INTL · FCStone®

# Margin Requirements

INTL FCStone Financial Inc. ("INTL"), allows you to offer your clients margin accounts. This document is intended for you, as one of INTL's correspondents, to outline the initial and maintenance requirements for securities on margin. It is not to be distributed to any third parties.

**PLEASE NOTE:**

- Non-US securities are subject to special requirements and may not be marginable (see below).
- Special requirements apply to accounts that are classified as belonging to pattern day traders.
- Concentrated or volatile securities may be subject to higher margin requirements (see last page).
- Requirements set forth in this document are subject to change by INTL at its sole discretion at any time.
- We reserve the right to call margin loans as published in the margin agreement and margin disclosures.

Additionally, contact your relationship manager directly regarding anticipated client account margin debit balances of $1,000,000 or more or relating to requirements for unusual transactions or situations.

## Equities

If your client elects to purchase equities on margin, refer to the table below for the initial and maintenance requirements associated with each type of equity. The minimum equity requirement is $2,000 for margin accounts. Concentrated positions will have higher maintenance requirements.

| Type of US Security | Initial Requirement | Maintenance Requirement |
|---|---|---|
| Stocks Listed on a National Securities Exchange | 50% of the net amount if greater than $5 per share<br><br>100% of the net amount if lesser than $5 per share | The greater of 30% of the market value if above $5 per share,<br><br>$1.50 per share if between $3 and $5 per share,<br><br>100% if below $3 per share |
| Exchange-Traded Funds Leveraged Multiplier | 100% of the net amount | NYSE maintenance requirement times the leverage multiplier |
| Other Equities, Warrants, Auction Rate Securities | 100% of the net amount | 100% of the market value |
| Stocks (Listed) Sold Short | 50% of the net proceeds | The greater of 30% of the short market value or $5 per share |
| Exchange-Traded Funds Leveraged Sold Short | 100% of the net proceeds | NYSE maintenance requirement times the leverage multiplier |
| Non-US Equities | Varies - Contact your RM | Varies - Contact your RM |

## Mutual Funds and Unit Investment Trusts (UITs)

Mutual fund and UIT purchases must be made in the cash account and paid in full. They only become eligible for margin 30 days after settlement date or payment date, whichever comes later.

| Type of US Security | Initial Requirement | Maintenance Requirement |
|---|---|---|
| US Mutual Funds and UITs | 100% of the market value | 30% of the market value |
| Non-US Mutual Funds | Varies – Call your RM | Varies – Call your RM |

## Fixed Income Securities

Refer to the table below for the initial and maintenance requirements if your client elects to purchase fixed income securities on margin. Concentrated positions will have higher maintenance requirements*

| ***US Convertible Corporate Bonds*** | | |
|---|---|---|
| **Type of Security** | **Initial Requirement** | **Maintenance Requirement** |
| Listed on a National Securities Exchange | 50% of the net amount | 30% of the market value |
| Convertible Bonds Sold Short | 50% of the net amount | 30% of the market value |
| Convertible Arbitrage - Long position on a convertible bond and a short position in its converting common stock | Standard Initial Requirements apply to each leg of the arbitrage | The maintenance requirement is the sum of the following calculations:<br>a. Hedged short common stock:<br>• Investment Grade: 10%<br>• Non-Investment Grade: 20%<br><br>b. Normal maintenance requirements on the unhedged portion of the bond<br><br>c. 30% of the loss on the conversion. (Long market value of bond minus short market value of short shares is the loss on conversion) |

| ***US Non-Convertible-Corporate Bonds*** | | |
|---|---|---|
| **Type of Security** | **Initial Requirement** | **Maintenance Requirement** |
| Interest-Paying Corporate Bonds (Rated No Lower Than BAA3 by Moody's or BBB- by Standard & Poor's® [S&P®]) | 20% of the net amount | 20% of the market value |
| Asset Backed Bonds<br>Private Label CMO/CLO | 20% of the net amount | 20% of the net amount |
| Corporate Bonds Sold Short | 20% of the net amount | 20% of the market value |
| Zero-Coupon Bonds (Rated No Lower Than BAA3 by Moody's or BBB- by S&P) | The greater of 20% of the net amount or 12% of the face amount | The greater of 20% of the market value or 12% of the face amount |

*INTL identifies concentrated positions and applies higher margin maintenance requirements.

| ***Municipal Bonds*** | | |
|---|---|---|
| **Type of Security** | **Initial Requirement** | **Maintenance Requirement** |
| Interest-Paying Municipal Bonds (Rated No Lower Than BAA3 by Moody's or BBB- by S&P) | 20% of the net amount | 20% of the market value |
| Municipal Zero-Coupon Bonds (Rated No Lower Than BAA3 by Moody's or BBB- by S&P) | The greater of 20% of the net amount or 10% of the face amount | The greater of 20% of the market value or 10% of the face amount |
| Auction Rate Securities Backed by Fixed Income Products | Not Marginable | Not Marginable |
| Variable Rate Demand Notes/Obligations (VRDN/VRDO) | Not Marginable | Not Marginable |

| ***US Government Securities*** | | |
|---|---|---|
| **Type of Security** | **Initial Requirement** | **Maintenance Requirement** |
| U.S. Government Direct Obligations (Bills, Notes, Bonds) | 5% of net amount if less than 5 years to maturity<br><br>10% of the net amount if greater than 5 years to maturity | 5% of net amount if less than 5 years to maturity<br><br>10% of the net amount if greater than 5 years to maturity |
| U.S. Government Agency and Pass-Through Bonds (e.g., GNMAs & FNMAs) | 10% of the net amount | 10% of the market value |
| U.S. Government Agency Bonds Sold Short | 10% of the net amount | 10% of the market value |
| U.S. Government Bonds Sold Short | 5% of net amount if less than 5 years to maturity<br><br>10% of the net amount if greater than 5 years to maturity | 5% of net amount if less than 5 years to maturity<br><br>10% of the net amount if greater than 5 years to maturity |

| ***Non-US Bonds (including corporates and sovereigns)*** | | |
|---|---|---|
| **Type of Security** | **Initial Requirement** | **Maintenance Requirement** |
| Interest-Paying Bonds (Rated greater than a B- by S&P) | Varies – Contact your RM | Varies – Contact your RM |

## When-Issued Securities

Refer to the table below for the initial and maintenance requirements if your client elects to purchase when-issued securities in a cash account. Concentrated positions have higher maintenance requirements.

| Type of Security | Initial Requirement | Maintenance Requirement |
|---|---|---|
| When-Issued Securities | The greater of 25% of the net amount or $2,000, but not to exceed 100% of the net amount | The greater of 25% of the net amount or $2,000, but not to exceed 100% of the market value |

**NOTE:** When-Issued securities purchased in a margin account have the same initial and maintenance requirements as issued securities.

## Options and Option Strategies

No account is permitted to execute a straddle, spread or uncovered (naked) option transaction without the required margin in the account, including minimum marginable equity of $25,000. Refer to the CBOE Margin Calculator (http://www.cboe.com/trading-tools/calculators/margin-calculator).

## Concentrated Position Requirements

Concentrated positions are composed of equities, municipal bonds and corporate bonds. Positions that meet the below parameters will be identified and the concentrated positions will be reviewed for liquidity. Liquidity is based on the securities' average daily volume for the prior eight weeks compared to the size of the position held.

Effective July 1, 2017, INTL FCStone Financial, Inc. will maintain concentrated equity security positions under the following guidelines. These guidelines are being made in compliance with the Rule 4210 (f)(1) that states:

**Determination of Value for Margin Purposes**—Active securities dealt in on a national securities exchange shall, for margin purposes, be valued at current market prices provided that only those options contracts on a stock or stock index, or a stock index warrant, having an expiration that exceeds nine months and that are listed or OTC (as defined in this Rule), may be deemed to have market value for the purposes of this Rule. Other securities shall be valued conservatively in view of current market prices and the amount that might be realized upon liquidation. Substantial additional margin must be required in all cases where the securities carried in "long" or "short" positions are subject to unusually rapid or violent changes in value, or do not have an active market on a national securities exchange, or where the amount carried is such that the position(s) cannot be liquidated promptly.

To protect the Firm's capital and that of our clients, we define equity concentration as:

A. An equity or fund in an account that makes up 50% or more of the total market value of the securities on margin.
B. The account has a margin debit balance greater than $50,000.

We review concentrated positions to determine the salability of that security for consideration of credit. Our policy is as follows:

A. We will extend credit or potential credit with respect to the number of shares equal to five times the average daily trading volume for a position that is concentrated in a customer account.
B. The average daily trading volume will be calculated based upon the previous 4-week volume divided by the number of trading days within those 4 weeks. The volume amount will be attained from the Beta Historical Prices screen. The quantity of shares that exceed this calculated threshold (SMA permitting) will be journaled to the customer cash account and not included in the account's margin calculation.

   The foregoing are only policy guidelines. We reserve the right to increase our maintenance requirement for any security, to make exceptions to the guidelines, or to take appropriate action at any time without notice.

   FIRM CONCENTRATION
   A. Any equity security where the firm-wide quantity on margin exceeds 10% of the outstanding shares will have an initial requirement of 100% and a minimum maintenance requirement of 40%.
   B. Any equity security where the firm-wide quantity on margin exceeds 50% of the 25-day average daily volume will have an initial requirement of 100% and a minimum maintenance requirement of 40%.