



## Secured Lending and Margin

April 28<sup>th</sup>, 2019

**Trinvest Advisors Managed Accounts** held at Interactive Brokers can provide secured lending services to you and your clients, using the assets in the account as collateral. Qualified loan collateral includes most tradable assets, including Caribbean sovereign and corporate bonds. As the loans are secured, borrowing costs are low, especially on larger borrowed amounts. Interest accrues daily, and all or any part of the outstanding balance can be repaid on any day without cost or penalty. Borrowed funds can be used to purchase additional securities in the account, or transferred out to for other uses.

Current Rates (04/28/2019)

Loan Amount	Rate Charged
0 - 100,000	3.94%(BM + 1.5%)
100,000.01 - 1,000,000	3.44% (BM + 1%)
1,000,000.01 - 3,000,000	2.94% (BM + 0.5%)
3,000,000.01 - 200,000,000	2.74% (BM + 0.3%)

The amount that can be borrowed is based on the market value as well as the type of securities in the account. Typically, up to 50% of value can be borrowed against equities as collateral, while higher loan values are available against bonds. As much as 80-90% of value may be borrowed against very high grade shorter duration bonds.

Loan to values for select bonds are as of 04/28/2019

Issuer	Size	Price	Mkt Value	Initial Margin	Maintenance margin	LTV Initial
JAMAN 45	200	116	\$232,000.00	\$73,635.00	\$58,908.00	68.2%
General Motors 25	200	96.90	\$193,800.00	\$38,587.00	\$30,870.00	80%
TRITOB 24	200	97.42	\$194,840.00	\$61,526.00	\$49,220.00	68.4%
PEMEX 25	200	93.41	\$186,830.00	\$66,966.00	\$53,573.00	64.2%

TRANSPARENCY  INTEGRITY  COMMITMENT 

15749 Booth Circle, Volente TX 78641; TEL 512-293-7036

## Example

Margin Collateral: \$2mm face (market value \$2.42mm) Government of Jamaica due 2045  
 Maximum initial borrow amount  $2,420,000 \times 0.68 = \$1,645,600$

	Debit Balance	Interest Rate	Interest Charged* (no surcharge)	Interest Charged* (surcharge)
Up to Tier I Cutoff	100,000	3.950%	3,950.00	3,950.00
Above Tier I Up To Tier II Cutoff	900,000	3.450%	31,050.00	31,050.00
Above Tier II Up To Tier III Cutoff	645,600	2.950%	19,045.20	19,045.20
Above the Tier III Up To Tier IV Cutoff	0	2.750%	0.00	0.00
Above the Tier IV Cutoff	0	2.750%*	0.00	0.00
Total	1,645,600		54,045.20	54,045.20

Your blended rate for

USD

**3.284%**

## FAQs

- **How and when is interest paid?**

IB accrues interest on a daily basis and posts actual interest monthly on the third business day of the following month. Daily accrued interest is based on the outstanding loan balance at the end of the day, and takes into consideration any new loans or loan payoffs during the day.

<https://www.interactivebrokers.com/en/index.php?f=1595>

- **What are the limits on withdrawals from the margin facility?**

Withdrawals are limited to the market value of the account minus the initial margin requirement (the initial required equity). The Initial margin requirement is expressed as a percentage of the account market value, and is different for various types of securities in the account. Typically, the Initial Margin Requirement is 50% for stocks, and may be as low as 20% for investment grade bonds. Thus, a margin account may be able to withdraw  $\frac{1}{2}$  or more of the account value as cash, depending on the types of securities in the account.

- **How do I qualify for the margin facility?**

Complete the Margin Questionnaire form, and we can determine if you qualify.

- **Are there any upfront fees?**

No

- **Will I be penalized for repaying the margin loan in full?**

No

- **Are there any restrictions on what I may use as collateral?**

The value of the securities in the account, and the required initial margin are determined by Interactive Brokers.

- **Can securities in my account be automatically liquidated if collateral values fall to below minimum required values?**

Yes. Be aware that if your account is under-margined, IB has the right to, and generally will, liquidate your positions until your account complies with minimum margin ratio requirements. Online account tools are available to monitor your account balances to avoid margin deficiencies and possible position liquidations, including:

- Real-time views of current, look-ahead, and overnight margin requirements;
- A preview of margin implications before you submit a trade;
- The ability to set alerts based on margin requirements;
- Margin warnings that appear as pop-up messages and color-coded account information to notify you that you are approaching a serious margin deficiency;
- Daily Margin Reports

- **What is the difference between Initial Margin Requirement and the Maintenance Margin Requirement?**

The Initial Margin Requirement (expressed as a %) is the minimum initial equity in the account at the initiation of the margin loan. The Maintenance Margin Requirement is the minimum required before you will be asked to either increase collateral or securities will be sold to reduce the value of the outstanding loan. For example, Initial Margin Requirement for stocks is 50% of account value, while the Maintenance Requirement is usually 25% of account value.