

## Liquidity Rules

Our margin rates will apply to positions that are less than half the average daily traded value of the underlying stock. The average is calculated using the last ten days trading. This rule will apply only to positions greater than \$50,000. Larger positions maybe approved at higher margin levels.

We are aware that there will be seasonal dips in volume and will always try to take that into account.

## Concentration Rules

Large undiversified positions are inherently risky. To encourage diversification we will not apply all of your capital against single large positions.

For any single position over \$500,000 we will not use more than 50% of the value of your account as initial margin.

For positions over \$1,500,000 we will not use more than 25% and for positions over \$2,500,000 we will not use more than 10%.

## Changes to Initial Margins

Initial Margin categories will be reviewed every three months, and we will give you one weeks notice of these changes.

We will also change the initial margin on stocks if there is a very large one day move or if the 30 day historic volatility rises above a given level. The changes and triggers are as follows:

10% margins will be raised to 25% if either the 30 day historic volatility is greater than 100% or there is a one day move of more than 20%.

20% margins will be raised to 25% if either the 30 day historic volatility is greater than 100% or there is a one day move of more than 25%.

These changes will normally be reversed when the 30 day historic volatility falls back below 55%. 25% and 35% margins will be raised to 50% if either the 30 day historic volatility is greater 150% or there is a one day move of more than 50%. This move will normally be reversed when volatility falls back below 100%.

These volatility driven changes will become effective immediately.

We will always try to stick to these guidelines, but please note that we must retain the right to move margins for other reasons as well.

## Short Restrictions

Very low value stocks can and do rally by more than 100% in a day. To protect against this we restrict short positions to less than 2,000,000 shares.

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