
November 1, 2018

Charles Schwab & Co., Inc. Product Disclosure Statement: Margin Lending Facility

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Use the references marked with a [!] to see more disclosure about this product online, including the Charles Schwab & Co., Inc. Terms and Conditions.

This Product Disclosure Statement (PDS) is a summary of significant information only and contains a number of references to important information, each of which forms part of this PDS. You should consider the information in this PDS and the other important information which forms part of this PDS before making a decision about this product. The information provided in this PDS and the other important information is general information only and does not take into account your personal investment objectives, financial situation or particular needs. You should obtain financial advice tailored to your personal circumstances before making any investment decision.

For more information, call 1300 781 132 to obtain a copy of this PDS or any of the other important information referred to above.

1. About Charles Schwab & Co., Inc. Margin Lending and the Charles Schwab & Co., Inc. Margin Loan

Charles Schwab & Co., Inc. is a related entity of Charles Schwab Australia Pty Limited (ACN 085 258 822) (CSAU). Charles Schwab & Co., Inc. is the issuer of this PDS and CSAU is the arranger. Charles Schwab & Co., Inc. does not hold an Australian Financial Services License but has entered into an intermediary arrangement with CSAU under which CSAU may make offers to investors to arrange for the issue, variation or disposal of margin lending facilities by Charles Schwab & Co., Inc. and Charles Schwab & Co., Inc. is to issue, vary or dispose of the margin lending facilities in accordance with such offers, if they are accepted. Such offers are covered by CSAU's Australian Financial Service License (AFSL 246743). Charles Schwab & Co., Inc. and CSAU each provide online stock, options and futures brokerage services to the self-directed investor and were founded by an experienced management team with the aim of providing investors with an innovative, leading-edge trading environment. A Charles Schwab & Co., Inc. margin loan allows you to borrow money to invest in shares or other allowable securities using your own money or existing portfolio as security. This helps you to increase the size and diversity of your portfolio of investments.

Some key information to consider about margin lending is as follows:

- You must have money to invest, or an existing portfolio of investments.
- Margin lending increases the potential for higher returns, but also increases the potential for greater losses if the value of the investment falls.
- You must regularly monitor your portfolio and margin lending facility so you can take steps to avoid a margin call or quickly respond to and reduce any losses in relation to your margin loan portfolio, and so that you are aware of any changes to the terms of your facility (including any changes to interest rates and loan to value ratios (LVRs)).
- You may be required to pay extra money into your facility or sell some or all of your portfolio at short notice.

In some instances, we may sell or buy-in part or all of your investments without giving you any prior notice.

If the sale of your investments does not cover the costs of repayment of your margin loan, you will need to access funds from other sources to repay your outstanding margin loan balance.

2. Benefits of a Charles Schwab & Co., Inc. Margin Loan

A Charles Schwab & Co., Inc. margin loan provides the following benefits:

- By increasing the value of your investments through a margin loan, you have the potential for higher and accelerated returns in a shorter period of time. This also increases the potential for loss.
- Margin lending gives you more money to invest, making it easier for you to diversify your investments. A larger range of investment choices may potentially increase your ability to obtain returns. It may also provide you with the opportunity to invest in more securities. By investing in additional securities, you can spread your investment risk across different sectors of the economy and different parts of the world.
- You are able to borrow against an existing portfolio of eligible securities. This allows you to increase the size of your investment without the immediate requirement to sell your portfolio and potentially incur unwanted capital gains tax or loss.
- You may be entitled to a tax deduction for interest expenses incurred under the margin loan. You should seek advice from a tax advisor as the tax consequences will depend on your personal circumstances.

3. How a Charles Schwab & Co., Inc. Margin Loan Works

Provided that Charles Schwab & Co., Inc. margin lending is suitable for you, Charles Schwab & Co., Inc. will lend you money to invest in securities. You still retain beneficial ownership of your investment portfolio at all times, subject to the below. However, the investments will be used as security for your loan. This means that they may be sold to satisfy a margin call, repay your margin loan or to manage risk that Charles

Schwab & Co., Inc. deems, in its sole discretion, to warrant liquidation of your securities. Charles Schwab & Co., Inc. may also liquidate and/or buy-in shares and other investments from or to your account in accordance with the Charles Schwab & Co., Inc. Terms and Conditions referred to below.

How Much Can You Borrow?

The maximum amount of money that you can borrow depends on:

- the credit limit allocated to your margin loan which we provide you based on our assessment of your current financial position, including but not limited to the value and composition of the securities in your account;
- how much money you have available to invest;
- which securities you want to invest in, as Charles Schwab & Co., Inc. lends different amounts for different types of investments; and
- the loan to value ratio (LVR) for each security—the LVR is the percentage of your proposed portfolio's value that you can borrow. The maximum LVR is defined by U.S. regulation. Based upon market conditions, we determine what the LVR is for each security, and may change it at any time, upon giving notice to you, the borrower. All securities in a margin loan are marked to market on a daily basis so that the LVR can be computed and enforced.

EXAMPLE: If we assign an LVR of 50% to a security, you could use a Charles Schwab & Co., Inc. margin loan to borrow up to 50% of that security's value. This means that, if you put in \$30,000 of your own money, you could borrow up to \$30,000 to create a total portfolio value of \$60,000.

What Securities Can You Invest In?

The financial products that you may invest in using margin lending include shares listed on Stock Exchanges in the United States. Charles Schwab & Co., Inc. has an extensive list of approved securities which specifies which securities you may invest in together with their LVRs (Approved Securities List). You cannot borrow against investments that are not on our list of eligible investments.

You may check the **Marginable Securities Listing in the Schwab Trading Platform** or call us at **1300 781 132 (a free call in Australia)** to obtain a copy of the **Marginable Securities List at no charge**. The **Marginable Securities List** may change between the time you read this statement and the day you sign the application form.

What Are Your Obligations?

Details of the rights and obligations of borrowers under a Charles Schwab & Co., Inc. margin loan are contained in the Schwab One® Australia Account Agreement—in particular, the Margin and Short Account Agreement clause in the Account Agreement. You should read this document carefully before deciding whether to apply for an account at Charles Schwab & Co., Inc. that is approved for margin lending. When opening an account, you agree to the Charles Schwab & Co., Inc. Terms and Conditions; however, to the extent of any inconsistency between it and this PDS, this PDS will prevail.

[!] You should read the important information in the Schwab One® Australia Account Agreement before making a decision.

Loan Calculator

MoneySmart, the consumer website of the Australian Securities and Investments Commission (ASIC), has an online margin lending calculator to help show you how a borrowed amount can affect your potential gains and losses; it also assesses your risk of a margin call. The information on FIDO is not published by Charles Schwab & Co., Inc., and Charles Schwab & Co., Inc. has not validated or verified that information or any results produced by using that information.

[!] You should read the important information about this calculator before making a decision. Go to <https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/margin-loan-calculator>. The material

relating to this calculator may change between the time you read this statement and the day you sign the application form.

4. What Is a Margin Call?

A margin call occurs if the market value of the underlying investments falls and your level of gearing exceeds the level permitted by the margin lender. If you receive a margin call, you may need to pay money into your loan account, add investments to your portfolio, or sell some or all of your investments at short or immediate notice.

In the event of a margin call, we are required by law to take reasonable steps to notify you of the margin call, or to notify your financial advisor of the margin call if they are authorized to speak to us on your behalf. You, or anyone authorized to act on your behalf, must remain contactable at all times. You must keep us advised of your current contact details.

A margin call may occur if:

- The market value of your portfolio falls.
- We reduce the LVR assigned to a security in your portfolio.
- We remove a security in your portfolio from our Marginable Securities List.
- An increase in your margin loan balance occurs.
- You fail to make required payments such as interest payments.
- A nominated index (e.g., the Dow Jones Industrial Average Index) falls by 10% or more in 1 day.
- Movement occurs in the market.
- We face additional risk relating to your account.
- We increase our requirements in relation to your margin loan in our sole discretion.
- Any combination of the above.

If any of the above occurs, we may make a margin call. We may also make a margin call if, in our discretion, we deem it necessary or advisable to comply with any applicable law or for our own protection.

Incremental Price Changes Typically Do Not Trigger Margin Calls

By regulation in the U.S., you may initially finance only 50% of the value of securities in your margin account. After that first loan is made, the value of the loan may rise to 75% under regulations before a margin call **must** be made by us. However, it is a “house” policy of Charles Schwab & Co., Inc. to issue the margin call when the loan value rises to 60% of the value of the securities financed.

How Can You Satisfy a Margin Call?

A margin call can be satisfied by taking any of the following actions:

- Repaying part of or all of the outstanding margin loan balance.
- Lodging additional securities from the Approved Securities List.
- Selling securities held in your account.
- Any combination of the above.

5. The Risk of Losing Money

It is important that you fully understand the risks involved in investing on margin using a margin lending facility. These risks include, but are not limited to, the following:

- Your portfolio may go down in value if market conditions change. This may raise your gearing level above the LVR, resulting in a margin call.
- We can vary the interest rate applicable to your margin loan at any time. If the interest rate rises, your interest payments may be more than your investment returns and you may not be able to meet your interest payments. This may result in a margin call.
- We may reduce the LVR that applies to some or all of your securities at any time. This may raise your gearing level above the total LVR of your account, resulting in a margin call.

- We may remove a security from our Marginable Securities List. If this happens, and the investment is part of your portfolio, it can no longer be used as security for your margin loan. This may raise your gearing level above the LVR, resulting in a margin call.
- Tax laws may change and this may have an adverse impact on your tax or financial position.
- If a default event occurs under the terms of your margin loan, you may be required to repay all or part of your margin loan or we may sell or otherwise dispose of any securities or property in your portfolio.

We have only included here the main common risks that may occur.

[!] You should read the important information about the risks associated with margin lending contained in the Schwab One® Australia Account Agreement before making a decision. The material relating to the risks associated with margin lending may change between the time when you read it and the day you sign the application form.

[!] For more information about margin loans in general and how you can manage the risks, go to the ASIC MoneySmart website at <https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/margin-loan-calculator>.

6. The Costs

This section does not show any dollar amounts or percentages for the costs involved with a margin loan. Interest rates can change on a daily basis and any fees charged depend on the service you use. To find out the current interest rates and fees, go to <https://www.moneysmart.gov.au/tools-and-resources/calculators-and-apps/margin-loan-calculator> or call us at 1300 781 132 to obtain a copy of this information at no charge. The material relating to the current interest rates and other information about fees and costs may change between the time you read this statement and the day you sign the application form.

Interest

We offer variable interest rates. Interest will be calculated daily on the outstanding amount and you must pay accrued interest monthly in arrears. As per the schedule of interest rates on our website referred to above, the interest rate is determined by the actual size of the loan.

Fees

There are no payable application fees, establishment fees or account fees. Fees are charged for fund transfers and if a direct debit is dishonored. We may also charge fees for additional account services requested by you, e.g., retrieving historical records. Under your loan facility terms, these fees may be changed. Thus, there are no direct fees to get approved for margin lending.

7. How to Apply

You may apply for a Charles Schwab & Co., Inc. margin loan directly on the Charles Schwab & Co., Inc. website.

To be eligible, you must be an individual or joint individuals over 18 years of age and an Australian tax resident for tax purposes, an Australian company or an Australian company or individual trustee of a family, or a discretionary or testamentary trust. A Charles Schwab & Co., Inc. margin loan is not available to superannuation funds.

Complaints or Disputes

If you have a problem or dispute regarding your Charles Schwab & Co., Inc. margin loan, contact us at 1300 781 132, write to us at Unit 5, 4 Skyline Place, Frenchs Forest NSW 2086, or email us at Compliance.Australia@schwab.com.

If an issue has not been resolved to your satisfaction, you can lodge a complaint with the Australian Financial Complaints Authority, or AFCA. AFCA provides fair and independent financial services complaint resolution that is free to consumers.

Australian Financial Complaints Authority	
Address:	Australian Financial Complaints Authority GPO Box 3, Melbourne VIC 3001
Email:	info@afca.org.au
Telephone:	1800 931 678 (free call) ¹
Website:	www.afca.org.au
Financial Industry Regulatory Authority Dispute Resolution	
Address:	55 West Monroe Street, Suite 2600, Chicago, IL 60603, United States
Facsimile:	(+1) (312) 236-9239
Website:	www.finra.org

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CC1355336 (1118-8JTN) REG98519CSAU-01 (11/18)