

Margin Guide Introduction

The margin calculations are based on a standard option contract or strategy. Initial and maintenance requirements are based on the account that has the highest approved option level allowed for the account type on file and in good order with MoneyBlock that is custodied at Apex Clearing. MoneyBlock reserves the right to change these requirements at its discretion.

NOTE: Users contemplating margin account transactions should know that MoneyBlock requires \$2,000 minimum margin account equity to effect new securities transactions and commitments.

Options trading carries substantial risk and is not suitable for all accounts or account holders. Before trading in options, account holders should educate themselves about the various types of options, how basic options strategies work, and the risks involved. See the [SEC](#) website or the [Characteristics and Risks of Standard Options](#) booklet on [MoneyBlock.com](#).

Options Allowed in Cash and Non-Leverage Margin

Equity

| Type | Cash Account | Non-Leverage/Limited Margin |
|--------------------------------|--------------|-----------------------------|
| Long Call or Put | Allowed | Allowed |
| Short Call or Put ¹ | Not Allowed | Not Allowed |
| Straddles or Strangles | Not Allowed | Not Allowed |
| Universal Spread ² | Not Allowed | Allowed |
| Covered Put | Not Allowed | Not Allowed |
| Covered Call/Buy-Write | Allowed | Allowed |
| Married Put | Allowed | Allowed |
| Married Call | Not Allowed | Not Allowed |
| Conversion | Allowed | Allowed |
| Reverse Conversion | Not Allowed | Not Allowed |
| Collar | Allowed | Allowed |

¹ – Does not include Cash-secured Puts – requirements on uncovered options are subject to change at TradingBlock discretion

² – TradingBlock does not allow Calendar Spreads on VIX Style Index Options

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| Type | Cash Account | Non-Leverage/Limited Margin |
|--------------------------------|--------------|-----------------------------|
| Long Call or Put | Allowed | Allowed |
| Short Call or Put ¹ | Not Allowed | Not Allowed |
| Straddles or Strangles | Not Allowed | Not Allowed |
| Universal Spread ² | Not Allowed | Allowed |

¹ – Does not include cash secured Puts

² – TradingBlock does not allow Calendar Spreads on VIX Style Index Options

Initial Debit of Cash and Special Memorandum Account (SMA)/Excess

| Type | Cash Account | -Leverage/LimitedMargin | Margin |
|-------------------------------------|---|---|--|
| Long Call or Put | Premium | | |
| Short Call or Put ¹ | Not Allowed | Not Allowed | Requirement minus Premium Received |
| Straddles or Strangles | Not Allowed | Not Allowed | Requirement minus Premium Received |
| Universal Spread ² | Not Allowed | Max Defined Loss of the Overall Position Plus/Minus the Net Premium | |
| Covered Put ³ | Not Allowed | | 50% of the Total Underlying Position minus the Premium Received |
| Covered Call/Buy-Write ³ | Total Underlying Position minus the Premium Received | | 50% of the Total Underlying Position minus the Premium Received |
| Married Put ³ | Total Underlying Position plus the Premium Received | | 50% of the Total Underlying Position plus the Premium Received |
| Married Call ³ | Not Allowed | | 50% of the Total Underlying Position plus the Premium Received |
| Conversion ³ | Total Underlying Position plus/minus the Premium Received | | 50% of the Total Underlying Position plus/minus the Premium Received |
| Reverse Conversion ³ | Not Allowed | | 50% of the Total Underlying Position plus/minus the Premium Received |
| Collar ³ | Total Underlying Position plus/minus the Premium Received | | 50% of the Total Underlying Position plus/minus the Premium Received |

¹ – Does not include cash secured Puts

² – TradingBlock does not allow Calendar Spreads on VIX Style Index Options

³ – Subject to higher requirement based on the underlying security

Equity Options

| Type | Cash Initial Requirement | Margin Initial Requirement | Margin Maintenance Requirement |
|--------------------------------|--------------------------|--|---|
| Long Call or Put | Premium | | No Requirement |
| Short Call or Put ¹ | Not Allowed | The greater of the following: 1. 25% ² of the underlying current market value minus the OTM amount times the multiplier 2. Calls – 15% of the underlying current market value plus the premium; Puts – 15% of the exercisable value plus the premium 3. Calls – 250 per contract; Puts – 250 per contract not to exceed the max loss | Same as margin initial requirement; if the first calculation is used then the cost of the option must be added to the requirement |
| Straddles or Strangles | Not Allowed | The short call or put requirement (whichever is greater) plus the cost to close the option on the other side | Same as Margin Initial Requirement |

¹ – Does not include Cash-secured Puts

² – Subject to higher requirement based on the underlying security

Spreads

| Type | Cash Initial Requirement | Margin Initial Requirement | Margin Maintenance Requirement |
|-------------------------------|--------------------------|--|--|
| Universal Spread ¹ | Not Allowed | Max Defined Loss of the Overall Position plus/minus the premium received | Max Defined Loss of the Overall Position |

¹ – TradingBlock does not allow Calendar Spreads on VIX Style Index Options

Covered

| Type | Cash Initial Requirement | Margin Initial Requirement | Margin Maintenance Requirement |
|------------------------|--|--|---|
| Covered Put | Not Allowed | The Initial Requirement of the Short Position minus the Premium Received | The Requirement of the Underlying Position ¹ |
| Covered Call/Buy-Write | Cost of the Underlying Position minus the Premium Received | The Initial Requirement of the Long Position Minus the Premium Received | Out-of-the-Money The requirement of the underlying position In-the-Money The requirement of the underlying position valued at the strike price of the call plus the in-the-money amount of the option ¹ |

¹ – If the underlying position has a higher maintenance requirement, the higher requirement will apply; concentration does not apply

Hedged

| Type | Cash Initial Requirement | Margin Initial Requirement | Margin Maintenance Requirement |
|--------------------|--|--|--|
| Married Put | Cost of Each Position | The Initial Requirement of the Long Position plus the Cost of Each Option | The lower of: 10% of the Put exercise price plus 100% of the out-of-the-money amount; or 20% of the underlying market value |
| Married Call | Not Allowed | The Initial Requirement of the Short Position plus the Cost of the Option | 100% of the underlying market value plus the lower of: 10% of the call exercise price plus 100% of any out-of-the-money amount; or For stock, the greater of \$2.50/share or 100% of the stock market value; or For stock with market value of \$5 or more per share, the greater of \$5/share or 30% of the stock market value |
| Conversion | Cost of the Underlying and the Put minus the Premium Received for the Call | The Initial Requirement of the Long Position and the Long Put minus the Premium of the Short Call | The Requirement of the Long Position plus Premium of the Short Call |
| Reverse Conversion | Not Allowed | The Initial Requirement of the Short Position the Long Call minus the Premium of the Short Put | The Requirement of the Short Position plus the Premium of the Short Put |
| Collar | Cost of the Underlying and the Put minus the Premium Received for the Call | The Initial Requirement of the Underlying Position and the Long Option minus the Premium of the Short Option | The Requirement of the Underlying Position plus Premium of the Short Option |

Index Options

| Type | Cash Initial Requirement | Margin Initial Requirement | Margin Maintenance Requirement |
|--------------------------------|--------------------------|--|---|
| Long Call or Put | Premium | | No Requirement |
| Short Call or Put ¹ | Not Allowed | The greater of the following: 1. 25% ² of the underlying current market value minus the OTM amount times the multiplier 2. Calls – 15% of the underlying current market value plus the premium; Puts – 15% of the exercisable value plus the premium 3. Calls – 250 per contract; Puts – 250 per contract not to exceed the max loss | Same as Margin initial requirement If the first calculation is used, the cost of the option must be added to the requirement |
| Short Straddles of Strangles | Not Allowed | The short call or put requirement, whichever is greater, plus the cost to close the option on the other side | Margin initial requirement plus the cost to close both options |

¹ – Does not include cash secured Puts

² – Subject to higher requirement based on the underlying index

Glossary of Common Options Terms

| Terms | Definitions |
|--------------------------|--|
| American Style Option | An option that can be exercised at any time during the duration of the contract |
| Cash Secured Put | A short put where the option holds an amount equal to the strike price |
| Call | A call option gives the holder the right to buy a stock |
| Collar | Holding a long stock position, a short call and a long put; it is the combination of a covered call with a protective put |
| Conversion | Long stock position against equivalent number of short call and long put at the same strike price and expiration date |
| Covered Call (Buy-Write) | Long stock position against a short call |
| Covered Put | Short stock position against a short put |
| European Style Option | An option that can only be exercised at its expiration |
| Long Call Strategy | The trader is bullish towards the market and will make a profit if the price of the underlying goes up |
| Long Put Strategy | The trader has a bearish view on the market and expects the price of the asset to go down; the trader then waits for the prices to go down and exercise the option |
| Married Call | Short stock position paired with a long call |
| Married Put | Long stock position paired with a long put |
| Protective Put | Holding a long stock position against an equivalent number of puts |
| Put | A put option gives the holder the right to sell a stock |

| | |
|----------------------------------|---|
| Reverse Conversion | Short stock position against equivalent number of short puts and long calls at the same strike price and expiration date |
| Short Call Strategy | Strategy involving a call option which obligates the call seller to sell a security to the call buyer at the strike price if the call is exercised; a short call is a bearish trading strategy, reflecting a bet that the security underlying the option will fall in price; a short call involves more risk but requires less upfront money than a long put |
| Short Put Strategy | Strategy involving a trader selling or writing a put option on a security; profiting from an increase in the stock's price by collecting the premium associated with a sale in a short put; consequently, a decline in price will incur losses for the option writer |
| Special Memorandum Account (SMA) | A dedicated investment account where excess margin generated from a client's margin account is deposited, thereby increasing the buying power for the client; the SMA essentially represents a line of credit and may also be known as a special miscellaneous account |
| Straddle and Strangles | Straddles and strangles are both options strategies that allow an investor to benefit from significant moves in a stock's price, whether the stock moves up or down; a strangle is similar to a straddle, but uses options at different strike prices, while a straddle uses a call and put at the same strike price Short a put and a call of the same underlying stock position at the same strike |
| Universal Spread | A multi-legged strategy where all short option contracts have the same expiration and have an equal amount of long option contracts of the same expiration or longer-term expiration as a hedge; this has a maintenance requirement equal to the max defined loss of the overall position |