

Risk statement for *Loan* applicants

Before you apply for a CommSec Margin Loan, you must consider:

- The CommSec Margin Lending Product Disclosure Statement (PDS); and
- whether the *Loan* is right for you; and
- the risks associated with the *Loan*.

We strongly suggest that you obtain independent legal and financial advice to get a better idea of the risks of margin lending and the way in which you can manage those risks.

If you have appointed an Adviser you remain primarily responsible for managing your margin loan. These obligations include but are not limited to:

- Monitoring your *Portfolio*; and
- Determining when your *loan* is subject to a *Margin Call* and;
- Ensuring that a *Margin Call* does not occur

You and your Advisers should be aware of the following risks:

- exposure to the volatility of the markets (like the stock market) in which *Financial Products* are bought and sold;
- borrowing money to purchase *Financial Products* (gearing) can magnify the financial effect on you of any decrease in the value of the *Financial Products*;
- all *Financial Products* which you buy using the *Loan* proceeds are mortgaged to us to ensure your obligations under the *Loan Agreement*;
- income from your investments and the interest on your *Loan Account* may fluctuate. Also, the time at which you pay interest on your *Loan Account* may be different from the time at which you earn income on your investments; and
- we can make a *Margin Call* at any time on any day.

We require that the maximum amount you owe us at any time is no greater than the Maximum Gearing Level (which is the lower of the *Maximum Gearing Ratio* and the *Margin Call LVR*).

The *Maximum Gearing Ratio* is the maximum amount we will lend expressed as a percentage against a *Portfolio*, as determined by us from time to time and notified by being placed by us on the CommSec website.

The *Margin Call LVR* is the Base LVR plus the *Buffer* on your *Loan Account* at that time. The Base LVR depends on:

- the value of the *Financial Products* supporting your obligations; and
- the proportion of that value (the *Lending Ratio*) we are willing to lend at that time.

At any time, we can change the Lending Ratio without telling you. Also, the Market Value of Financial Products may reduce rapidly over a short period.

If at any time the amount you owe us is greater than the *Portfolio Lending Value* plus the *Buffer* we can make a *Margin Call*.

The PDS and CommSec website include Case Studies that illustrate some *Margin Call* scenarios.

Notice of Margin Call

We will take reasonable steps to notify you of any *Margin Call*. You must satisfy that *Margin Call* whether or not you personally receive it.

In case you are not available to receive a *Margin Call* personally, you should direct us to give notice of any *Margin Call* we make to a person who:

- is always available; and
- is authorised by you to satisfy a *Margin Call*.

It is your obligation to ensure that a *Margin Call* does not occur. We may provide you notice by means of SMS alert, phone, or email. You must satisfy any *Margin Call* by the time specified in the Terms and Conditions. The *Financial Products* securing your *Loan* may need to be sold to clear the *Margin Call* without reference to you.

You may satisfy the Margin Call by:

- depositing money in your *Loan Account*; or
- giving us more *Financial Products* to support your obligations; or
- selling all or some of your *Financial Products* and using the proceeds to reduce the *Loan Balance*.

If you do not satisfy a Margin Call:

- we may (but are not obliged to) sell any of or all the *Financial Products* supporting your obligations and reduce the amount you owe us;
- we may sell those *Financial Products* without contacting you first;
- we may sell those *Financial Products* in the order we choose. You should refer to the Part 3 (Mortgage) of the Terms and Conditions.

Also, there may be circumstances in which we can require you to pay all of what you owe us. Those circumstances include, but are not limited to:

- you do not satisfy a *Margin Call*;
- that at any time on any day your *Current LVR* exceeds 95%.

You should familiarise yourself with the other circumstances in which we can ask you to pay us, as specified in the Terms and Conditions.

Payments to *Loan Account*

Even if *you* do not draw on *your Loan Account*, the amount *you* owe us can increase with unpaid interest and unpaid fees and charges *we* debit to *your Loan Account*.

We charge interest on the debit balance of *your Loan Account*, no matter what sums go to make up that balance.

The balance of *your Loan Account* may increase with unpaid interest, fees and charges sufficiently to require us to make a *Margin Call*.

What *you* must pay *us* is not limited to the value of the *Financial Products* supporting *your* obligations. *You* must pay *us* all amounts *you* owe *us* even if:

- the *Financial Products* supporting *your* obligations are sold and the proceeds are not sufficient to pay all of what *you* owe *us*: or
- the *Financial Products* supporting *your* obligations are of little or no value at all; or
- *we* reduce the *Lending Ratio* of a security.

Taxation

You may wish to negatively gear investments *you* make with *Loan* proceeds. However, it may not be possible to do so.

Interest deductibility is dependent on *your* personal circumstances and whether the borrowed funds are used to earn assessable income. *You* should speak to an independent taxation adviser to determine whether *you* can deduct interest incurred by *you* on *your Loan Account*.

***You* have sole responsibility for deciding in which *Financial Products* *you* will invest. See Part 2 (*Loan Agreement*) of the Terms and Conditions. *We* do not:**

- recommend any *Financial Products*; or
- give any opinion on the performance of *Financial Products* or the company or trustee that issues *Financial Products*, even if *we* are willing to lend money against those *Financial Products*.

Drawings on the *Loan Account*

We consider whether or not to fund a drawing on the *Loan Account* at the time *you* ask *us* to fund the drawing.

You may ask to draw on *your Loan Account* to purchase *Financial Products* at a date in the future. If the *Portfolio Lending Value* is insufficient at that future date, *we* will not fund the drawing regardless of the position when *you* asked for the drawing.

By Signing the Application *you* acknowledge that *you* have read and accepted this Risk Disclosure statement.