

## (DPML) Margin Lending



### 1. ABOUT MARGIN LENDING

This module examines gearing and margin lending advice against the background of the regulatory changes that came into effect on 1 January 2010 and in the context of the National Consumer Credit package. This module outlines the new regulatory regime, summarises gearing products and strategies, assesses margin lending products and available features, and presents strategies for providing best quality advice to retail clients in the areas of gearing and margin lending.

Chapter 1 outlines the core requirements of AFSL license holders and those representatives able to provide advice on margin lending facilities, which includes the responsible lending and margin call notification requirements.

Chapter 2 examines current gearing facilities and products, as well as alternative wealth accumulation strategies. Risks and benefits are discussed. The chapter concludes with a discussion of the taxation consequences of gearing.

Chapter 3 assesses the suitability of gearing products when applied to certain clients groups, as well as examining the risks and returns from gearing and sensitivity to key variables.

### 2. WHO IS PINNACLE?

Pinnacle is an innovative, Australian-owned education company. We offer flexible and progressive study programs designed to help students build dynamic careers in the financial services industry.

Pinnacle gained status as a registered training organisation (RTO number 91217) in March 2006, providing accredited training services in the financial services sector. Under its scope of registration, Pinnacle offers the (FNS50804) Diploma of Financial Services (Financial Planning) and the (FNS60404) Advanced Diploma of Financial Services (Financial Planning).

### 3. ARE YOU ELIGIBLE FOR ROC?

Do you have extensive experience or qualifications in this area?

If so, then you may be eligible for Recognition of Competency (ROC).

ASIC RG146 has an additional requirement relating to ROC. It stipulates that individuals must have five years' relevant experience over the immediate past eight years in the areas in which they advise.

Chapter 4 examines the core product features of margin lending. These features include: the structure of a margin lending product; the roles and responsibilities of the lender and investor; loan to value ratios; portfolio values; loan amounts; interest rate options; approved securities; the use of third parties; buffer zones; margin calls and product selection. Instalment margin loans and protected equity loans are also covered.

Chapter 5 looks at the skills and strategies advisers need to provide advice on gearing. It examines the construction of gearing strategy advice against the background of ASIC nine steps for providing advice.





#### Recognition of Competency (ROC) Available

*Do you have experience in providing Margin Lending advice to your clients? If so you may be eligible to apply for Recognition of Competency (ROC). Options may include the submission of a portfolio of evidence, knowledge test and evidence of relevant training undertaken. Eligibility criteria apply.*

Pinnacle's courses are nationally recognised and meet the rigorous standards set out in the Australian Quality Training Framework (AQTF).

Pinnacle brings a fresh approach to financial services education, an approach that firmly puts the student first. At Pinnacle, we understand that students want to access high-quality and up-to-date education material that can be completed in the student's own time and pace.

Pinnacle has developed the following ROC pathways for the Margin Lending program:

-  Credit transfer (exempt course)
-  Credit transfer (non-exempt course)
-  RPL Direct (formal examination)
-  RPL Indirect (portfolio of evidence)

Want more information on ROC? Email us on [rpl@pinnacle.edu.au](mailto:rpl@pinnacle.edu.au), read the Pinnacle Student Information Guide, refer to our website or contact one of our customer services coordinators on 1300 782 822 (toll free)

## 4. WHAT CAN YOU EXPECT IN THIS MODULE ?

### Chapter 1—Markets and Regulations

Chapter 1 introduces the new regulatory regime for margin lending products which became effective on 1 January 2010 (subject to transitional arrangements). This includes the new definition of margin lending as a financial product under the Corporations Act 2001, an explanation of standard and non-standard facilities, as well as the requirement for providers to become Australian Financial Services License (AFSL) holders.

The chapter outlines core requirements for AFS license holders, and their representatives, which includes the responsible lending and margin call notification requirements. It also covers financial services compliance requirements such as disclosure obligations, prohibited conduct, consumer protection, privacy obligations and dispute resolution.

### Chapter 2—Gearing Overview and Taxation

Chapter 2 examines borrowing for investment purposes as a strategic alternative. It examines core gearing concepts such as double gearing and instalment gearing and briefly discusses the current status of borrowing in Australia.

The chapter provides a detailed overview of the various gearing products and facilities available in Australia including margin lending, property lending, geared share managed funds, internally geared investments, protected equity loans, warrants and company options. It also examines alternative wealth accumulation strategies such as superannuation, repayment of mortgage and non-deductible debt, regular savings programs, dividend reinvestment plans and asset allocation adjustment.

The chapter outlines key benefits and risks of gearing and highlights those risks specific to margin loans, such as magnification of returns and losses and margin calls. Standard investment risks associated with underlying investment strategies are also listed. Taxation consequences of gearing are outlined, focusing on deductibility of interest and expenses (including protected equity loans), taxation of distributions, and capital gains tax (CGT) are covered.

### Chapter 3 – Risk and Return

This chapter examines the types of cash flow generated from gearing – positive, negative and neutral and how cash flow may be managed within a gearing strategy. A discussion of optimising after-tax returns is included.

Sensitivity analysis on key variables such as investment return, taxation, interest rates and the impact of double gearing is considered. Investment aspects of gearing are discussed along with methods of minimising risks. The chapter ends with an exploration of client suitability to gearing strategies.

### Chapter 4 – Margin Lending products and practices

This chapter explores margin lending facilities in detail. It looks at the structure of a margin lending facility and the roles, obligations and responsibilities of the lender and investor.

Core features and concepts such as providing collateral, loan to value (LVR) ratios, portfolio values, buffers and the calculation and use of borrowed funds are explored, with a particular focus on the consequences of a change of the LVR of an individual security. This chapter examines ownership, interest rate options, third party security and approved securities.

Margin calls are covered in depth – including what triggers a margin call, how investors should respond to a margin call, and how investors can reduce the likelihood of a margin call. The interaction of a buffer with margin calls and LVRs is also included. The chapter then explains the differences between lump sum and instalment gearing.

The chapter ends with an exploration of the comparison of product features between margin loan providers, available research and the range of fees and charges.

### Chapter 5 – Gearing skills

This chapter focuses on the provision of personal gearing advice using a margin loan facility. The type of clients gearing is suitable for, the gathering of relevant client data, the correct application of the client's investor risk profile, and analysing the client's goals are all covered. Leveraging strategies are also included, along with associated strategy implications such as risk insurance, estate planning, exit strategies, investment in various entities, and whose name to invest in are included.

Appropriate documentation and implementation procedures are addressed. Case studies and examples are included throughout the chapter. The construction of gearing strategy advice is outlined against ASIC's nine steps for providing advice is included.

## 5. AWARD PROVIDED UPON COMPLETION OF THE PROGRAM

This module fulfils ASIC's RG 146 specialist knowledge requirements for Margin Lending .


At the completion of Pinnacle's Margin Lending program students will be issued with a Certificate of Completion - (DPML) Margin Lending (RG146 Margin Lending specialist knowledge).

Currently the units of competence are still being endorsed by IBSA. Once these have been endorsed, Pinnacle will issue an appropriate Statement of Attainment upon request. Students will need to demonstrate appropriate evidence of prerequisite requirements in order for a Statement of Attainment to be issued.

It is a prerequisite for those students wanting to provide personal advice that they have previously obtained generic knowledge and skills as defined by ASIC's RG146.

## 6. LEARNING OUTCOMES

After successful completion of this module the student will be able to:

-  Explain the new regulatory regime for margin loan providers and advisers with specific reference to specialist margin lending requirements, namely responsible lending and margin call notification
-  Outline conduct and disclosure requirements contained in Corporations Act 2001 – along with the consumer protection, common law fiduciary, dispute resolution, privacy, money laundering and professional association requirements – applicable to all AFS licensees and their representatives
-  Describe gearing and key investment concepts associated with gearing strategies including double gearing and the differences between lump sum and instalment gearing
-  Examine the features, benefits and risks of the main types of gearing facilities available in the Australian market, along with outlining the features, benefits and risks of alternative wealth accumulation strategies
-  Examine the taxation rules surrounding gearing products in relation to deductibility of expenses, taxation of distributions and capital gains tax (CGT)
-  List the types of cash flows generated from gearing and discuss how investors can maximise after-tax returns while minimising risks
-  List the asset classes and the client types most suited to gearing strategies
-  Examine and compare margin loan structures and features with particular reference to collateral, approved securities, transfer of assets, roles and responsibilities of lenders and investors, loan amounts, interest rate options third parties/guarantees, loan to loan to value ratios (LVR) and buffer zones
-  Explain the concept of a margin call operates, how a margin call is triggered, and how investors can reduce the likelihood of a margin call
-  Identify how the nine steps of financial advising apply to advising on gearing strategies, with a focus on the development of gearing strategies to match client needs, namely ownership, establishing the appropriate level of gearing, exit strategies, administration requirements, insurance implications, estate planning needs and cash flow considerations
-  Negotiate the gearing recommendation with the client, focusing on issues such as loan to value ratio (LVR), margin call requirements and client affordability

## 7. WHAT ABOUT ASSESSMENT?

To successfully complete this module, you must be deemed competent in an online, open-book multiple choice exam. Students must achieve at least 75% across all chapters to pass the module overall. All examinations are completed online (unless arrangements are made otherwise). Course fees cover a total of three examination attempts of each chapter online.

## 8. HOW LONG WILL IT TAKE?

Upon enrolment students will be given four months to complete this module. All assessment tasks relating to this module must be undertaken within this time frame. See the Student Information Guide for further information.

The time it takes to complete the modules varies from student to student depending upon a number of factors such as:

- 📌 Aptitude
- 📌 Current financial services experience
- 📌 Previous study undertaken (depending whether studies were completed and level and content of area studied)
- 📌 Current work load and family commitments

## 9. FURTHER INFORMATION & ENROLMENT

For more information or to enrol

- 📌 contact one of our client service coordinators on 1300 782 822 (toll free)
- 📌 go to our website at [www.pinnacle.edu.au](http://www.pinnacle.edu.au)

The Student Information Guide is a comprehensive summary of all Pinnacle entry prerequisites and educational policies and procedures. Students must agree to abide by the terms and conditions of the student information guide prior to course commencement.



### Sydney

Level 2, 140 William Street  
Potts Point, NSW 2011

### Melbourne

68-72 York Street  
South Melbourne, Vic 3205

## 10. EXPERIENCE THE PINNACLE DIFFERENCE

- 📌 Practical, high quality course content
- 📌 Distance education, so work at own pace.
- 📌 No set enrolment or assessment dates. Start whenever, complete the on-line assessments when ready.
- 📌 On-line assessments can be completed progressively results are provided instantly.
- 📌 Recognition of existing qualification, knowledge and skills (where regulations permit).
- 📌 Responsive and efficient student support
- 📌 Fast and reliable turnaround times. We respond to administrative queries within one business day.
- 📌 Student support on a convenient 1300 telephone number or a dedicated email address (at no extra cost.)
- 📌 Transparent prices and excellent value
- 📌 High quality training materials, providing required knowledge on subject areas required
- 📌 A skills chapter within the course module - providing real and practical situations aligned to ASIC's nine skill elements.