

Title:

Margin Trading Dangers Highlighted by Real Cases

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Summary:

This article explains how margin trading of shares by company directors, executives and relatives

Keywords:

margin, trading, danger, loan, director, shares, investor, purchase, executive, collateral

Article Body:

Margin Trading Dangers Highlighted by Real Cases

Several recent high profile company share price collapses on the Australian Stock Exchange high

Significant shareholdings by directors in a listed company have traditionally been viewed favorably

On exposure in a falling market, the consequences can be devastating to all concerned.

Basically margin trading involves borrowing through a brokerage to purchase shares on deposit

Depending on the particular share being purchased and subject to other margin account criteria

In this situation private shareholders become unsuspecting victims of a risk they didn't even

This scenario is far from academic. In a number of now salient Australian cases, dumping of directors

Needless to say, any company subject to such a fate will find it nearly impossible to raise funds

Private investors engaged in margin trading the same company may well suffer a similar fate to

A more detailed case study is available through the resource link.

As the case study points out, effects of a major margin call default can be widespread and devastating

So how should the private investor guard against such an unwelcome outcome to a seemingly quiet

As we have discussed, potentially damaging margin trading by directors and executives can be done

In one recent case it turns out that not only were directors purchasing shares on margin for themselves

For the private investor, good advice is to avoid margin trading through a margin broker altogether

In one recent Australian margin trading case, some private investors reportedly had their entire

At a time when ever more complex means of trading traditional share markets are being developed

In summary, private investors can minimise exposure to margin trading risk by taking a few precautions

- " Treat very fast growing companies with caution. These companies and their high profile
- " Examine available stock exchange announcements and news to unearth margin trading practices
- " Simply ask the Company Chairman if Directors and Executives or even the Company itself
- " Also ask if shareholders' funds are being used to margin trade any other company's shares
- " Avoid personal use of margin share trading accounts altogether - borrow elsewhere if you
- " Ensure any shares you purchase on leverage are registered in your own name to avoid the

Eventually disclosure of margin trading by company directors, executives and related parties m

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