



KITFinance
Europe

**Margin trading in
KIT Finance Europe:
leverage your positions**

How is margin trading useful

If you do not have enough money for a house purchase, you take a mortgage to own the house now but pay later.

Similarly in trading you may borrow the funds from the broker to increase your positions in a bull or a bear market both as a tactical opportunity or a long-term investment.

Margin trading covers:

- Borrowing funds for securities' purchases
- Borrowing stocks for selling (short sales)

Finding the leverage amount

All the calculations are done automatically by the trading system. The two main indicators are:

Portfolio value:

Cash (RUB, USD, EUR)
+ Liquid securities,
- Liabilities (negative cash and securities).

Initial margin:

Liquid securities* Initial rate risk

= \sum (security market price* initial risk rate)

Orders are rejected if the portfolio value is below the initial margin.

Initial risk rates for each security are given in [Liquid Securities List](#) at www.kfe.ee.

Example 1 (Russian market)

Portfolio:

3000 Sberbank

2 000 RUB.

Buy order for 50 Lukoil. If order is filled:

Portfolio value

Security	Amount	Last price	Total value
Sberbank-p	3000	76.59	229 770 RUB.
Cash			2 000 RUB.

= 231 770 RUB.

Initial margin

Security	Amount	Last price	Risk rate	Initial margin
Sberbank-p	3000	76.59	33%	75 824 RUB
Lukoil	50	2 594	28%	36 316 RUB

= 112 140 RUB.

Portfolio value > Initial margin → Order is valid

Example 2 (US market)

Portfolio:

200 000 RUB (USDRUB = 66)

100 Cisco

Buy order for 100 Apple. If order is filled:

Portfolio value

Security	Amount	Last price, USD	Total value
Cisco	100	27	178 200 RUB
Cash			200 000 RUB

= 378 200 RUB.

Initial margin

Security	Amount	Last, USD	Risk rate	Initial margin
Apple	100	120	36%	285 120 RUB.
Cisco	100	27	36%	64 152 RUB.

= 349 272p.

Portfolio value > Initial margin → Order is valid

Cost of borrowing

Just as with a mortgage there is interest charged on the funds used for margin trading.

KIT Finance Europe interest rate for borrowing Russian Rubles and Russian securities is **16.95% annually***.

All other currencies and securities carry an annual interest rate of **10%***.

In portfolio:

3000 Sberbank-p

2 000 RUB.

You bought 50 Lukoil @ 2 594 RUB for total of 129 700 RUB, so you borrowed **127 700 RUB and used own capital of 2 000 RUB**

The daily rate charge is 59.30 RUB. Under assumption of 16.95% annual rate on (127 700 RUB.).

**Tariff KIT Standard, 30.11.2015*

Maintenance margin

Initial margin indicates whether or not a new order can be placed. It represents adequacy of the position to cover the borrowed funds in case of market losses.

Another concept in margin trading is maintenance margin.

Minimum risk rates are given in the trading system. The minimum risk rates are always below the initial risk rates. Maintenance margin is calculated in the same way as the initial margin except that minimum risk rates are used instead of the initial risk rates.

Maintenance margin:

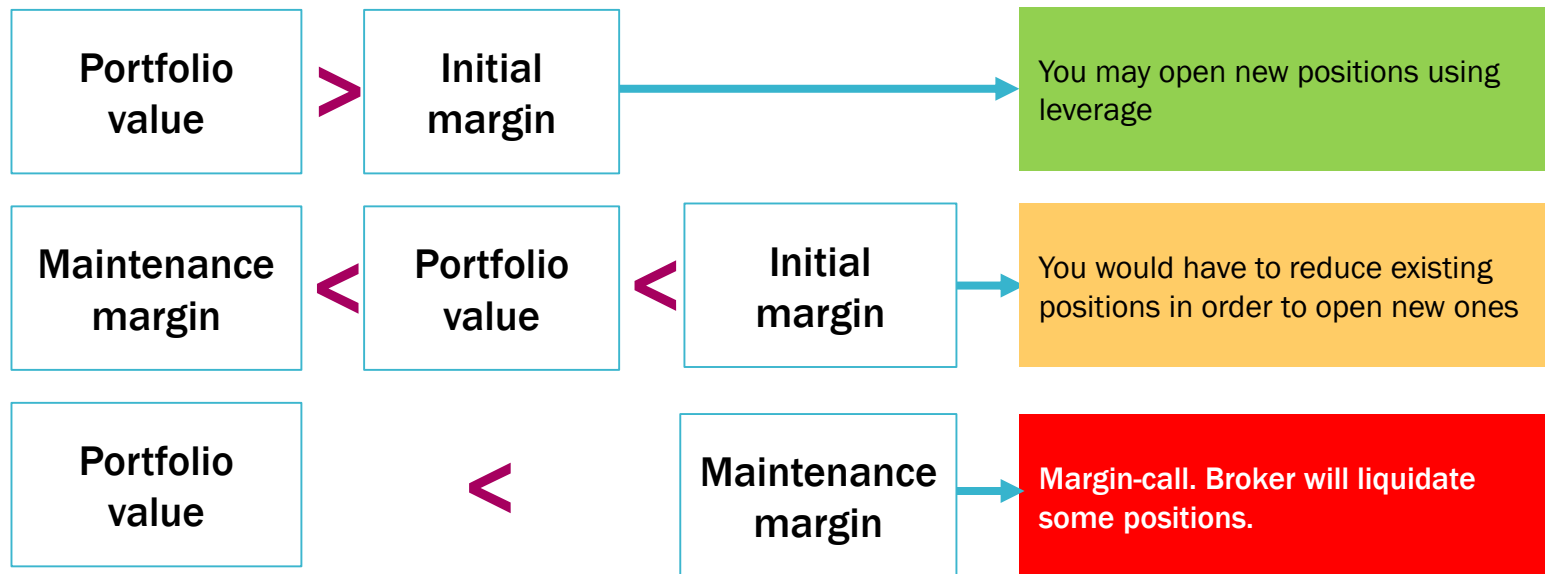
Liquid securities* Minimum risk rate
 $= \sum(\text{security market price} * \text{minimum risk rates})$

Margin trading main concept

As securities prices always change, so will the portfolio value and levels of initial and maintenance margins.

Real-time calculations ensure that portfolio value dropping below the maintenance margin can be spotted on a timely basis.

Consider the following principles:

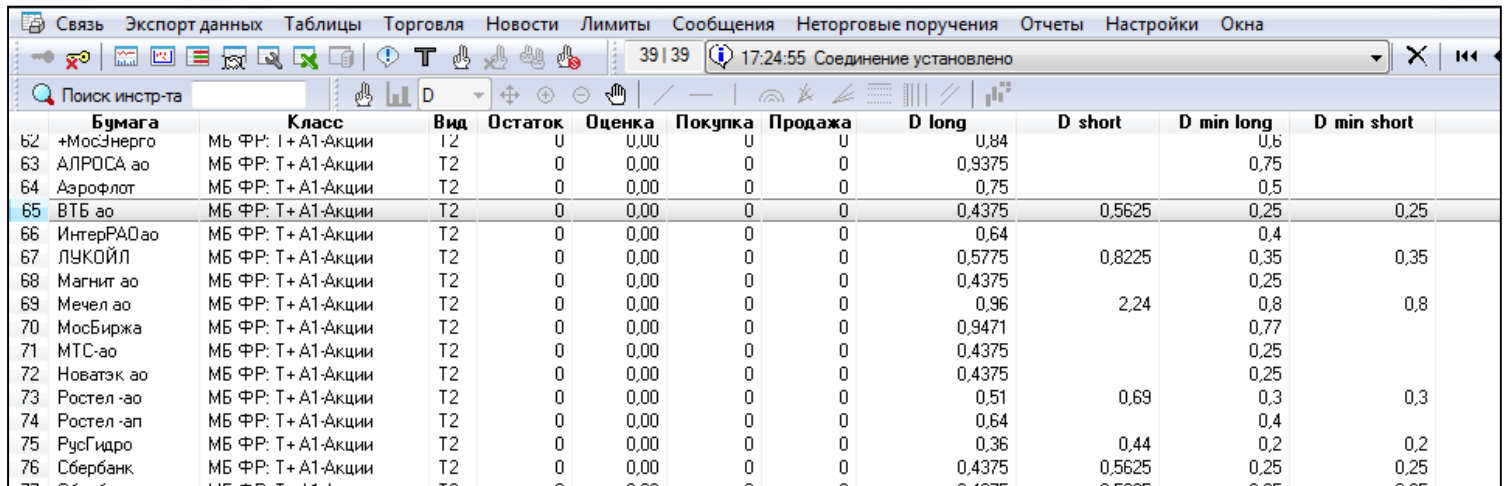


Initial and minimum risk rates

Broker's risk rates can be checked in the QUIK platform:

«Limits» → «Client portfolio» → (right click) Table «Buy/ Sell».

NB! QUIK version at least 6.11.



Бумага	Класс	Вид	Остаток	Оценка	Покупка	Продажа	D long	D short	D min long	D min short
62 +МосЭнерго	МБ ФР: I+ A1-Акции	T2	0	0,00	0	0	0,84		0,6	
63 АЛРОСА ао	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,9375		0,75	
64 Аэрофлот	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,75		0,5	
65 ВТБ ао	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,4375	0,5625	0,25	0,25
66 ИнгерРАОао	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,64		0,4	
67 ЛУКОЙЛ	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,5775	0,8225	0,35	0,35
68 Магнит ао	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,4375		0,25	
69 Мечел ао	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,96	2,24	0,8	0,8
70 МосБиржа	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,9471		0,77	
71 МТС-ао	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,4375		0,25	
72 Новатэк ао	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,4375		0,25	
73 Ростел -ао	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,51	0,69	0,3	0,3
74 Ростел -ап	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,64		0,4	
75 РусГидро	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,36	0,44	0,2	0,2
76 Сбербанк	МБ ФР: T+ A1-Акции	T2	0	0,00	0	0	0,4375	0,5625	0,25	0,25

D long – initial risk rate for long positions

D short – initial risk rate for short positions

D min long – minimum risk rate for long positions

D min short – minimum risk rate for short positions

How to find maximum leverage in QUIK

QUIK will reevaluate the **initial margin** at the order price when you submit an order. If portfolio value is **below** the initial margin, **order is cancelled**.

Finding the maximum number of securities that can be bought/sold at the last price:

«Limits» → «Client portfolio» → select the relevant portfolio and double click – in table «Buy/Sell»:
fields «Buy», «Sell».

The total purchasing power of securities not included in the liquid securities list can be found in: «Limits» → «Client portfolio»:
field «LimNonMargin».



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Licence

AS KIT Finance Europe

Commercial Register Number: 11058103

Estonian FCA licence number: № 32 от 20.04.2005 г.

Investment services and activities:

- Reception and transmission of orders in relation to one or more financial instruments.
- Execution of orders on behalf of clients.
- Dealing on own account.
- Portfolio management.
- Investment advice.
- Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis.
- Placing of financial instruments without a firm commitment basis.

Ancillary services

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management..
- Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings.
- Foreign exchange services where these are connected to the provision of investment services.
- Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments.
- Services related to underwriting.
- Investment services and activities as well as ancillary services related to the underlying of the derivatives - where these are connected to the provision of investment or ancillary services.