

Guide to margin trading

Margin trading means trading using borrowed money. It's a strategy used by both professional and self-directed investors. This short guide aims to introduce you to the basic concepts and get you started.

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Margin trading is the practice of borrowing money from a brokerage to trade in stocks or other types of securities. Stocks held in your account are used as collateral for the loan, and the brokerage charges interest for the duration of the loan. In the investment world, buying stocks using borrowed money is known as trading 'on margin.'

When the price of a stock is rising, trading on margin allows investors to use leverage to increase their gains. However, when stock prices fall, losses mount much more quickly.

This guide provides:

- 1 A definition of margin trading
- 2 Margin trading examples and scenarios
- 3 Explanation of margin accounts
- 4 A "quick start" guide to margin trading
- 5 A guide to opening a margin account
- 6 Margin trading best practices and guidelines
- 7 Sample Qtrade Investor margin requirements
- 8 A glossary of margin trading terms

What is margin trading?

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Traders' tip

If you decide to buy on margin, take a careful, disciplined approach. Margin trading entails additional risks associated with market volatility, and requires a high level of attention.

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For further help with margin accounts or margin trading with Qtrade Investor, please speak to one of our investment representatives. Call **1.877.787.2330** or **604.605.4199**, or send an email to customersupport@qtrade.ca.