

## 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 TradingBlock that is custodied at Apex Clearing. TradingBlock reserves the right to change these requirements at its discretion.

**NOTE:** Users contemplating margin account transactions should know that TradingBlock 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 [TradingBlock.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 <sup>1</sup>	Not Allowed	Not Allowed
Straddles or Strangles	Not Allowed	Not Allowed
Universal Spread <sup>2</sup>	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

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

<sup>2</sup> – TradingBlock does not allow Calendar Spreads on VIX Style Index Options

### Index

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Long Call or Put	Allowed	Allowed
Short Call or Put <sup>1</sup>	Not Allowed	Not Allowed
Straddles or Strangles	Not Allowed	Not Allowed
Universal Spread <sup>2</sup>	Not Allowed	Allowed

<sup>1</sup> – Does not include cash secured Puts

<sup>2</sup> – 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 <sup>1</sup>	Not Allowed	Not Allowed	Requirement minus Premium Received
Straddles or Strangles	Not Allowed	Not Allowed	Requirement minus Premium Received
Universal Spread <sup>2</sup>	Not Allowed	Max Defined Loss of the Overall Position Plus/Minus the Net Premium	
Covered Put <sup>3</sup>	Not Allowed		50% of the Total Underlying Position minus the Premium Received
Covered Call/Buy-Write <sup>3</sup>	Total Underlying Position minus the Premium Received		50% of the Total Underlying Position minus the Premium Received
Married Put <sup>3</sup>	Total Underlying Position plus the Premium Received		50% of the Total Underlying Position plus the Premium Received
Married Call <sup>3</sup>	Not Allowed		50% of the Total Underlying Position plus the Premium Received
Conversion <sup>3</sup>	Total Underlying Position plus/minus the Premium Received		50% of the Total Underlying Position plus/minus the Premium Received
Reverse Conversion <sup>3</sup>	Not Allowed		50% of the Total Underlying Position plus/minus the Premium Received
Collar <sup>3</sup>	Total Underlying Position plus/minus the Premium Received		50% of the Total Underlying Position plus/minus the Premium Received

<sup>1</sup> – Does not include cash secured Puts

<sup>2</sup> – TradingBlock does not allow Calendar Spreads on VIX Style Index Options

<sup>3</sup> – 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 <sup>1</sup>	Not Allowed	The greater of the following: 1. 25% <sup>2</sup> 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

<sup>1</sup> – Does not include Cash-secured Puts

<sup>2</sup> – Subject to higher requirement based on the underlying security

## Spreads

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

<sup>1</sup> – 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 <sup>1</sup>
Covered Call/Buy-Write	Cost of the Underlying Position minus the Premium Received	The Initial Requirement of the Long Position Minus the Premium Received	<b>Out-of-the-Money</b> The requirement of the underlying position <b>In-the-Money</b> The requirement of the underlying position valued at the strike price of the call plus the in-the-money amount of the option <sup>1</sup>

<sup>1</sup> – 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 <sup>1</sup>	Not Allowed	The greater of the following: 1. 25% <sup>2</sup> 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

<sup>1</sup> – Does not include cash secured Puts

<sup>2</sup> – 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 out; 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