

COL MARGIN

Investing Power Multiplied

--

A guide to COL's standby credit line linked to your COL Trading Account. With COL Margin conveniently borrow funds to increase your buying power.

COL'S GUIDE TO MARGIN ---

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DISCLOSURE

Every investor needs to understand the risks associated with borrowing on margin since it is possible to lose a substantial portion of your investment if not managed properly. Utilizing margin demands that you to pay more attention to your account such as having to monitor stock prices daily.

The funds that you utilize to buy on margin is treated like a loan. That loan is secured by marginable stocks in your portfolio, and just like any loan, it must be paid back along with accrued interest.

Here are a few guidelines for your COL Account w/ Margin.

- Margin is not for everyone as it increases your level of market risk.
- All the marginable stocks and cash balance in your account are secured as collateral for your margin loan.
- The amount borrowed and the interest accrued on such must be repaid to COL regardless of the value of the stocks bought on your COL Account w/ Margin.
- Interest is accrued on your account and is computed based on the daily amount borrowed and is deducted from the cash value of your account at the end of every month.
- COL's interest rate is subject to change. Any changes will be announced over the website.
- There is a minimum amount of equity that must be maintained in your account.
- COL can change the margin requirements without prior notice.
- You should maintain a minimum equity percentage to fully utilize the margin facility.

Because of the inherent risks involved with borrowing on margin, COL has put together this Guide to Margin so that you can fully understand the risks and requirements that you should consider in using your COL Account w/ Margin for trading stocks.

What is Margin?

Margin is a credit facility extended to you by COL using your marginable stocks as collateral. You can use the funds from your account for any purpose, including the purchase of any stocks listed in the Philippine Stock Exchange (PSE). Interest is charged on the amount utilized or borrowed for the period of time that the loan remains outstanding.

What is the COL Margin Facility?

The COL Margin Facility permits customers to conveniently borrow funds from COL against marginable stocks in their portfolio to purchase stocks.

This credit facility is available to you at an interest rate of 1.5% per month (exclusive of VAT), accrued daily based on the amount of the credit utilized. Interest charges are deducted from your account at the end of every month.

What is the difference between my existing COL Cash Account and COL Account w/ Margin?

In a cash account, you can only purchase stocks limited by the cash balance you have in your account. With a COL Account w/ Margin, you have a flexible credit facility that allows you take advantage of investment opportunities, even if the cash is not immediately available.

Who are eligible for the COL Margin Facility?

Existing COL customers with a Total Account Equity of at least Php200,000 and above are eligible to apply for the COL Margin Facility. Total Account Equity is computed by totaling the market value of all your stocks that are fully paid plus adding remaining cash.

Minimum Maintaining Balance

A minimum maintaining net equity balance of Fifty Thousand Pesos (Php50,000) is required to keep your margin facility activated.

Opening a COL Account w/ Margin

All you need to do is to follow these 3 steps:

1. Request a copy or download the terms and conditions of the COL [Margin Facility Agreement](#) (2 copies) and fill it out completely. Indicate in Item 1 of the Margin Facility Agreement, the amount of credit line you are applying for. *Note: The credit line to be granted is subject to the approval of COL.*
2. Print and sign off on two (2) copies the COL Margin Facility Agreement
3. Send the two (2) original signed COL Margin Facility Agreements to: COL Business Center, Attention: COL Margin, 2403-B East Tower, Philippine Stock Exchange Centre, Exchange Road, Ortigas Center, 1605 Philippines.

Once approved, COL Margin will be available to you within 24 hours. You will receive an email confirmation from us saying that you can now view your new "Buying Power" by clicking on the Portfolio section of your Trade & Portfolio page and begin using this facility.

Stocks Eligible for Margin

COL has predetermined a number of listed stocks in the PSE where margin can be utilized fully. These are called 'Marginable Stocks' and COL allows you to **double your purchasing power** into them. As an example a Php200,000 cash deposit may buy up to

Php400,000 worth of Marginable Stocks. You may hold on to these stocks so long as you maintain an **Equity Percentage*** of 50% or more.

** Equity Percentage is computed as Total Equity divided by your Portfolio Value (where Total Equity = Portfolio Value less the Margin Loan).*

You can find the list of eligible stocks under your Portfolio page then clicking on 'List of Marginable Securities'.

The list is as of 01 JANUARY 2012:

#	Code	Name
1	AC	Ayala Corp
2	AEV	Aboitiz Equity Ventures
3	AGI	Alliance Global Inc
4	ALI	Ayala Land Inc
5	AP	Aboitiz Power Corp
6	BDO	Banco De Oro Unibank Inc
7	BEL	Belle Corporation
8	BPI	Bank of the Phil Islands
9	CEB	Cebu Air Inc.
10	COL	Citiseconline.com Inc
11	DMC	DMCI Holdings Inc
12	EDC	Energy Dev't Corp
13	FGEN	First Gen Corp
14	FLI	Filinvest Land Inc
15	FPH	First Phil Holdings Corp
16	GLO	Globe Telecom Inc
17	ICT	Int'l Container Terminal Inc.
18	JFC	Jollibee Foods Corp

19	JGS	J.G. Summit Holdings Inc
20	LPZ	Lopez Holdings Corporation
21	MBT	Metropolitan Bank & Trust
22	MEG	Megaworld Corporation
23	MER	Manila Electric Company
24	MPI	Metro Pacific Investments
25	MWC	Manila Water Corporation
26	NIKL	Nickel Asia Corporation
27	PCOR	Petron Corporation
28	PGOLD	Puregold Price Club Inc.
29	PNB	Philippine National Bank
30	PSE	Phil Stock Exchange Inc
31	PX	Philex Mining Corp
32	RCB	Rizal Comm. Banking Corporation
33	RLC	Robinsons Land Corp
34	SCC	Semirara Mining Corporation
35	SECB	Security Bank Corp
36	SM	SM Investments Corp
37	SMC	San Miguel Corp
38	SMDC	SM Development Corporation
39	SMPH	SM Prime Holdings Inc
40	TEL	Phil Long Distance Tel Co
41	URC	Universal Robina Corp
42	VLL	Vista Land & Lifescapes Inc.

Accounts Non-Eligible for Margin

COL Accounts with Total Account Equity of less than Php200,000 may not apply for margin privileges. All valid margin facility applications are still subject to the final approval of COL.

Margin Benefits & Features

A margin loan can provide you a number of advantages, whether you are looking to increase the potential returns on your investment or simply need a convenient credit line:

- **Leveraging of investment.** Purchasing stocks on margin allows you the potential increase your returns by owning more stocks that would otherwise be limited by the amount of cash you have in your account.
- **Trading flexibility.** You can take advantage of short-term opportunities and make timely investment changes, as long as you keep the minimum equity that is required by COL.
- **Portfolio diversification.** Margin can be used to diversify your portfolio by providing you the ability to purchase additional stocks if your portfolio is too concentrated.
- **Convenience.** The COL Margin Facility is a standby credit line that you can use at any time once your margin facility is approved.
- **Repayment simplicity.** You can repay your loan at any time since there is no repayment schedule as long as you maintain the required levels of equity and minimum maintaining balances in your account.
- **Competitive interest rates.** Interest rates on margin loans are generally more cost-effective than other available personal credit options in the market such as credit cards.
- **Ready line of credit.** Your margin loan can be treated as a short-term cash loan and can be used for any of your personal financial needs.

Margin Risks

Having a margin facility and utilizing it wisely increases your ability to profit from your investments. However, with the increased margin exposure you also are exposed to additional risk. We recommend that you take the time to understand how to use your margin facility and manage it according to your own risk tolerance and your overall investment goals.

It is therefore important for you to understand the associated risks when using your margin facility.

- **Leverage Risk.** Leveraging is defined as using borrowed capital, such as margin, to increase the potential returns of your investment. With COL Margin, you are able to significantly increase your gains when the market performs favorably. Conversely, it is important to recognize that the value of your investments can decrease as well.

By leveraging to buy more stocks, you can be exposed to greater downside risk rather than paying for stocks purely in cash. If you double your purchased asset you can double your effective risk. If the stocks acting as collateral for your margin loan lose value, you must still repay COL for the amount of money you originally borrowed and meet any margin call stipulations if any.

- **Interest rate risk.** COL Margin is a credit facility and is like any other loan whereby you must repay the loan principal as well as the interest charged on the loan. It is important to note that margin interest rates can change and fluctuate during the time you have an outstanding loan. So be aware of any notifications about margin rates.

- **Margin Call Risk.** COL may increase the margin maintenance requirements at any time. Any changes will be announced over the website. COL will issue you a margin call if the equity in your account falls below COL's minimum maintenance requirements. This will require you to deposit additional cash or collateral of marginable stocks.
- **Forced Liquidation Risk.** If you are unable to meet a margin call, COL will be forced to sell some or all of marginable stocks in your account with or without your prior approval. There are no extensions of time on a margin call.

Margin Maintenance Requirements

It is important for margin investors to understand it is their responsibility to ensure the equity in their account does not fall below an equity percentage of 50%, the minimum maintenance level. COL reserves the right to liquidate stocks to cover for any margin deficiency if your Equity Percentage falls below 42.857%* and is not required to notify you before doing so. If COL is forced to liquidate stocks at market prices to meet the minimum maintenance requirement, you risk the possibility that COL may sell stocks that you preferred to hold.

The next page provides a summary of different margin maintenance calls along with their respective triggers and respective actions and remedies.

** The client is required to raise his Equity Percentage to the minimum maintenance level of 50% within 5 business days.*

a. MARGIN ALERT

Triggering Cause	Client Equity Percentage falls below 50%.
COL Action	Client is informed via email and a website message that the account has fallen below the minimum maintenance level.
Client Action	None necessary – this is simply a warning.

b. MARGIN CALL

Triggering Cause	Client Equity Percentage falls below 42.857%.
COL Action	Client is informed via email and website message. The client is required to raise his Equity Percentage to the minimum maintenance level of 50% within 5 business days. Should the client not be able to satisfy the margin call, COL reserves the right to liquidate his stocks to bring back his Equity Percentage to at least 50%. COL will then suspend margin buying privileges in the account.
Client Action	Deposit more equity (marginable stocks or cash) or by selling shares within 5 business days.

b. MARGIN SUSPENSION

Triggering Cause	Client Equity Percentage falls below 33.333%
COL Action	Client's margin buying privileges is automatically suspended and is informed via email and website notice. If the client does not comply by noon of the next business day, COL reserves the right to liquidate stocks to cover the margin deficiency.
Client Action	The client must resolve the deficiency no later than the next business day and must reapply to instate his margin facility. Otherwise it will be converted to a cash account.

Tips for Managing Risk

- **Don't be fully leveraged.** Borrow less than the maximum amount the allowable in your account. Set a personal equity level for your self that is higher than COL's requirements to account for or give allowance to short-term price swings that may affect your equity percentage.
- **Borrow against a diversified portfolio.** This reduces the risk that a single security's drop in value will trigger a margin call.
- **Closely watch and regulate your margined portfolio.** Be aware of what is going on in the market. Recognize that margin does bring increased risk, and consistently reassess your risk tolerance. Try to anticipate general or longer periods of potential decline, especially during uncertain market conditions which may need some easing in margin exposure.
- **Have a plan.** When you use margin, have a plan in mind. Develop a risk management strategy for your investment 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.

Costs of Margin

How is Margin Interest Computed?

A COL Account w/ Margin that borrows money to make a stock purchase is charged an interest value for every day you utilize the loan.

The daily interest charge is computed by multiplying the margin loan for the day by the margin interest rate divided by the no. of days in a specific month plus VAT of 12%.

Sample Computation:

Interest charge = [Daily Loan Utilized x (Margin Interest rate / no. of days in a month)] + 12% VAT

Let's say you wish to borrow Php100,000 to trade stock ABC and carry this loan for 10 days. Furthermore let's assume a margin interest rate of 1.5% per month.

To simply calculate this borrowing cost:

Note down the daily amount you will borrow then multiply it by 1.5% divided by 30 days (assuming this number of days in that month).

Sample: $Php100,000 \times 1.5\% = Php1,500$

Then use this result and divide it by 30, then add your 12% VAT.

Sample: $Php1,500 / 30 \text{ days}$	= $Php50.00$
+12% VAT	= $Php6.00$
Total	= $Php56.00$

So borrowing Php100,000 for 10 days will cost you an interest charge of:

Sample: $Php56.00 \times 10 \text{ days} = Php560.00$

** The interest charge computed and accrued on a daily basis can be seen in your account ledger link in your portfolio page.*

How Does the COL Margin Facility Work? _____

The COL Margin Facility allows you to borrow funds to potentially double your Buying Power in buying stocks. You then pay an interest charge at the end of every month based on the daily utility of the funds you actually borrow. The interest charge is deducted from your account at the end of every month.

For example, if you have Php200,000 of equity, you increase your Buying Power through the COL Margin Facility to up to Php400,000. If the market value of that stock appreciates to Php500,000 and you decide to sell, you are able to generate a profit of about Php100,000 (less interest charges, taxes and commissions).

And this over an initial capital output of only Php200,000, that's almost 50 percent profit! If you don't have a margin facility, you would have to shell out the entire cost of capital or Php400,000 upfront, thereby limiting your ability to take in added shares when the time is right.

When you open a COL Account w/ Margin, you will apply for a certain margin limit or the maximum amount of credit you will be using. This can be a value up to twice your total equity or a loanable amount to be determined by COL, whichever is lower.

Once your account is approved, your portfolio page will change adding new margin details on your balances section. Your actual balance will become **Net Cash** and your **Buying Power** will split into two, the first would show you're **Buying Power Cash** and the second you're **Buying Power with Margin**.

Cash Account Portfolio

Cash Balance	
Actual Balance	Buying Power
200,000.00	200,000.00



Margin Account Portfolio

Account Balance		
BALANCES	ACTUAL	AVAILABLE
Buying Power Cash	200,000.00	200,000.00
Buying Power w/Margin	400,000.00	400,000.00
Net Cash	200,000.00	200,000.00

Your **Net Cash** now shows how much free cash you still have available; if this is negative, it shows you the amount you have borrowed on margin. The **Buying Power Cash** shows you the maximum amount you can buy of non-marginable stocks* (stocks you would have to buy fully with cash) which above shows Php200,000. **Buying Power with Margin** is the maximum amount of marginable stocks* you can buy with your extended margin credit. This means you can now use up to Php400,000 to buy any marginable stock or up to Php200,000 for stocks that are not marginable as you have to pay full cash for these.

** Not all stocks can be bought on margin as COL may limit which stocks can be traded with margin given our perception of risk. You can find our list of marginable stocks by navigating to Trade/Portfolio → Portfolio → List of Marginable Securities.*

To demonstrate trading with margin, let us say you decide to buy shares of company ABC which, for the purpose of this example, is one of COL's marginable stocks. On a particular day you decide to purchase Php200,000 worth of ABC shares priced at Php20 per share. For this trade you need to only have Php100,000 of your own cash balance and Php100,000 is lent by your broker as a margin loan. The details of your trade are posted below (discounting any charges and fees as of yet).

No. of Shares	10,000
Price per Share	Php20
Current Trade / Market Value	Php200,000
Margin Loan	Php100,000
Client's Account Equity Value	Php100,000
Your Equity Ownership (or Equity %)	50%

Sometime later the price of ABC increases to Php25 per share. Thus, the current trade or market value of your shares rise to Php250,000 from Php200,000. This shows that your account equity now stands at Php150,000 (or the market value of your shares less your loan) and that your original Php100,000 managed to make Php50,000 in profits! This also shows that your equity ownership (or percent) is now 60% of the total value of the portfolio from its original 50%.

No. of Shares	10,000
Price per Share	Php25
Current Trade / Market Value	Php250,000
Margin Loan	Php100,000
Client's Account Equity Value	Php150,000
Your Equity Ownership (or Equity %)	60%

Now let's say that the price of ABC drops to Php17 instead, this may have clear difference and consequences in your margin facility. Your current trade (market) value falls to Php170,000 and your equity ownership of the position drops to only Php70,000 or 41% of the total value of the portfolio. This triggers what is known as a margin call. Anytime your equity ownership falls below 50% a maintenance requirement or margin call may be triggered into your account.

No. of Shares	10,000
Price per Share	Php17
Current Trade / Market Value	Php170,000
Margin Loan	Php100,000
Client's Account Equity Value	Php70,000
Your Equity Ownership (or Equity %)	41%

Margin Alerts

You can find the specific details and any alert levels raised in your COL Account w/ Margin from your portfolio page by clicking on the link, 'Click Here for Detailed Balances' as shown in the example below.

Home
Quotes
Trade/Portfolio
Rese

Enter Order
View/Modify Order
Trading History
Portfolio
Off-hours Order
Off-

User: 0200-0039
Account: 2000039
Phisx:4,193.55 36.29

ACCOUNT SUMMARY *Dividends, deposits & withdrawal postings may be viewed through your Monthly

BALANCES	ACTUAL	AVAILABLE	
Buying Power Cash	560,629.78	560,629.78	Print Account Summary
Buying Power w/Margin	960,629.78	960,629.78	Print Monthly Account Ledger
Net Cash	560,629.78	560,629.78	View IPO Request Status
			List of Marginable Securities
			View Tender Offer

[Click Here for Detailed Balances](#)

Stock Position

This link will bring you to this page where you can see the complete details of your account.

MARGIN DETAILS	
Click here to return to PORTFOLIO	
ACCOUNT NUMBER	2000xxxx
ACCOUNT BALANCE	560,629.78
NET CASH BALANCE	560,629.78
MARGINABLE ACCOUNT EQUITY	560,629.78
TOTAL MARKET VALUE	0
TOTAL ACCOUNT EQUITY	560,629.78
BUYING POWER WITH MARGIN	960,629.78
BUYING POWER CASH	560,629.78
MARGIN LOAN	0
APPROVED MARGIN LIMIT	400,000.00
MARGIN RATE	200%
EQUITY %	100
MARGIN COVER %	0
MINIMUM EQUITY DEFICIENCY	0
MARGIN ALERT	NONE
MARGIN CALL	NONE
MARGIN SUSPENSION	NONE
MINIMUM REQUIRED MARGIN	0
MARGIN SHORTFALL	0
WITHDRAWABLE CASH LOAN	0
MARGIN CALL CASH DEPOSIT OR SALE OF NON-MARGINABLE SECURITY	0
MARGIN CALL STOCK DEPOSIT OF MARGINABLE SECURITY	0
MARGIN CALL STOCK SALE OF MARGINABLE SECURITY	0

Moreover email messages will be sent to you for each one of the events that has been triggered. **Thus a Margin Alert email will be triggered if your Equity Percent falls below 50%.** This is simply a reminder note that your margin balance is coming under some danger as your ownership of your shares has dropped below 50%. It suggests that you (1) top up your account with more cash, (2) deposit more marginable shares of stock, or (3) by selling some shares into your account to reduce your margin loan.

A Margin Call notice will be aired as soon as your Equity Percent falls below 42.857%. This is an action call to fix your COL Account w/ Margin given an equity percent shortfall of less than 42.857%. It suggests that you bring back your **Equity Percentage** to at least 50% within 5 business days from the date of this notice, by (1) top up your account with more cash, (2) deposit more marginable shares of stock, or (3) by selling some shares into your account to reduce your margin loan. It is important to note that should you not be able to satisfy the **Margin Call** within 5 business days, COL reserves the right to sell stocks in your account (not limited to those purchased on margin) to bring back your **Equity Percentage** back to at least 50%.

The final notice is the Margin Suspension notice which will be aired if your Equity Percentage drops to 33.333% or lower. This is a notice of termination note that tells you that margin facility privileges have been suspended. A suspended account will automatically halt your ability to buy on margin and will only allow you to sell shares to fix your equity percent deficiency by noon of the next business day. Should you not be able to satisfy the **Margin Suspension Notice** by noon of the next business day, COL reserves the right to sell stocks in your account (not limited to those purchased on margin) to cover your loan. Thereafter your account will be reverted back to a regular cash account.

If you wish to reactivate your COL Margin Facility, you will need to reapply for the account to be reinstated by filling up a "Margin Reactivation Form" which you can download from the COL's Home Page under Forms and submit the original signed form to the COL Business Center for evaluation.

Strategies for Using Margin

Whatever your personal financing needs, a margin loan from COL can help. Below is a chart explaining how margin can be used for personal lending.

Can margin only be used to purchase stocks?	<ul style="list-style-type: none">• Margin can be used to purchase stocks and for short-term borrowing or cash-flow needs
Benefits	<ul style="list-style-type: none">• Competitive rates• Use the borrowed funds only when you need it• No additional applications or credit checks are required to use margin once the Margin Facility is available to you• No set repayment schedule as long as your minimum equity requirements are set
Risks	<ul style="list-style-type: none">• 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
Set-up Fee	<ul style="list-style-type: none">• None

<p>Minimum and Maximum Loan Amounts</p>	<ul style="list-style-type: none"> • Minimum: No minimum; however, Php200,000 account equity is required to apply for margin • Maximum: at the discretion of COL
<p>Interest rate information</p>	<ul style="list-style-type: none"> • As of this date, 1.5% per month plus VAT, computed on a daily basis for the amount utilized and days utilized
<p>Margin might be right for you if:</p>	<ul style="list-style-type: none"> • You need the funds immediately • You can tolerate the risk of market volatility
<p>Margin may not be appropriate for you if:</p>	<ul style="list-style-type: none"> • 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

Glossary

Cash Account

A type of account where all transactions are paid for in cash.

Buying Power Cash

The maximum value or amount available to make new purchases of non-marginable stocks or is the total amount withdrawal in cash.

Buying Power with Margin

The maximum value or amount available to buy marginable stocks.

COL Account w/ Margin

A type of account that enables the customer to borrow funds against their marginable equity to buy marginable stocks.

Margin Alert

An email notification sent to the customer advising them that their equity percentage has fallen below 50% and that their ability to purchase stock has been halted until the equity percentage is increased back above 50%.

Margin Call

An email notification sent to the customer advising them that their equity percentage has fallen below 42.857% and to add additional funds, deposit eligible securities or sell stocks in their account to bring back their margin equity percentage to at least 50% within 5 business days.

Margin Suspension

An email notification sent to the customer advising them that their equity percentage has fallen below 33.333% and that their margin facility has been suspended. Customers will then have up to noon of the next business day to pay off the margin loan completely by depositing additional cash and/or eligible securities or sell stocks in their account. COL then reserves the right to sell stocks in your account (not limited to those purchased on margin) as it sees fit to cover the margin loan.

Margin Cover

Represents the percentage of your marginable securities over your margin loan.

Margin Equity

Represents total account equity less margin loan.

Equity Percentage

Equity Percentage shows the percentage share of ownership you have over your accounts market value. Thus an Equity Percentage of 70% shows that you own 70% of your account's market value while the balance of 30% is on margin (borrowed funds).

Minimum Required Margin

Represent the minimum amount your account must own to back up your margin exposure.

Margin Loan

Represents the total amount of borrowings.

Marginable Stocks

Stocks that are eligible for margin.

Non-Marginable Stocks

Stocks that are not eligible for margin.

Total Account Equity

The total market value of all stocks and cash in your portfolio.

For further information regarding the
COL Margin Facility please contact the
following:

COL CUSTOMER SUPPORT
2403-B East Tower, PSE Centre
Exchange Rd. Ortigas Center
Pasig City, Philippines 1605

Hotline:
+632 6 515 888