

# INFORMATION SHEET

## SECURITIES BORROWING SERVICES

(For Local & Foreign Shares)



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### Securities Borrowing Explained

Through securities borrowing, you can “short-sell” without a need to buy back stocks within the same day, and also not face a “buy-in” by the relevant stock exchange.

With our securities borrowing service, when you anticipate a fall in the price of a stock, you can borrow the stock to “short-sell” and buy it back at a later date.

Shorting is a classic strategy to make the best of a declining market, when the momentum of stocks or overall trend of the market is poor.

Don’t let the market short-change you! Make use of securities borrowing today.

### Mechanics of Securities Borrowing

#### **Step 1: Borrowing of Securities**

It is advisable that you check the availability of the stocks before shorting. The list of available stocks and its respective quantity differs day to day. An updated list can be obtained from the Securities Lending Desk or in the SBL Module on your online portal POEMS.

#### **Step 2: Trading**

After making sure that there are sufficient shares available for shorting, you may short sell in the ready market quoted by the relevant stock exchange. For trading convenience, you may perform your trades through your ordinary share trading account. However, short trades must be communicated to your trading representative (TR) for delivery.

#### **Step 3: Depositing of Collateral**

Collateral is required before the delivery of borrowed shares. It must be deposited by the next business day of the short trade. Acceptable collateral can be in the form of cash or securities prescribed by Phillip Securities Pte Ltd. All

acceptable securities will be assigned a collateralised value.

#### **Step 4: Delivery & Settlement**

Borrowed shares will be delivered against the contract on the respective “due date”.

#### **Step 5: Returning of Securities**

You may buy back the short-sold securities at any point in time. Similar to short trades, buying back of shares should be communicated to your TR after the trade is done. Note that buy-back does not automatically translate into an act of return. You can still hold on to the loaned shares. To return the stocks, you can either inform your TR or do it yourself via POEMS.

#### **A: Borrowing Rate**

Rates (interest charge for borrowing) will be confirmed upon borrowing request. Interest is charged on the total market value of stocks borrowed, and is prorated and calculated on a daily basis. Phillip Securities Pte Ltd reserves the right to adjust the interest rate from time to time.

#### **B: Borrowing Limit**

The borrowing limit available to you is determined by your sell trading limit. You may check with your TR for more details.

#### **C: Margin Ratio (MR)**

The initial margin and maintenance margin (i.e. collaterals available) for short positions have to be maintained above 130% of the market value of the shares shorted at all times. A margin call will be initiated if the MR falls below the requirement. If the MR falls between 120% and 130%, you have 2 market days to satisfy the margin call. If the MR falls below 120%, you will have to satisfy the margin call immediately or buy back the shares to reduce the short position.

**$MR \geq \frac{\text{Total Market Value of Collateral}}{\text{Total Market Value of Shares Shorted}} \times 100\%$**

**Total Market Value of Collateral includes:**

- i) Sales proceeds from short trades;
- ii) Cash deposited in the SBL account;
- iii) Market value of securities pledged;

**D: Monthly Statement**

A monthly statement detailing cash and stock transactions will be mailed to you at the beginning of every month.

**Important Reminders**

- Short positions done without communicating to SBL or TR for SBL settlement are subject to **forced buying-in by the relevant exchange** on due-date.
- Stocks may **not** be shorted before initiating a borrowed position. It is not guaranteed that the shorted stocks will be available for borrowing. Failure to borrow may result in unavailability of shares for delivery.
- Borrowed shares, if not returned before the ex-date of dividend and/or entitlement will result in a 100% compensation of the gross dividend and/or entitlement made to the benefit of Phillip Securities.
- Phillip Securities Pte Ltd reserves the right to **recall** the borrowed shares by giving notice with at least one standard settlement period where standard settlement period varies with the different markets.
- Borrowed shares may **not** be used for any other purpose other than for shorting.

**Schedule of Charges**

Description	Charges <sup>1</sup>
Administration Charge	SGD 20 per loan contract
Borrowing Rate for Shares	Interest rate varies between different counters. A minimum borrowing fee of SGD15

	applies. Kindly contact your TR or SBL for more information.
CDP Transfer Fee (deposit / withdrawal of shares for individual direct securities account)	SGD 10 per counter
Contract Settlement Fee	SGD 0.35 per contract
Negative (debit) Cash Ledger Interest	
SGD	6% p.a.
USD	7% p.a.
HKD	7% p.a.
GBP	6% p.a.

<sup>1</sup>All fees and charges shown are subject to GST.  
Standard Brokerage fees apply.  
Charges are subject to change. Please refer to [www.poems.com.sg](http://www.poems.com.sg) for more information and updates.

Credit Interest, if any will be paid on the full amount when it exceeds the stipulated limit as follow:

Amount	Interest on Credit Balance
> SGD 50,000	0.5% p.a.
> USD 50,000	0.6% p.a.
> HKD 50,000 ≤ HKD 200,000	0.5% p.a.
> HKD200,000	1.0% p.a.
> AUD 50,000	0.5% p.a.
> MYR 50,000	0.5% p.a.

**An Illustrated Example**

**MR ≥ Total Market Value (MV) of Collateral x 100%**  
**Total Market Value (MV) of Shares Shorted**

Example: Pledged \$2,000 cash and borrowed \$20,000 worth of shares. Sold \$6,000 worth of shares borrowed.

Total Collateral = \$2,000 (collateral) + \$6,000 (sales proceeds) = \$8,000

**Scenario 1: No Margin call (MV of Shares unchanged)**

MR = \$8,000 / \$6,000 x 100% = 133%

A Margin call will be triggered if MV of borrowed shares **increase** and the collateral is insufficient.

**Scenario 2: No Margin call (MV of Shares increases)**

Subsequently, share price increases and MV of shares appreciated to \$6,500. Hence:

Total Collateral = \$2,000 (collateral) + \$6,000 (sales proceeds) = \$8,000

MR = \$8,000 / \$6,500 x 100% = 123%

\*\*\* A Margin call will be triggered \*\*\*

To fulfill the margin call:

Option 1: Top up with cash to restore the MR to 130%

Option 2: Reduce short position by buying back from the market.

**Disclaimer**

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on this information. Investments are subject to investment risks. You are advised to read the Conditions Governing Phillip Securities Trading Accounts before undertaking transactions in SBL. The terms and conditions can be obtained online at [www.poems.com.sg](http://www.poems.com.sg) or from Phillip Securities Pte Ltd.

You may wish to seek advice from a qualified financial adviser, pursuant to a separate engagement, before making a commitment to purchase any of the investment products mentioned. In the event that you choose not to seek advice from a qualified financial adviser, you should assess and consider whether the investment product is suitable for you before proceeding to invest and we do not offer any advice in this regard unless mandated to do so by way of a separate engagement.