The Charles Schwab & Co. Guide to Margin

Margin is a tool that can be used to potentially generate greater returns, execute investment strategies, and serve as a source of flexible low cost borrowing for other lending needs. If you decide to use margin, we want to help you do so with confidence by providing outstanding support and resources like this handbook. The Schwab Guide to Margin can help you understand how to use margin responsibly and effectively.

For specific questions not addressed here, please contact us at 877-752-9749 (within the U.S.), or +1-415-667-8400 (outside of the U.S.). For clients of Schwab Singapore Pte. Ltd. contact +65-6536-3922 www.schwab.com.sg.

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What is Margin?

Margin is an extension of credit from a brokerage company using your own securities as collateral. Funds borrowed on margin may be used for any purpose, including the purchase of securities. Interest is charged on the borrowed funds for the period of time that the loan is outstanding.

The use of margin is regulated by financial industry regulatory organizations, certain securities exchanges, and the broker-dealer holding the account.

Opening a Margin Account

If your Schwab One brokerage account does not have the margin feature, it's easy to add it online by logging into your Schwab account and clicking on Service > Account Settings > Options & Margins. This page will also indicate whether your account has the margin feature. Once your account is approved for margin, you can borrow at any time with no additional forms or applications required.

Investors opening a margin account must deposit cash or eligible securities totaling at least $2,000. Once the account is open, investors may generally borrow up to 50% of the securities' value. Note that not all securities are marginable (see below). Interest is calculated daily on the amount borrowed and posted to the account on a monthly basis.

Securities Eligible for Margin

Schwab has requirements for the types of eligible securities that may be used as collateral for a margin loan:

- Most stocks, ETFs, and ETNs traded on major U.S. exchanges (including NASDAQ) with a share price of $3 or higher
- Most mutual funds owned for more than 30 days
- Most investment grade corporate, treasury, municipal, and government agency bonds
- IPO shares purchased on the secondary market one business day following the IPO. Please note, however, IPO stocks which do not meet certain Schwab volatility hurdles during their first year may not be marginable.

Accounts Not Eligible for Margin

- Individual Retirement Accounts (IRA, including Custodial, Education, Rollover, Roth, & Roth Conversion; SAR-SEP, SEP, SIMPLE, and Traditional)
- 401(k) Accounts
- 403(b) Accounts
- Uniform Gift to Minors Act (UGMA) Account
- Uniform Transfer to Minors Act (UTMA) Account
- Company Retirement Account (CRA)
- Conservatorships
- Guardianships
- PCRAs (Personal Choice Retirement Account, specifically in which a Trust Company is the trustee)
- QRP/Keoghs
- Charitable and non-profit organizations

Margin Information on Schwab.com

Margin details are available on the Account Balances page on Schwab.com. Here you can see information such as margin equity, funds available to trade or withdraw as cash, current margin balance, and month-to-date margin interest owed.

The maintenance requirement for a specific security can be found by logging into your account on Schwab.com. Click on the Research tab, enter a stock name or symbol, and click on the Research button. Click on the Margin Requirements link (under the green Trade button at the top right corner of the page) and the margin maintenance requirement will display.

Borrowing on margin may not be appropriate for every investor and it is important to determine how it fits into your investment strategy. Margin has additional risk associated with market volatility, and it is possible to lose more funds than you deposit into your account. Margin accounts also require a higher level of attention, including potentially monitoring stock prices on a daily basis. Schwab generally recommends margin be used by clients with more than five years of investing experience. Please review Margin Borrowing at Schwab: Overview and Disclosure Statement for additional information.

Margin Benefits & Features

Whether you are looking to increase your investment return or need a convenient line of credit, a margin loan from Schwab can provide these key advantages:

- **Leveraging of Investments.** Buying on margin allows you to potentially achieve greater investment returns by owning more securities than would be possible on a cash-only basis. A Schwab margin account also enables you to sell short (borrow shares from Schwab to sell immediately and repurchase them at a lower price in the future) and potentially profit from downward price movements.
- **Trading Flexibility.** Take advantage of timely market opportunities or make investment changes when you want, as long as you maintain the minimum equity required.
- **Stay Invested.** Keep your investment strategy on track and defer any capital gains taxes that might result from selling securities to meet your financing needs.
- **Portfolio Diversification.** If you hold a concentrated stock position, you can use margin to diversify your portfolio.
- **Convenience.** Borrow at any time once your account is approved for margin. No additional forms or applications are required. Simply place a trade or withdraw funds using a Schwab One® check or Schwab One Visa debit card. Margin is not available for all account types.
- **Repayment Simplicity.** There is no set repayment schedule as long as you maintain the required level of equity in your account.
- **Competitive Interest Rates.** Margin borrowing is generally more cost-effective than consumer lending options like credit cards, and Schwab's rates are competitive.
- **Ready Line of Credit.** A margin loan is a ready source of credit that may be used as a short-term loan for your personal financial needs.
- **Tax Deductibility.** Interest on margin loans may be tax deductible against your net investment income. Please consult your tax advisor about your situation.

Margin Risks

When considering a margin loan, you should determine how the use of margin fits your own risk tolerance and investment goals. It is important that you fully understand the risks involved using margin:

- **Leverage Risk.** Leveraging means using margin to potentially capture more returns than when investing on a cash-only basis. Being invested on margin when the market performs favorably allows investors to have greater gains than without margin. However, while leverage is certainly a powerful tool, it is important to recognize that the value of your investments can decrease as well as increase. Leveraging exposes you to greater downside risk than paying for securities in full because if the securities acting as collateral for your margin loan lose value, you must still either repay Schwab the amount of money you borrowed on margin or meet a margin call, regardless of the underlying value of the securities you purchased.
- **Interest Rate Risk.** Like any other loan, you must repay your margin loan along with interest, regardless of the underlying value of the securities purchased. Keep in mind that it is possible that margin interest rates may fluctuate during the time you have an outstanding loan.
- **Margin Call Risk.** Schwab can increase its margin maintenance requirements at any time without prior notice. If the equity in your account falls below Schwab's minimum maintenance requirements, Schwab will issue a margin call requiring you to deposit additional cash or acceptable collateral.
- **Forced Liquidation Risk.** If you fail to meet a margin call, Schwab may be forced to sell some or all of the securities in your account to protect its loan, with or without your prior approval. You are not entitled to an extension of time on a margin call.

Margin Calls

It is important for margin investors to understand it is their responsibility to ensure the equity in their account does not fall below the minimum maintenance level. Schwab can liquidate securities to cover any margin deficiency and is not required to notify you before doing so. If you or Schwab liquidate securities to meet a margin call, your risks include unintended tax consequences from the sale of your securities, the possibility that Schwab might sell securities you preferred to hold, or that you may be unhappy with the price received for the sale.

If a margin call is issued, you are required to promptly bring your account to the required maintenance level using one of the methods listed below. It is Schwab's policy to attempt to contact you, when practicable, to notify you of a margin deficiency. However, Schwab can sell securities in your account, without prior notice, to cover any deficiency.

Call Type	What Triggers a Call	How to Meet a Call
Federal Regulation T Call	Issued when the initial equity provided for the purchase of a security is below the 50% required by the Federal Reserve Board. **Reg T calls are due at settlement.**	▪ Deposit a check at a branch ▪ Send a check via overnight mail (Standard mail is not appropriate for any type of margin call.) ▪ Wire funds ▪ Use an active MoneyLink profile to move funds to Schwab ▪ Deposit marginable stock ▪ Journal cash or securities from your other Schwab accounts ▪ Liquidate securities*
Maintenance Call	Issued when the value of your margined securities minus the loan balance in your account is less than the maintenance requirement of the margined securities (usually 30% for equity securities). **Maintenance calls are due immediately.**	▪ Deposit a check at a branch ▪ Send a check via overnight mail ▪ Wire funds ▪ Use an active MoneyLink profile to move funds to Schwab ▪ Deposit marginable stock ▪ Journal cash or securities from your other Schwab accounts ▪ Liquidate securities

Call Type	What Triggers a Call	How to Meet a Call
Minimum Equity Call	Issued when a client has a margin debit balance and the value of the client's account falls below $2,000. For short positions, a minimum equity call will be issued anytime an account's equity is less than $2,000, even if the account is not holding a debit balance. **Minimum equity calls are due on settlement of the trade.**	▪ Deposit a check at a branch ▪ Send a check via overnight mail ▪ Wire funds ▪ Use an active MoneyLink profile to move funds to Schwab ▪ Deposit marginable stock ▪ Journal cash or securities from your other Schwab accounts ▪ Liquidate securities
Day Trade Maintenance Call (see Day Trade Margin Requirements here)	If Day Trading Buying Power (DTBP) is exceeded intraday, a day trade maintenance call will be issued the following business day. **Day trade maintenance calls are due in five business days.** Until the day trade maintenance call is met, pattern day traders must limit the total cost of all day trades for each day to within the DTBP figure reflected at the start of the day. As such, DTBP will decrease with each opening transaction during the day, but will not be credited for closing transactions. Funds deposited to meet a day trade maintenance or minimum equity call must remain in the account for a minimum of two business days or in accordance with Schwab's other hold times for incoming funds.	▪ Deposit a check at a branch ▪ Send a check via overnight mail ▪ Wire funds ▪ Use an active MoneyLink profile to move funds to Schwab ▪ Deposit marginable stock ▪ Journal cash or securities from your other Schwab accounts ▪ Liquidate long options or cash account securities

Call Type	What Triggers a Call	How to Meet a Call
Day Trade Minimum Equity Call	Margin equity falls below the $25,000 pattern day trader equity requirement. On days that Pattern Day Trader (PDT) clients begin the day with less than $25,000 in equity, they will be held to liquidating trades only for that entire day.	▪ Deposit a check at a branch ▪ Send a check via overnight mail ▪ Wire funds ▪ Use an active MoneyLink profile to move funds to Schwab ▪ Deposit marginable stock ▪ Journal cash or securities from your other Schwab accounts ▪ Liquidate long options or cash account securities.

**Note: Repeatedly liquidating stock to meet Federal Regulation T margin calls may result in restrictions on margin trading in your account.*

Tips for Managing Margin Risk

Don't be fully leveraged — Borrow against a diversified portfolio — Closely watch your portfolio — Have a plan

- **Don't Be Fully Leveraged.** Borrow less than the maximum amount allowable in your account. Set a personal equity level for yourself that is higher than Schwab's house requirements and monitor your portfolio to ensure you are not going below that equity level.
- **Borrow Against a Diversified Portfolio.** This reduces the risk that a single security's drop in value will trigger a margin call.
- **Closely Watch Your Portfolio.** Be aware of what is going on in the market. Recognize that margin does bring increased risk, and consistently reassess your risk tolerance. Anticipate a potential decline in value, especially during uncertain market conditions.
- **Have a Plan.** When you use margin, have a plan in mind. Develop a risk management strategy for your investments that is consistent with your market outlook and stick to it. Develop contingency plans for dealing with potential margin calls, and have a repayment plan ready if the market turns, if margin maintenance requirements rise, or if margin interest rates rise.

Margin Requirements

Initial Equity Requirements

Federal Reserve Board Regulation T allows brokerage firms to lend clients up to 50% of the total purchase price of a stock. Schwab further requires that the equity in an account be at least 30% of the current market value of the security. Schwab's initial minimum equity requirement to borrow using margin is $2,000.

Maintenance Requirements

The securities used as collateral must maintain a minimum value relative to the account's margin debit balance. Schwab's basic maintenance requirement for equity securities ("stock") is 30% of the current market value of the security; however, this varies depending on the type of security.

Because maintenance requirements are based on the current market value of a stock, not on your purchase price, a decline in the price of a marginable security will result in a reduction of your equity and the potential for a maintenance call in your account. If this happens, you are responsible for promptly depositing the necessary cash or securities, or liquidating sufficient securities in the account, to satisfy the maintenance call.

Example Scenario*

On **Day 1**, you purchase 100 shares of stock using your margin account. The current market value of your shares is $10,000. Regulation T permits you to borrow half on margin, or $5,000.

# Shares	$ Per Share	Current Market Value	Margin Debit	Client's Account Equity	Initial Required Min. Equity
100	$100	$10,000	$5,000	$5,000	$2,000

On **Day 10**, the value of the stock increases to $120 and the current market value of your shares is $12,000. You owe the brokerage company the $5,000 you borrowed, but you now have $7,000 in equity and an unrealized profit of $2,000 minus any interest owed on the loan.

# Shares	$ Per Share	Current Market Value	Margin Debit	Client's Account Equity	Required Min. Equity
100	$120	$12,000	$5,000	$7,000	$3,600

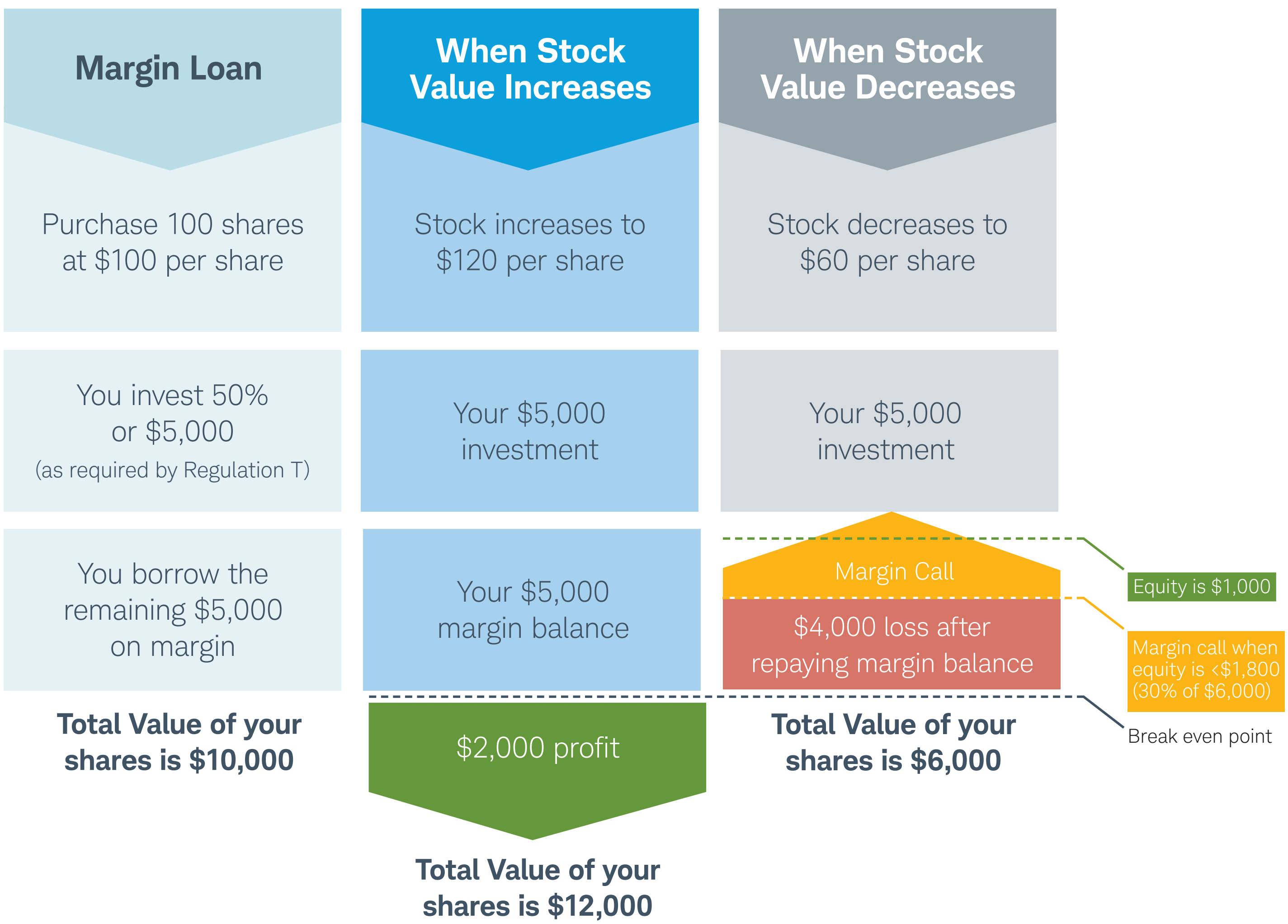
On **Day 25**, the value of the stock drops from $120 to $60 and the current market value of your shares is now $6,000.

# Shares	$ Per Share	Current Market Value	Margin Debit	Client's Account Equity	Required Min. Equity
100	$60	$6,000	$5,000	$1,000	$1,800

In this example, the equity cannot fall below $1,800 (30% of $6,000). Since the current equity is only $1,000, Schwab would issue a maintenance call requiring you to either:

1. Deposit $800 cash, or
2. Deposit marginable securities in the amount of $1,142.86, or
3. Liquidate stock in the amount of $2,666.67

**The calculations in this example do not take into account interest charges, commissions, or fees.*



Equities

Schwab's current initial and maintenance requirements are shown in the tables below.

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
Long: Common, Non-Leveraged ETFs/ETNs, Preferred & Warrants			
≥ \$3.00 per share	Lesser of \$2,000 or 100% market value	50% of cost	30% of market value
< \$3.00 per share	100% market value	100% of cost	100% of market value
Short Sales: Common, Non-Leveraged ETFs/ETNs, Preferred & Warrants			
> \$16.66	\$2,000	50% net proceeds	30% short market value
\$5.00 – \$16.66	\$2,000	50% net proceeds	\$5 per share
\$2.50 – \$4.99	\$2,000	50% net proceeds	100% short market value
< \$2.50	\$2,000	50% net proceeds	\$2.50 per share
Other Equity Types/Positions			
Mutual Funds[1]	Lesser of \$2,000 or 100% market value	50% of cost	30% of market value
Money Market Funds[1]	Lesser of \$2,000 or 100% market value	10% of cost	10% of market value
Boxed Positions	\$2,000	10% of market value	10% of market value
Long: Leveraged ETFs/ETNs			
2X Leveraged ETFs/ETNs	Lesser of \$2,000 or 100% market value	50% of cost	50% of market value
3X Leveraged ETFs/ETNs	Lesser of \$2,000 or 100% market value	75% of cost	75% of market value

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
Short Sale: Leveraged ETFs/ETNs			
2X Leveraged ETFs/ETNs			
> $8.33/share	$2,000	60% of net proceeds	60% short market value
$5.00 - $8.33/share	$2,000	$5.00/share	$5.00/share
$2.50 - $4.99/share	$2,000	100%	100%
< $2.50/share	$2,000	$2.50/share	$2.50/share
3X Leveraged ETFs/ETNs			
> $5.55/share	$2,000	90% of net proceeds	90% short market value
$5.00 – $5.55/share	$2,000	$5.00/share	$5.00/share
$2.50 – $4.99/share	$2,000	100%	100%
< $2.50/share	$2,000	$2.50/share	$2.50/share

[1]Not marginable until 30 days after the purchase settles (100% initial requirement).

Exchange-Traded Products are subject to risks similar to those of stocks. Investment returns will fluctuate and are subject to market volatility, so that an investor's shares, when redeemed or sold, may be worth more or less than their original cost.

Options

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
OPTIONS – Long			
Equity Option	Lesser of $2,000 or 100% market value	100% of cost	Same as initial requirement
Foreign Currency Option	Lesser of $2,000 or 100% market value	100% of cost	Same as initial requirement
Index Option			
Broad-Based Index Options	Lesser of $2,000 or 100% market value	100% of cost	Same as initial requirement
Narrow-Based Index Options	Lesser of $2,000 or 100% market value	100% of cost	Same as initial requirement

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
OPTIONS – Short			
Broad-based Index			
Naked Calls	$25,000	Greater of: • 15% underlying value – out of the money amount + premium (20% for ETNs) • 10% underlying value plus premium • $100 per contract	Greater of minimum equity requirement or initial requirement
Naked 2X Leveraged ETF/ETN Calls	$25,000	Greater of: • 30% underlying value – out of the money amount + premium (40% for ETNs) • 20% underlying value plus premium • $100 per contract	Greater of minimum equity requirement or initial requirement
Naked 3X Leveraged ETF/ETN Calls	$25,000	Greater of: • 45% underlying value – out of the money amount + premium (60% for ETNs) • 30% underlying value plus premium • $100 per contract	Greater of minimum equity requirement or initial requirement

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
OPTIONS – Short			
Broad-based Index			
Naked Puts	Lesser of $25,000 or max loss	Greater of: • 15% underlying value – out of the money amount + premium (20% for ETNs) • 10% Contract Value plus premium • $100 per contract or max loss	Greater of minimum equity requirement or initial requirement
Naked 2X Leveraged ETF/ETN Puts	Lesser of $25,000 or max loss	Greater of: • 30% underlying value – out of the money amount + premium (40% for ETNs) • 20% Contract Value plus premium • $100 per contract or max loss	Greater of minimum equity requirement or initial requirement
Naked 3X Leveraged ETF/ETN Puts	Lesser of $25,000 or max loss	Greater of: • 45% underlying value – out of the money amount + premium (60% for ETNs) • 30% Contract Value plus premium • $100 per contract or max loss	Greater of minimum equity requirement or initial requirement
Straddle/Combo	$25,000	Uncovered requirement for the leg with the higher naked requirement, plus the premium of the other leg	Greater of minimum equity requirement or initial requirement

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
OPTIONS – Short			
Broad-based Index			
Spread	$2,000/$25,000[1]	Credit Spread: Difference in strike prices x 100 x no. of contracts Debit Spread: 100% of cost	Greater of minimum equity requirement or initial requirement
Complex Spread[2] (apply only to the following strategies): Box Spreads Butterfly Spreads Condor Spreads Iron Butterfly Spreads Iron Condor Spreads	$2,000/$25,000[1]	Lesser of: • Sum of component initial naked requirements • Maximum potential loss of strategy	Greater of minimum equity requirement or initial requirement
Narrow-based Index			
Naked Calls	$25,000	Greater of: • 20% underlying value – out of the money amount + premium • 10% underlying value plus premium • $100 per contract	Greater of minimum equity requirement or initial requirement
Naked 2X Leveraged ETF/ETN Calls	$25,000	Greater of: • 40% underlying value – out of the money amount + premium • 20% underlying value plus premium • $100 per contract	Greater of minimum equity requirement or initial requirement

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
OPTIONS – Short			
Narrow-based Index			
Naked 3X Leveraged ETF/ETN Calls	$25,000	Greater of: • 60% underlying value – out of the money amount + premium • 30% underlying value plus premium • $100 per contract	Greater of minimum equity requirement or initial requirement
Naked Puts	Lesser of $25,000 or max loss	Greater of: • 20% underlying value – out of the money amount + premium • 10% Contract Value plus premium • $100 per contract or max loss	Greater of minimum equity requirement or initial requirement
Naked 2X Leveraged ETF/ETN Puts	Lesser of $25,000 or max loss	Greater of: • 40% underlying value – out of the money amount + premium • 20% Contract Value plus premium • $100 per contract or max loss	Greater of minimum equity requirement or initial requirement

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
OPTIONS – Short			
Narrow-based Index			
Naked 3X Leveraged ETF/ETN Puts	Lesser of $25,000 or max loss	Greater of: • 60% underlying value – out of the money amount + premium • 30% Contract Value plus premium • $100 per contract or max loss	Greater of minimum equity requirement or initial requirement
Straddle/Combo	$25,000	Uncovered requirement for the leg with the higher naked requirement, plus the premium of the other leg	Greater of minimum equity requirement or initial requirement
Spread	$2,000/$25,000[1]	Credit Spread: Difference in strike prices x 100 x no. of contracts Debit Spread: 100% of cost	Greater of minimum equity requirement or initial requirement
Complex Spread[2] (apply only to the following strategies): Box Spreads Butterfly Spreads Condor Spreads Iron Butterfly Spreads Iron Condor Spreads	$2,000/$25,000[1]	Lesser of: • Sum of component initial naked requirements • Maximum potential loss of strategy	Greater of minimum equity requirement or initial requirement

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
Equity			
Naked Calls	$25,000	Greater of: • 20% underlying value – out of the money amount + premium • 10% underlying value plus premium • $100 per contract	Greater of minimum equity requirement or initial requirement
Naked Puts	Lesser of $25,000 or max loss	Greater of: • 20% underlying value – out of the money amount + premium • 10% Contract Value plus premium • $100 per contract or max loss	Greater of minimum equity requirement or initial requirement
Straddle/Combo	$25,000	Uncovered requirement for the leg with the higher naked requirement, plus the premium of the other leg	Greater of minimum equity requirement or initial requirement
Spread	$2,000/$25,000[1]	Credit Spread: Difference in strike prices x 100 x no. of contracts Debit Spread: 100% of cost	Greater of minimum equity requirement or initial requirement

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
Equity			
Complex Spread[2] (apply only to the following strategies): Box Spreads Butterfly Spreads Condor Spreads Iron Butterfly Spreads Iron Condor Spreads	\$2,000/\$25,000[1]	Lesser of: • Sum of component initial naked requirements • Maximum potential loss of strategy	Greater of minimum equity requirement or initial requirement
Protective Put	Lesser of \$2,000 or 100% market value	Lesser of: • 10% of exercise price + out of the money amount • Long stock requirement	Greater of minimum equity requirement or initial requirement
Protective Call	\$2,000	Lesser of: • 10% of exercise price + out of the money amount • Short stock requirement	Greater of minimum equity requirement or initial requirement
Conversion	Lesser of \$2,000 or 100% market value	10% of exercise price	Greater of minimum equity requirement or initial requirement
Reverse Conversion	\$2,000	10% of exercise price	Greater of minimum equity requirement or initial requirement
Collars with Long Equity	Lesser of \$2,000 or 100% market value	Lesser of: • 10% of exercise price + put out of the money amount • 25% of call exercise price	Greater of minimum equity requirement or initial requirement

[1] *IRA account initial minimum requirement for spreads is $25,000; special minimums, when applicable under select offers, supersede published minimums.*

[2] *All component option legs must have the same expiration date.*

Requirements are subject to change at any time by Schwab. To protect itself, Schwab may, at its discretion and without prior notice to you, revalue securities, reset requirements, or adjust the inflated SMA (Special Memorandum Account) at any time. Schwab retains complete discretion to determine how to pair options that may constitute a qualified strategy. See “Qualified Spreads” below.

Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options through Schwab. With long options, investors may lose 100% of funds invested. Multiple-leg options strategies will involve multiple commissions. Spread trading must be done in a margin account. Writing uncovered options involves potentially unlimited risk. Please read the options disclosure document titled Characteristics and Risks of Standardized Options before considering any option transaction.

Qualified Spreads

A “spread” involves being both the buyer and writer of the same type of options (puts or calls) on the same underlying interest, with the options having different exercise prices and/or expiration dates.

The purchased option is required to expire on the same or later expiration date than the option sold. When there is more than one possible way to pair available options in your Account, Schwab has the discretion to determine spread pairings. Schwab may pair options in a manner that does not produce the lowest possible margin requirements.

Debt

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
Corporate Bond			
Corporate Coupon Bond	Lesser of $2,000 or 100% market value	30% of cost	Greater of 30% market value or 20% of principal, not to exceed 100% of market value
Corporate Bond Convertible	Lesser of $2,000 or 100% market value	50% of cost	Greater of 30% market value or 20% of principal, not to exceed 100% of market value
Corporate Bond Non-Convertible	Lesser of $2,000 or 100% market value	30% of cost	Greater of 30% market value or 20% of principal, not to exceed 100% of market value
Government Agency			
Government Agency Coupon	Lesser of $2,000 or 100% market value	20% of cost	Greater of 20% market value or 15% of principal, not to exceed 100% of market value
Government Agency Strip	Lesser of $2,000 or 100% market value	20% of cost	Greater of 20% market value or 15% of principal, not to exceed 100% of market value
Government Agency Pass-Through	Lesser of $2,000 or 100% market value	20% of cost	Greater of 20% market value or 15% of principal, not to exceed 100% of market value
Government Agency CMO	Lesser of $2,000 or 100% market value	20% of cost	Greater of 20% market value or 15% of principal, not to exceed 100% of market value
Municipal Bond			
Municipal Bond Coupon	Lesser of $2,000 or 100% market value	25% of cost	Greater of 25% market value or 15% of principal, not to exceed 100% of market value

Security Type	Initial Min. Equity Req.	Schwab Initial Req.	Schwab Maintenance Req.
Treasury			
Treasury Bill	Lesser of $2,000 or 100% market value	10% of cost	4% of market value
Treasury Coupon	Lesser of $2,000 or 100% market value	10% of cost	Mat < 2yrs: 4% mkt. value 2<= Mat < 5yrs: 6% mkt. value 5<= Mat <10yrs: 8% mkt. value Mat ≥ 10yrs: 10% mkt. value
Treasury STRIP	Lesser of $2,000 or 100% market value	10% of cost	10% of market value
Unit Investment Trust	Not Marginable	Not Marginable	Not Marginable

State, Municipal, and Corporate bonds, with an investment grade rating (IG) or better, are marginable.

Fixed-income investments are subject to various risks including changes in interest rates, credit quality, market valuation, liquidity, prepayments, early redemption, corporate events, tax ramifications, and other factors. For further details, please feel free to contact a Schwab Fixed Income Specialist at 877-563-7818.

Pattern Day Trading

Day trading is the purchasing and selling, or selling short and purchasing, of the same security on the same day within a margin account. Exceptions include a long security position (holder owns the security) held overnight and then sold the next day prior to any new purchase of the same security, or a short security position (sale of security borrowed from Schwab) held overnight and then repurchased the next day prior to any new sale of the same security.

A pattern day trader (PDT) is any client who executes four or more day trades within five business days in the margin account, provided the number of day trades is more than 6% of the total trades in the account during that period.

Pattern Day Trading Margin Requirements

Pattern day traders must maintain a minimum of $25,000 in equity at all times. On days that pattern day trader clients begin the day with less than the required minimum of $25,000 in equity, they will be held to liquidating trades only and will not be permitted to day trade for that entire day.

Day Trading Buying Power (DTBP) is the amount of securities the client is permitted to day trade in a margin account without incurring a day trade margin call. Each day's maximum DTBP is fixed at four times the FINRA margin maintenance excess in the account as of the close of business the previous day.

Pattern day traders can find their DTBP on the Account Balances page on Schwab.com.

Schwab does not promote a day trading strategy.

Strategies for Using Margin

Margin for Personal Expenses

Whatever your personal financing needs, a margin loan from Schwab can help. Below is an explanation of how margin can be used for personal lending.

Can margin only be used to purchase securities?

Margin can be used to purchase securities and for short-term borrowing or cash-flow needs.

Are there any usage issues or restrictions?

If used for real estate, your mortgage provider may not allow the use of borrowed funds for a down payment.

Duration of loan:

Typically short-term.

Benefits:

- Competitive rates
- No fees to add the margin feature to an account
- No additional applications or credit checks are required to use margin once the feature is available on your account
- No set repayment schedule as long as minimum equity requirements are met

Risks:

- If the market performs unfavorably, margin borrowing can amplify losses, or could trigger a margin call
- Margin interest rates may fluctuate
- Maintenance requirements may increase
- See Margin Risks

How to apply:

The margin feature is included with Schwab One accounts unless you opted out at the time of application. If you do not have the margin feature, you can apply online at Schwab.com.

Is there a setup fee?

No.

How to access funds:

Buy securities, write a check, use your debit card, MoneyLink, or a wire transfer.

Minimum & maximum loan amounts:

- Minimum: No minimum; however, $2,000 account equity is required to use margin
- Maximum: Depends on margin equity

Interest rate information:

View current margin rates here. Interest accrues daily and posts monthly.

Margin might be right for you if:

- You are looking to borrow a small portion of the funds available (low debt-to-equity ratio)
- You need the funds immediately
- You can tolerate the risk of market volatility

Margin may NOT be appropriate for you if:

- You are an inexperienced investor or are very risk-averse
- You have a small or concentrated portfolio
- You would be unable to access outside funds to cover a call or sustain losses

Short Selling

Short selling is a strategy where you sell a security that you have borrowed from Schwab hoping the price of the security drops in order to buy it back at the lower price. The profit is the difference between the price at which you sold the borrowed security and the price you paid to repurchase it, minus the cost of borrowing the security if applicable plus any interest charges on your debit balance, commissions, and fees. The utilization of this strategy presumes the price of the security will fall in the future.

The primary risk of short selling is that the price of the stock increases, in which case the theoretical loss is unlimited.

Short selling can occur only in a margin account that meets the minimum initial equity requirement of $2,000. Additionally, Schwab may not be able to accept your order if the security you are attempting to sell short is not available to borrow. In certain situations, Schwab may borrow hard-to-borrow securities from sources external to Schwab, such as another brokerage firm; there is a fee for this which the client must agree to pay.

If the lending firm requests the borrowed shares be returned, Schwab will buy-in the shares which you are short, close out your short position, and deliver those borrowed shares back to the lending brokerage firm, regardless of the profit or loss to you.

When you short sell a stock, Schwab retains the proceeds of the sale, and industry regulations require you to make an initial deposit or have additional equity in the account based on the net proceeds of that sale. In addition, Schwab has minimum equity and maintenance requirements determined by share price as shown in the charts on pages 12–23.

Options

An option is a contract giving the owner the right, but not the obligation, to buy (in the case of calls) or sell (in the case of puts) the underlying security at a specified price for a specified period of time. The underlying security can be a stock, an exchange-traded fund (ETF), an exchange-traded note (ETN), or an index. Unlike shares of stock, an option does not represent ownership in the underlying company. Because it is a contract, it represents the potential for a change in ownership, but it must be exercised to make that happen.

You must be approved before trading options in your account. Click here for more information on how to get started with options.

Call options give the holder the right to buy a specified number of shares of the underlying instrument at the strike price until the contract expires. Put options give the holder the right to sell a specified number of shares of the underlying instrument at the strike price until the contract expires. If you own an option, you're considered to be "long" the position. If you've sold an option you did not own at the time of sale, you're considered to be "short" the position.

There are various types of options trading strategies that clients can implement to help achieve objectives such as hedging risk, capital conservation, generating income, and speculation. Margin requirements for these options trading strategies are detailed here. Below we have described some of the more common equity-based options strategies, some of which require clients to have an active margin feature on their account.

Long options and cash-secured equity put writing strategies are commonly used for growth and speculation.

- **Long Calls.** Buying a call gives you the right (but not the obligation, unless auto-exercised) to buy the stock at the strike price at any time up until the option expires. Exercising the option allows you to "call" away the stock from the option seller for the strike price, which is presumably less than its current market value.
- **Long Puts.** Buying a put gives you the right, (but not the obligation, unless auto-exercised) to sell the underlying stock at the strike price until the option expires. Exercising the option allows you to "put" the stock to the option seller for the strike price, which is presumably higher than its current market value.
- **Long Straddles**. A long straddle involves the simultaneous purchase of a call and a put on the same underlying security, having the same expiration and the same strike price. Buyers of long straddles anticipate a significant movement in the underlying security by expiration, but are unsure of whether the move will be higher or lower. The strategy may be profitable if the movement in the underlying security exceeds the cost of the combined premiums paid for the long call and long put. The "break-even" points for this strategy are equal to the strike price plus and minus the combined premiums.
- **Long Combos.** Long calls and long puts on the same underlying security but with different strike prices or expiration dates.
- **Long Strangle**. A long strangle involves the simultaneous purchase of a call and a put on the same underlying security having the same expiration, but with different strike prices. Similar to a long straddle, buyers of a long strangle anticipate a significant movement in the underlying security but purchase the out-of-the-money calls and puts to decrease the combined cost of the long call and long put.
- **Cash-Secured Equity Put Writing.** Short puts in which the assignment value of the short put is covered by sufficient cash (or cash equivalents) within the account. Put sellers, whether naked or cash-secured, attempt to purchase securities they want to own at a lower price through assignment, or simply collect the premium if the put expires worthless.

Covered and protective option strategies are commonly used, respectively, for generating income and hedging.

- **Covered Calls.** A covered call strategy is when an investor has a long stock position and typically writes (sells) 1 call option for every 100 shares of the underlying stock owned. Investors who initiate a covered call position seek to generate extra income while holding their stock position with the assumption that the position may be called away if the short call closes in the money by expiration (seller is assigned). Downside protection on covered calls is limited to the amount of premium received, and profit potential is limited to the strike price plus premium received.
- **Covered Puts.** A covered put strategy is when an investor has a short stock position and typically writes (sells) 1 put option for every 100 shares of the underlying stock sold short. Investors who initiate a covered put position seek to generate extra income while maintaining their short position with the assumption that the stock may be put to them at the strike price of the short put if it closes in the money. Upside protection on covered puts is limited to the premium received, and profit potential is limited to the strike price plus premium received.
- **Protective Calls.** A protective call is when an investor has a short stock position and purchases one or more calls on the same underlying security. Buyers of protective calls seek to protect their short position by locking in a buy price for the duration of the call contract purchased. Protective calls will decrease your overall sales proceeds.
- **Protective Puts.** A protective put is when an investor has a long stock position and purchases one or more puts on the same underlying security. Buyers of protective puts seek to protect their long position by locking in a selling price for the duration of the put contract purchased. Using protective puts increases your cost basis in the underlying security.
- **Collar.** A collar strategy is when an investor has a long stock position along with a long put and short call on the same underlying security. Investors who initiate a collar strategy seek to buy protection on their stock position by purchasing the put, and simultaneously selling a call to offset the cost of the put. This strategy will offer protection to the downside but also limit the upside gain on the stock, which effectively places a “collar” on your stock position.

For more information on options trading strategies, click here. Or contact a Schwab professional by calling 877-594-6324.

Options carry a high level of risk and are not suitable for all investors. Certain requirements must be met to trade options through Schwab. With long options, investors may lose 100% of funds invested. Multiple-leg options strategies will involve multiple commissions. Spread trading must be done in a margin account. Writing uncovered options involves potentially unlimited risk. Please read the options disclosure document titled Characteristics and Risks of Standardized Options.

Sales & Withdrawals

Selling Stock

When you sell stock originally purchased on margin, your profit or loss is determined by your sale proceeds on the stock. You receive all the net profit or assume all the loss depending on the profitability of the sale.

Example Scenario*

If you buy 100 shares of stock at a price per share of $100, your current market value is $10,000. Since the Federal Reserve Board's Regulation T allows you to borrow 50% of this from Schwab, you could deposit $5,000 in your margin account and Schwab would loan you $5,000.

Current Market Value – Margin Balance = Equity
$10,000 – $5,000 = $5,000

If the price of the stock goes up. You have paid only a portion (50%) of the purchase price of the stock, but you receive 100% of the net profit. If your stock is worth $120 per share when you sell it, you would receive the proceeds from the sale of the stock less the margin loan.

Market Value at Sale – Margin Balance = Equity (Net Profit/Loss)
$12,000 – $5,000 = $7,000 ($2,000)

If the price of the stock goes down. You pay only a portion of the purchase price of the stock, but you take 100% of the loss. If your stock is worth $60 per share when you sell it, you would receive the proceeds from the sale of the stock less the margin loan.

Market Value at Sale – Margin Balance = Equity (Net Profit/Loss)
$6,000 – $5,000 = $1,000 (–$4,000)

**The calculations in these examples do not take into account interest charges, commissions, or fees.*

Substitutions

Substitution is the buying and selling of marginable securities in a margin account on the same trading day. For each dollar of securities sold, an equal dollar amount of marginable securities can be purchased, assuming that the securities have the same maintenance requirements.

If your purchase exceeds the amount of the sale, you are required to deposit the initial Regulation T requirement of 50% of the difference between the funds received and the funds needed to purchase the new security. The funds available in your margin account will be used to meet the federal requirement. To see how this works, review the following example:

Action	# of Shares	Stock Price	Value
Buy shares of Company X	100	$100	$10,000
Sell shares of Company Y	100	$80	$8,000

The difference is $2,000. Since $2,000 x 50% = $1,000, the amount you would need to deposit is $1,000. Please note that this example does not take into account interest charges, commissions, or fees.

If the amount of the sale exceeds the amount of the purchase, you may not be required to deposit additional funds to meet the initial margin requirement for the security that is purchased. The funds received from the sale will be credited to the account and will be available to purchase the new security. Therefore, the initial margin requirement for the new security will be satisfied from the sale proceeds, assuming that both marginable securities have the same maintenance requirement.

Withdrawals

You may withdraw cash from your margin account if you have available funds in excess of your initial equity and maintenance requirements. The cash may be withdrawn from your margin account at any time, subject to the availability of any recently deposited funds.

The available funds in your margin account are composed of the cash balance in the account, if there is one, plus the amount of money available from a margin loan against your marginable securities. The amount available for withdrawal is subject to the preservation of a minimum amount of equity in the account. The same rules apply to the withdrawal of stock from your margin account.

The amount of funds you have available to withdraw or trade is shown on the Account Balances page on Schwab.com.

Glossary

Collateral – Any assets available to secure repayment of a loan. Collateral can be seized by a lender and sold to cover the loan if a borrower defaults.

Collateralized Mortgage Obligation (CMO) – A type of mortgage-backed security that creates separate pools of pass-through rates for different classes of bondholders with varying maturities, called tranches. The repayments from the pool of pass-through securities are used to retire the bonds in the order specified by the bonds' prospectus.

Convertible Security – Securities (usually preferred shares or bonds) that are exchangeable for a set number of another form (usually common shares) at a pre-stated price.

Corporate Bond – Debt instrument issued by a private corporation, versus a government agency or municipality.

Day Trading – Purchasing and selling or selling and purchasing of the same security on the same day.

Day Trading Buying Power (DTBP) – Amount of securities the client is permitted to day trade in a margin account without incurring a day trade margin call. Each day's maximum DTBP is fixed at four times the regulatory maintenance margin excess in the account as of the close of business the previous day.

Equity – Amount of money in an account that reflects the account holder's ownership position.

Exchange-Traded Fund (ETF) – A fund that holds a portfolio of securities, such as stocks or bonds, and trades like a stock. An ETF is a kind of fund that can give you diversified exposure to a particular segment of the market (large-cap U.S. stocks, for example), a specific industry, or a geographical region.

Exchange-Traded Note (ETN) – A senior, unsecured, unsubordinated debt security issued by an underwriting bank. Similar to other debt securities, ETNs have a maturity date and are backed only by the credit of the issuer. ETNs are designed to provide investors access to the returns of various market benchmarks. The returns of ETNs are usually linked to the performance of a market benchmark or strategy, less investor fees.

Federal Reserve Board – Governing board of the Federal Reserve System that regulates credit, establishes policies on matters such as reserve requirements and other bank regulations, and sets the discount rate.

Financial Industry Regulatory Authority (FINRA) – Largest independent regulator for all securities firms doing business in the United States. Formerly NASD.

Hedging – Strategy used to offset investment risk.

Leverage – Use of debt to supplement investment. Leverage allows greater potential returns to the investor that otherwise would have been unavailable, but the potential for loss is also greater because if the investment becomes worthless, the loan principal and all accrued interest on the loan still need to be repaid.

Liquidation – Closing out a position or the forced sale of a brokerage client's securities to meet a margin call.

Maintenance Call – Issued when the value of margined securities plus any cash balance in an account is less than the maintenance requirement of the margined securities (typically 30% for equity securities).

Maintenance Requirement – Equity level that must be maintained in a margin account, as required by NYSE, FINRA, and individual brokerage firms.

Margin – Purchase of securities with money borrowed from a broker.

Margin Call – Issued when the value of margined securities plus any cash balance in an account is less than the required amount. Margin calls include Regulation T calls, maintenance calls, and minimum equity calls.

Marginable Stocks – Securities that can be bought or sold in a margin account, or which can be used as collateral for a margin account.

MoneyLink® – Service provided by Schwab that allows the transfer of funds between Schwab and other financial institutions at regularly scheduled intervals and/or on an ad hoc basis.

Mortgage-backed Security – An asset-backed security or debt obligation that is secured by a mortgage or collection of mortgages.

Municipal Bonds – Debt instrument issued by a state or local government entity.

National Association of Securities Dealers (NASD) – See FINRA.

National Association of Securities Dealers Automatic Quotations (NASDAQ) – Largest U.S. electronic stock market. With approximately 3,200 companies, it lists more companies and, on average, trades more shares per day than any other U.S. market. NASDAQ is the primary market for trading NASDAQ-listed stocks.

New York Stock Exchange (NYSE) – Now NYSE Euronext, this exchange group is comprised of equities and derivatives exchanges across the United States and Europe which trade cash equities, futures, options, fixed-income, and exchange-traded products. NYSE Euronext has over 8,000 listed issues.

Options – Contract giving the owner the right, but not the obligation to buy (calls) or sell (puts) the underlying instrument at a specified price for a specified period of time.

Pattern Day Trader – Trader who executes 4 or more day trades within 5 business days in a margin account, provided the number of day trades is more than 6% of the total trades in the account during that period.

Regulation T – Federal Reserve Board regulation covering the extension of credit to clients by securities brokers, dealers, and members of the national securities exchanges. It establishes initial margin requirements and defines eligible securities.

Securities – General term that usually refers to stocks and bonds, but which can refer to any investment product.

Securities and Exchange Commission (SEC) – Federal agency that enforces laws governing the securities industry.

Short Sale – Sale of securities not owned by the seller. The seller borrows stock for delivery anticipating a drop in price and then buys the stock later at the lower price.

Special Memorandum Account (SMA) – The SMA is a "bookkeeping" account used to record the amount of margin credit that can be extended to clients under the rules of Regulation T as governed by the Federal Reserve. SMA balances are used in calculating the amount of funds that may be withdrawn from the account or applied to new margin transactions.

Separate Trading of Registered Interest and Principal (STRIPS) – Securities that let investors hold and trade the individual interest and principal components of eligible Treasury notes and bonds as separate securities.

Uniform Gift to Minors Act (UGMA) / Uniform Transfer to Minors Act (UTMA) – Laws adopted by most states allowing an adult to contribute to a custodial account in a minor's name without having to establish a trust or name a legal guardian. Thus, minors can have securities bought and money invested in their names, but the custodian is responsible for managing the funds in the account.

Unit Investment Trust (UIT) – An investment company that offers a fixed, unmanaged portfolio, generally of stocks and bonds, as redeemable "units" to investors for a specific period of time. It is designed to provide capital appreciation and/or dividend income. UITs are one of three types of investment companies; the other two are mutual funds and closed-end funds.

Warrant – Security that entitles the holder to buy stock of the issuing company at a specified price, which can be higher or lower than the stock price at time of issue.

For clients located in the United States and Hong Kong, margin products and services are provided by Charles Schwab and Co. Clients residing in the EU, excluding residents of the U.K. and Switzerland, are not eligible for margin. In addition, clients residing within Europe, including the U.K., are restricted from using their available margin loan value to withdraw funds from their accounts. For specific questions not addressed here, please contact us at 877-752-9749 (within the U.S.), or +1-415-667-8400 (outside of the U.S.).

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