Futures margin

Learn how to get in position

Leveraging margin

Futures are traded on margin. What does that mean? Well, margin is the amount of funds required to enter into a futures position—typically a fraction of the total value of the contract. Any product traded on margin also means it's highly leveraged, allowing you to control a larger asset with less capital.

Helpful hint: With leverage, small price changes can translate into big gains or losses.

Stay in the margins

In stocks, you can borrow against your assets like a loan. In futures, you put down a good faith deposit called the initial margin requirement. The cash for the initial margin requirement is automatically set aside in your account and subtracted from your buying power once an order is entered. Whether you go long or short, initial margin requirements are the same but vary by futures product—typically being a small percentage (ranging anywhere from 2% to 12%) of the notional value of the contract.* There's also a maintenance margin requirement, or the balance your account must carry to stay in the position, and that's normally 110% of maintenance margin.

For example, if an E-mini S&P 500 Index futures contract (/ES) has an initial margin requirement of $6,600 and a maintenance margin of $6,000, buyers or sellers must have $6,600 in their account to enter the contract and need to keep at least $6,000 in their account to stay in the position.

* Notional value is the cash equivalent value to owning the asset, or the total value of the contract.

Please note: Both initial and maintenance margin levels are set by the exchanges and can change at any time based on market conditions. TD Ameritrade Futures & Forex LLC (TDAFF) reserves the right to increase margin requirements at any time without notice to clients.

It’s your call

If your account balance falls below the maintenance margin requirement, your account will be issued a margin call. When this happens, you typically have two choices to satisfy the call:

- If you’d like to stay in the position, you’ll usually have one business day to bring the account balance back up to the initial margin requirement. You can deposit additional funds into your account, or if the market moves back in your favor, the position may bring your account above the initial margin requirement on its own—but keep in mind you may still need to deposit additional funds.

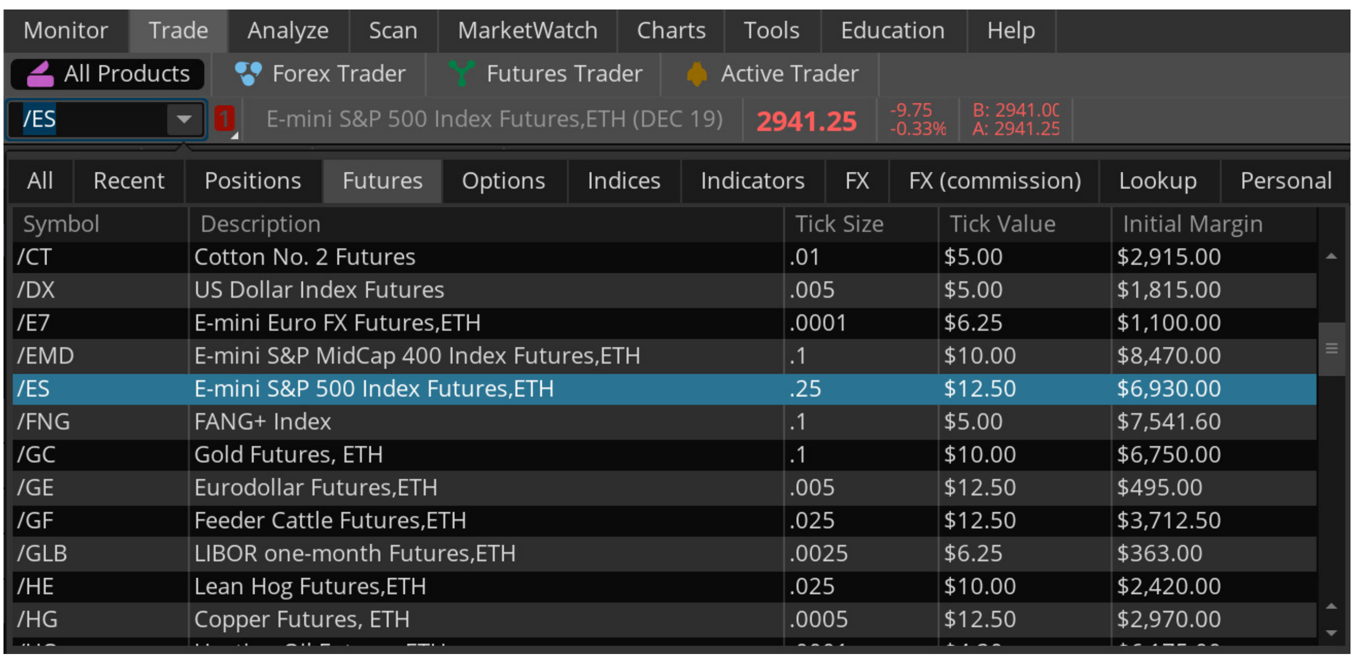
- If you don’t want to stay in the position, you can attempt to liquidate it.

So going back to the /ES example above, if your equity falls to $5,800, you would have to bring in an additional $800 to get your balance back above the $6,600 initial margin requirement (6,600 – 5,800 = 800).

Please note: TDAFF reserves the right to close or liquidate any futures position at any time without notice to satisfy a margin call.

Acquire what’s required

So how do you know what the initial margin requirement for each futures product is? You can easily find it in the thinkorswim® platform. Go to the Trade tab, click the drop-down box, and select “Futures.”



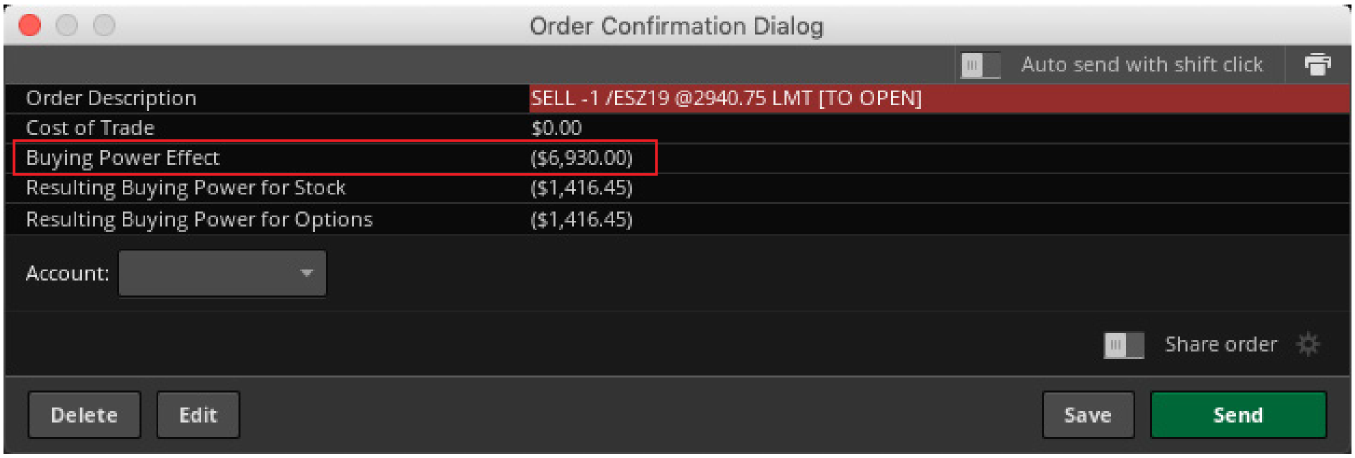
Symbol	Description	Tick Size	Tick Value	Initial Margin
/CT	Cotton No. 2 Futures	.01	$5.00	$2,915.00
/DX	US Dollar Index Futures	.005	$5.00	$1,815.00
/E7	E-mini Euro FX Futures,ETH	.0001	$6.25	$1,100.00
/EMD	E-mini S&P MidCap 400 Index Futures,ETH	.1	$10.00	$8,470.00
/ES	E-mini S&P 500 Index Futures,ETH	.25	$12.50	$6,930.00
/FNG	FANG+ Index	.1	$5.00	$7,541.60
/GC	Gold Futures, ETH	.1	$10.00	$6,750.00
/GE	Eurodollar Futures,ETH	.005	$12.50	$495.00
/GF	Feeder Cattle Futures,ETH	.025	$12.50	$3,712.50
/GLB	LIBOR one-month Futures,ETH	.0025	$6.25	$363.00
/HE	Lean Hog Futures,ETH	.025	$10.00	$2,420.00
/HG	Copper Futures, ETH	.0005	$12.50	$2,970.00

For illustrative purposes only. Not a recommendation. Margin requirements accurate as of February 21, 2019.

SPAN your options

While outright futures contracts have specific set amounts for initial and maintenance margin requirements, options on futures margin requirements are calculated using the Standard Portfolio Analysis of Risk, or CME SPAN®, methodology. CME SPAN uses 16 different scenarios that look at increases/decreases in the underlying future, volatility, and time to expiration. The margin requirement for your options on futures positions is set to the worst theoretical loss based on these different scenarios. There's a lot that goes into this calculation—but no need to worry. The thinkorswim platform takes care of it for you.

Helpful hint: To view the Buying Power Effect of trades you're looking to purchase, use the "Order Confirmation Dialog" box.



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If you want to know more about futures margin requirements, please contact the Margin Risk Department at 877-877-0272, ext. 3.

Want to test-drive your futures strategies without putting any real money on the line?

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Examples using real symbols are provided for illustrative and educational use only and are not a recommendation or solicitation to buy, sell, or hold any specific security.

Futures and futures options trading is speculative and is not suitable for all investors. Please read the Risk Disclosure for Futures and Options prior to trading futures products.

Futures accounts are not protected by the Securities Investor Protection Corporation (SIPC).

Futures and futures options trading services are provided by TD Ameritrade Futures & Forex LLC. Trading privileges are subject to review and approval. Not all clients will qualify.

Margin trading increases risk of loss and includes the possibility of a forced sale if account equity drops below required levels. Margin is not available in all account types. Margin trading privileges are subject to TD Ameritrade review and approval. Carefully review the Margin Handbook and Margin Disclosure Document for more details.

Leverage carries a high level of risk and is not suitable for all investors. Greater leverage creates greater losses in the event of adverse market movements.

Asset allocation and diversification do not ensure a profit nor eliminate the risk of investment losses.

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