Citibank

REVISION OF MARGIN MONITORING METHODOLOGY FOR PORTFOLIO FINANCE

Thank you for banking with Citibank Singapore Limited.

We would like to inform you that with effect from 27 March 2017, our margin monitoring methodology will be revised as set out below. This change may enable you to have a larger threshold before a margin call and force sell trigger.

Margin Monitoring Methodology

The current margin call level is set at 5% above the weighted financing ratio while force sell level is set at 10% above the weighted financing ratio.

The new margin call level is set at 25% Erosion of the Initial Margin and the new force sell level is set at 50% Erosion of Initial Margin.

Please refer to Table 1 *(Portfolio Finance Margin Erosion)* and Table 2 *(Methodology Comparison Illustration)* in Annexure 1 for details on the new margin requirements.

The margin call and force sell levels are subject to change by the Bank without prior notice. The existing terms and conditions applicable to your Facilities, including the General Terms and Conditions for Credit Facilities, remain the same. Please refer to your Portfolio Finance Application Form for more information.

If you require more information on the above notice please refer to the attached Frequently Asked Questions or contact your Relationship Manager.

Annexure 1

Table 1 – Portfolio Finance Margin Erosion

The illustration below shows a client who has an initial collateral value of S$100,000 and a loan of S$70,000.

Portfolio Finance Margin Erosion Illustration								
Collateral Value	Loanable Value	Loanable Limit	Outstanding Loan Amount	Initial Margin	Margin Erosion	ME%	Margin Status	Margin Top-Up Requirement
S$100,000	70%	S$70,000	S$70,000	S$30,000	S$0	0.00%	Within Margin	S$0
S$92,500	70%	S$64,750	S$70,000	S$30,000	S$7,500	25.00%	Margin Call	S$5,250
S$85,000	70%	S$59,500	S$70,000	S$30,000	S$15,000	50.00%	Force sell	S$10,500

*"**Collateral Value**" at any particular time, refers to the aggregate value of the whole of any deposits and securities and any other assets from time to time offered by you to the Bank and accepted by the Bank as collateral for your Portfolio Finance facility.*

*"**Loanable Value**" means the marginable value represented as a percentage prescribed by the Bank to the collateral forming your margin.*

*"**Loanable Limit**" means the marginable value represented in dollar terms prescribed by the Bank to the collateral forming your margin.*

*"**Initial Margin**" is calculated by using loan outstanding divided by loanable value, then minus the loan outstanding amount.*

*"**Margin Erosion**" is calculated by using initial margin minus collateral value, then add the outstanding loan amount.*

*"**ME %**" is the % of erosion of the initial margin, calculated by margin erosion divided by initial margin.*

*"**Margin Top-Up Requirement**" is calculated by using the loan outstanding minus the loanable limit.*

Table 2 - Methodology Comparison Illustration

In the current and new methodologies below, the client's portfolio has an initial collateral value of S$100,000. The loanable value is 70% and the outstanding loan is S$70,000.

Methodology		**Financing Ratio Difference (Current Method)**			**Margin Erosion (New Method)**		
Collateral Value	**Loanable Limit**	**FRD%**	**Margin Status**	**Margin Top-Up Requirement**	**ME%**	**Margin Status**	**Margin Top-Up Requirement**
S$100,000	S$70,000	0.00%	Within Margin	S$0	0.00%	Within Margin	S$0
S$93,334	S$65,334	5.00%	Margin Call	S$4,666	22.22%	Within Margin	S$0
S$92,500	S$64,750	5.67%	Margin Call	S$5,250	25.00%	Margin Call	S$5,250
S$87,500	S$61,250	10.00%	Force sell	S$8,750	41.66%	Margin Call	S$8,750
S$85,000	S$59,500	12.35%	Force sell	S$10,500	50.00%	Force sell	S$10,500

Margin Call Trigger

As illustrated above, when the collateral value drops to S$93,334, based on the Financing Ratio Difference methodology, the client would be in margin call status. However, on the Margin Erosion methodology, the client is still within quantum. It will require a drop in value to S$92,500 before the loan is triggered for margin call. Hence, the client will experience a larger threshold and delayed margin call trigger.

Force Sell Trigger

As illustrated above, when the collateral value drops to S$87,500, based on the Financing Ratio Difference methodology, the client would be in force sell status. However, on the Margin Erosion methodology, the client will be in margin call status. It will require a drop in value to S$85,000 before the loan is triggered for force sell. Hence, the client will experience a larger threshold and delayed force sell trigger.

Note: The illustration shown above may differ based on cash and non cash collaterals as well as the difference in currency of the collateral versus the loan drawn down.

Frequently Asked Questions

1. **What is the reason the bank is implementing this new methodology?**
   A. This new methodology standardizes the margin call and force sell triggers at all levels of loanable value on the portfolio.

2. **Who will be affected by this change?**
   A. All clients who have an existing Portfolio Finance facility will be affected by this change

3. **How would this change impact my existing investment portfolio?**
   A. This change will not impact your existing investment portfolio. The change in methodology however would impact the trigger levels of the margin call and force sell events as shown in the illustration above.

4. **Will my loan limit be reduced by these changes?**
   A. Your loan limit will not change as the loan limit is dependent on the loanable value of the collateral.

5. **Will there be any change in the period for top up in an event of margin call/force sell?**
   A. There will be no change in the period for top up.

   In the event of a margin call - you have 7 calendar days (or such other period the Bank may determine and communicate to you at the time of margin call notification) to bring the position back to the initial margin levels. Your positions may be liquidated at the discretion of the Bank if the margin call is not regularized within the stipulated time period.

   In the event of a force sell - you must immediately top up and bring the position back to the initial margin levels, failing which, the Bank may liquidate all your outstanding positions without notice.