin loan.

A copy of this agreement can also be sent to you by calling us on 1800 816 222 (between 8:00am and 6:30pm (Sydney time) Monday to Friday).

ASIC has a margin lending online calculator to help show you how a borrowed amount can affect your potential gains and losses and assesses your risk of a margin call.

**! You should read the important information about this calculator before making a decision. Go to <http://www.asic.gov.au/fido/fido.nsf/byheadline/Margin+loan+calculator?openDocument>**

The material relating to this calculator may change between the time when you read this statement and the day when you sign the application form.

### What is the Adviser Service Fee Facility?

You may request to use the 'Adviser Service Fee Facility' as a simple way to pay fees to your financial adviser. Under the Adviser Service Fee Facility, you appoint us and the nominee as your agents to pay to your adviser on your behalf your specified Adviser Service Fee amount. We do not keep any portion of the Adviser Service Fee.

**! You should read the important information about the Adviser Service Fee Facility before making a decision. Go to [bt.com.au/MLadviser-service-fee](http://bt.com.au/MLadviser-service-fee)**

### 4\_ What is a margin call?

A margin call occurs if your margin loan balance exceeds the sum of your borrowing limit and the buffer at any time. Your borrowing limit is the sum of the market value of each security in your portfolio multiplied by the LVR we have assigned to those securities.

A margin call may occur if:

- ▶ The market value of your portfolio falls.
- ▶ We reduce the LVR assigned to a security.
- ▶ There's an increase in your margin loan balance.
- ▶ You don't make required interest payments.
- ▶ We reduce the buffer.
- ▶ We remove a security from the Approved Securities Lists.
- ▶ Any combination of the above.

### What is the buffer?

To ensure that small fluctuations in the market value of a security do not result in a margin call, a buffer is applied to the market value of each approved security. The buffer amount is usually 10% of the market value of each security, although we may change it at any time, including reducing it to zero.

### How can you satisfy a margin call?

When your margin loan is in margin call, you'll need to promptly ensure that the loan balance is reduced to the borrowing limit amount or below.

A margin call can be satisfied by taking any of the following actions:

- ▶ Repaying part or all of the outstanding margin loan balance.
- ▶ Lodging additional securities from the Approved Securities Lists.
- ▶ Selling approved securities held on the margin loan facility as collateral.
- ▶ Any combination of the above.

Example: If you have a portfolio with a market value of \$100,000, and a margin loan of \$65,000, your gearing level will be 65% ( $\$65,000/\$100,000$ ).

Assume the LVR of the shares in your portfolio is 70% with a buffer of 10%. You could borrow up to \$70,000 (borrowing limit) with an additional buffer of \$10,000.

If the total value of your shares falls to \$80,000, the new borrowing limit would be \$56,000 (70% of \$80,000) with a buffer of \$8,000 (10% of \$80,000). A margin call will occur if your loan balance exceeds \$64,000 (ie  $\$56,000 + \$8,000$ ).

In this example, the loan balance (\$65,000) is above the borrowing limit and the buffer (\$64,000). Hence the account would be in margin call and you would be asked to reduce your gearing level by either paying money into your loan account, adding acceptable shares and/or managed funds to your portfolio, or selling some or all of your shares and/or managed funds.

If a margin call occurs, we'll contact you and/or contact your financial adviser if you have authorised your financial adviser to receive margin calls on your behalf. You, or anyone so authorised, must remain contactable at all times.

If you don't satisfy the margin call as required, some or all of your securities may be sold to satisfy the margin call.

## 5\_ The risk of losing money

All investments are subject to risk. Some of the main risks associated with taking out a margin loan include:

- ▶ In a volatile market, the value of your margin loan portfolio may fall to a level where it no longer provides adequate security for your margin loan. If this happens, there may be a margin call and you'll have to find an alternative source of funds to repay the margin loan.
- ▶ If you borrowed money from another source to provide equity for your margin loan, this will increase your overall gearing level. The higher the overall gearing level, the greater the effect that a fall in the value of your securities will have on your financial situation.
- ▶ We may reduce the LVR or the buffer that applies to some or all of your securities at any time (including reducing them to zero). This may result in a margin call.
- ▶ We may remove a security from the Approved Securities Lists. This may result in a margin call.
- ▶ The interest rate applicable to your margin loan may be varied at any time (except on any amount for which you prepaid interest or have entered into a fixed interest rate). If the interest rate rises,

your interest repayments may be more than your investment returns, and you may not be able to meet your interest payments. This may result in a margin call.

- ▶ You could lose any other assets you have provided as security for your margin loan.
- ▶ Dividends and other payments you anticipate receiving from your investments may not be paid, available or otherwise correspond with interest payments that must be made on your margin loan. In such circumstances, you may need to rely on an alternative source of funds to meet interest payments.
- ▶ If a default event occurs, under the terms of your margin loan you may be required to repay all or part of your margin loan or any securities or other assets mortgaged to us may be sold or otherwise dealt with.
- ▶ Your liability in relation to your margin loan (including your obligation to pay amounts outstanding) is not limited to the proceeds received from the sale of the mortgaged property. If all money owing is not recovered through such a sale, the balance may be recovered from you personally.
- ▶ There are a number of uncertainties including tax laws (and the administrative treatment of tax laws) that may change in the future. If this happens, it may have an adverse impact on your tax position and this may negatively affect your financial position. You should seek advice from an independent tax adviser on the tax consequences of entering into a BT Margin Loan.

**We have only included here the main risks that may occur.**

**!** You should read the important information about the risks associated with margin lending before making a decision. Go to [bt.com.au/marginloan](http://bt.com.au/marginloan)

The material relating to the risks associated with margin lending may change between the time when you read it and the day when you sign the application form.

**!** For more information about margin loans, go to the FIDO website at [www.fido.gov.au/fido/fido.nsf/byheadline/Margin%20loans?opendocument](http://www.fido.gov.au/fido/fido.nsf/byheadline/Margin%20loans?opendocument)

## 6\_ The costs

### Interest

Both fixed and variable interest rates are offered. Variable interest will be calculated daily on the outstanding amount and is payable monthly in arrears. In the event of a default, you may also need to pay a higher interest rate.

## Fees, costs and charges

There are no application fees, establishment fees or account fees payable unless you're applying as a company or a trustee. Fees are charged for fund transfers and if a direct debit is dishonored. Fees may also be charged for additional account services requested by you. Under your loan facility terms, these fees may be changed. Your financial adviser and stockbroker may also charge fees for advice and share transactions.

## Adviser payments outside the Adviser Service Fee Facility

To the extent permitted by law, we may make payments to your financial adviser when the margin loan is initiated and for the period that it's maintained. If you invest in a fund recommended by your financial adviser, they may also receive a payment from the fund manager. For further information on such payments see the Statement of Advice provided to you by your financial adviser.

BTS is entitled to receive payments from Westpac for acting as Westpac's agent for margin lending purposes. This remuneration does not impact on the costs paid or payable by you in relation to the margin loan.

**This costs section doesn't show any dollar amounts or percentages for the costs – interest rates can change on a daily basis, fees depend on the service you use and adviser payments may depend on what you agree directly with your adviser.**

**!** You should read the important information about the interest, fees and costs that may be applied to your BT Margin Loan before making a decision. Go to [bt.com.au/MLrates](https://bt.com.au/MLrates)

The material relating to the current interest rates and other information about the fees and costs that may be applied may change between the time when you read this statement and the day when you sign the application form.

## 7\_How to apply

**!** You should read the important information about margin lending as contained in the BT Securities Limited's Financial Services Guide, the BT Margin Lending Facility Agreement and other disclosure documents before making a decision. Go to [bt.com.au/marginloan](https://bt.com.au/marginloan)

The material relating to margin lending may change between the time when you read this statement and the day when you sign the application form.

To be eligible you must be:

- ▶ an individual or joint individuals who are over 18 years of age and an Australian resident for tax purposes;
- ▶ an Australian company; or
- ▶ an Australian company or individual trustee of a family, discretionary or testamentary trust.

A BT Margin Loan is not available to superannuation funds.

You may apply for a BT Margin Loan either directly or through a financial adviser.

To apply directly, you can request an application pack by calling us on 1800 816 222 (between 8:00am and 6:30pm (Sydney time) Monday to Friday) or download the BT Margin Loan application form online at [bt.com.au/marginloan](https://bt.com.au/marginloan)

## 8\_Our complaints policy

Complaints resolution is a priority for us.

If you have a concern or complaint with the financial products or services we provide, please contact us and we'll do our best to resolve it quickly and fairly.

As a first step, please contact us by calling BT Customer Relations on 1800 816 222 (between 8:00am and 6:30pm (Sydney time) Monday to Friday) or write to our Complaints Officer at GPO Box 3917, Sydney NSW 2001.

If you're still not satisfied, you may refer your complaint to the Financial Ombudsman Service by calling 1300 780 808 or writing to GPO Box 3, Melbourne VIC 3001.

**!** You should read the important information about our complaints and dispute resolution processes before making a decision. Go to [bt.com.au/MLresolve](https://bt.com.au/MLresolve)

The material relating to our complaints policy may change between the time when you read this statement and the day when you sign the application form.



## For more information



BT Margin Lending  
GPO Box 3917  
Sydney NSW 2001



1800 816 222



[client.marginlending@btfinancialgroup.com](mailto:client.marginlending@btfinancialgroup.com)



[bt.com.au](http://bt.com.au)

Neither Westpac Banking Corporation (ABN 33 007 457 141) nor any of its respective directors, officers, employees, associates or its subsidiaries guarantee or give any assurance in regard to the capital value, income return or performance of any shares and managed funds acquired through or in relation to a BT Margin Loan.