Contract for Differences Information Sheet

This document represents our policy as at 19 January 2021

1. General Information

Introduction

This Information Sheet is designed to assist you in making an informed decision regarding whether dealing in Contract for Differences (CFD) is a suitable investment for you. It is recommended that you seek independent financial and taxation advice concerning this Information Sheet, the Contract Details and the Client Agreement before you apply to open an account with us.

CFDs are speculative products. The geared nature of CFDs means that there is significantly greater risk to your initial investment compared with the risk associated with non-geared investment strategies. There exists the potential to incur losses in addition to any fees and costs that apply. These losses may be far greater than the money you have deposited into your Account or are required to deposit to satisfy your Margin Requirement. The risk factors associated with trading CFDs are set out further in Section 2.3.

Our account opening and contract documents are available on our website, or by email at your request, and contain technical information on the market details and the associated costs for the CFDs. This Information Sheet forms part of the agreement under which we will provide Products and Services to you.

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2. Contracts for Differences

2.1 What are Contracts for Differences?

It is an agreement between 2 parties to settle the difference between the opening and closing prices of the contract multiplied by the number of units of the underlying asset specified in the CFD. CFDs allow customers to participate in the price movement of an underlying product without actually owning the asset, which can be a share, an index, a commodity, etc.

Phillip Securities offers the following types of CFDs:

1. Equities CFD (which includes Shares CFD and Shares Direct Market Access DMA CFD)
2. ETF CFD
3. World Indices CFD
4. Commodities CFD and
5. FX CFD

2.2 Key Features of CFDs

Underlying Investment Product

CFDs are derivative products and their prices track the underlying assets closely.

ONE CFD Account

Existing CFD account holders do not need to open a new account to trade CFD on different asset classes.

Placing of Overnight Orders

Customers are able to place overnight orders for the next trading day.

Portfolio Diversification

Customers can diversify their investment portfolio with CFDs on different assets ranging from Shares, Indices, ETFs to FX.

Short Position

CFD allows customers to take a position on the underlying asset without actually having to buy and sell the underlying asset itself. Therefore, CFD customers can take short positions and not be limited to the T+2 days' contra period or the need to engage in SBL[1].

Leverage

As CFDs are leveraged products, customers are only required to put up a percentage of the total contract value to establish and maintain a position.

Note: Phillip Securities Pte Ltd reserves the right to vary the required margin for the underlying securities and limit each customer's trading limit without prior notice.

30 Calendar Days Contract Period

Each CFD has a contract period of 30 calendar days. Customers can choose to close the contract any time[2] before its expiration on the 30th calendar day. If contracts are not closed out within 30 calendar days, they will be automatically renewed based on the market closing price of the underlying investment product on the 30th calendar day. Unrealised profits, losses and finance charges will be realized on the 30th calendar day[3] as well. There is no roll-over commission charged to customers for renewal of contracts.

Sophisticated Trading Strategies

Customers have the added ability to protect their existing shares portfolio against adverse market conditions by using CFDs to hedge their exposure via strategies such as pairs and spread trading.

2.3 Key Risks of CFD Trading

It is important to note that there are risks involved in trading CFDs, which include the following, amongst others:

Leverage Risk

CFDs are leveraged products traded on margin, the risk of any gain or loss in trading CFD trading can be amplified. The amount of initial margin required to be deposited in the customers' account prior to trading can be small relative to the value of the contract. A relatively small market movement will have a proportionately larger impact on the funds that customers have deposited or will have to deposit to maintain their position(s). However, if the market moves against the customer's position(s) or if margin levels are increased, the customer may be called upon short notice to pay additional funds in order to maintain their position(s).

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[1] Securities Borrowing and Lending (SBL) facility allows customers to short the market by borrowing shares

[2] During the trading hours of the respective CFD contract

[3] If the 30th calendar day falls on weekend or public holiday, the contract will be renewed based on the market closing price of the next trading day

Counterparty Risk

CFD is an over-the-counter (OTC) leveraged product traded on an off-exchange basis. Off-exchange transactions are typically less regulated and are subjected to a separate regulatory regime. The firm with which customers conduct their transactions (which may be Phillip Securities, if Phillip Securities acts as your broker to effect a transaction with such firm, or another firm) acts as the counterparty to the transaction. Counterparty risk arises when the CFD provider fails to meet a due payment obligation under a CFD.

For example, if a holder of a long CFD contract has made a profit, he is supposed to receive this gain from the CFD provider. A holder of a long CFD contract should note that he has no recourse to the underlying asset as he has not actually bought the underlying asset.

Liquidity Risk

As CFDs are traded on an OTC basis, they are subject to the availability of buy and sell prices and volume. Some CFDs have lower liquidity than others, which makes them more difficult to trade at the market price. When this happens, the CFD may not be sold within a reasonable time (if at all) or may be traded at a price which may not reflect its “fair” value.

For example, the customer may be required to lower his/ her asking price to sell the CFD, which may incur losses as a result.

Order Type Risk

When trading CFDs, customers can place certain orders (e.g. stop-limit orders). While these orders could limit losses to certain amounts in most instances, it may not be effective when market conditions make it difficult or impossible to execute such orders without incurring substantial losses.

Risk of Shares Recall

To enable the customer to take a short CFD position, Phillip Securities may need to borrow the shares of the underlying to conduct a short hedge. Lenders of the shares have the right to recall anytime. In the event of a recall the shares may have to be returned at short notice and the CFD provider might no longer be able to maintain the short hedge. This may result in the CFD provider closing your short CFD positions immediately or at a short notice.

Regulatory changes prohibiting short selling and share borrowing in specific shares or in the entire underlying market may also result in the broker force closing customers’ short positions in CFD.

3. Impact of Corporate Actions

Corporate actions of underlying securities that apply are as follows:

Dividends[4]

A dividend adjustment will apply to Equities CFD on the ex-dividend date of its underlying shares[5]. A dividend adjustment will apply for selected World Indices CFD, after the ex-dividend date of its underlying component stock. Dividend adjustments[6] will be credited or debited based on the customer’s outstanding CFD positions (as of market close on the day before ex-dividend date).

For example, the net dividend adjustment will be credited to the customer’s account for long positions in Equities CFD and/ or World Indices CFD while the gross dividend adjustment will be debited from the customer’s account for short positions in Equities CFD and/ or World Indices CFD.

Dividends adjustments are denominated in the respective instrument’s settlement currencies.

Bonus[7]**, Stock Splits, and Reverse Splits**

Quantity and price adjustment will apply to Equities CFD to reflect the market equivalent. This is not applicable to World Indices CFD.

For bonus issues, additional quantity will be credited on the exercise date for short positions and on payable date for long positions.

For stock splits/ reverse splits, quantity and traded prices will be credited on the exercise date.

Warrants

Appropriate cash adjustments will apply when the underlying shares undergo warrants issue (i.e. warrants rights issue or bonus warrants) only for customers with long positions. Short positions will have to be liquidated one day before ex-dividend date.

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[4] Dividend adjustments will be made in the declared currency of the underlying shares. Where Phillip Securities does not provide a ledger for the declared currency, the dividend adjustment will be made in SGD. In the event of scrip dividends, customers with long positions (as of market close) will receive credit dividend adjustments while customers with short positions will not receive the entitlement and will have to close off all positions one market day before ex-date.

[5] Shares refer to the shares of companies listed on the respective exchanges

[6] For Singapore, Malaysia, Hong Kong and China markets, the dividend adjustments will be credited/ debited one market day before ex-date after market close. For US, Japan and Australia markets, the dividend adjustments will be credited/ debited on ex-date after market close.

[7] In the event there is a combination of Corporate Actions (“CA-Cum All”), where it includes corporate actions other than the above mentioned, customers may not be able to enjoy the entitlement and may be required to close off all open positions before the ex-date.

E.g. ABC stock announces S$0.05 dividend per share (which Phillip Securities caters for) & 1 for 10 rights issue at S$0.60 (which Phillip Securities does not cater for). Ex-date for both Corporate Actions is on 1st October 11. Customers who are holding the above CFD positions will not be entitled to both the rights & dividends and will have to liquidate their CFD positions before ex-date.

Cash adjustments are based on a discretionary liquidation of warrants held by Phillip Securities. Customers who do not wish to be subjected to this discretionary action should liquidate their positions one day before exercise date.

Customers will not able to sell or exercise the warrants.

Rights

Customers who have held long positions on Equity CFDs, whose underlying shares are undergoing a renounceable rights issue, pass the ex-dividend date will be eligible for the rights. Short positions will have to be liquidated one day before ex-dividend date.

The rights will be credited into clients' CFD accounts as a CFD position at a traded price of zero and at the similar margin requirement as the underlying share. Clients must liquidate ALL the rights before the last trading day otherwise, the rights will expire worthless. Commission is chargeable for the liquidation of these rights.

Note: Notwithstanding the foregoing, Phillip Securities reserves the right to close all open positions relating to the underlying security before the ex-date for any corporate action not mentioned above.

4. Settlement Currencies

All CFDs will be settled in the respective traded currencies. **There will NOT BE ANY AUTO CONVERSION from traded currencies to SGD and vice versa** except that customer's MYR ledger will not be allowed to go into deficit and will automatically be converted into SGD should a deficit occur. For all other currencies (should there be any margin deficit in the respective ledger), customers should submit currency conversion requests to Phillip Securities to avoid margin debit interest.

5. Margin Requirements

Margin requirement is the amount of money that is required in order to place a CFD trade or maintain a CFD position. Margin taken up to maintain a CFD position will fluctuate based on the Mark-to-Market price of the underlying asset, and will be returned once the CFD position is closed.

Ledger balance forward (b/f) = Previous day's Ledger carried forward.

Ledger carried forward (c/f) = Ledger b/f ± Adjustments - Commission and GST ± Realised Profit or Loss - Realised Finance Charges

Equity Balance = Ledger c/f ± Unrealised Profit or Loss - Unrealised Finance Charges

Available Funds for Withdrawal = Equity Balance – MM - Unrealised debit interest

Initial Margin[8] (IM): The required margin in the customer's CFD account prior to buying or selling any CFD contract.

Maintenance Margin[9] (MM): The minimum amount of Equity Balance that must be maintained in the customer's CFD account. The closing price will be used to calculate the maintenance margin.

Force-liquidation Margin (FM): Phillip Securities reserves the right to liquidate the CFD contract without prior notice when the Equity Balance falls below force-selling margin of 5%.

Margin Excess (Available Cash) = Equity Balance – MM

Margin Deficit = MM – Equity Balance

Margin Call = Equity Balance < Maintenance Margin of the Portfolio Market Value

Portfolio Market Value: Includes all open CFD contracts as of market close

6. Margin Excess / Deficit Interest

Based on customers' funds in excess of those utilized towards the required margin (margin excess), any credit balance will accrue a competitive interest based on the following:

Amount	Credit Interest
> SGD 50,000	0.10% p.a.
> HKD 50,000	0.10% p.a.
> USD 50,000	0.15% p.a.
> AUD 50,000	0.05% p.a.

8 Phillip Securities reserves the right to amend margin requirements from time to time. Please refer to www.phillipcfd.com for margin requirement of individual CFD counters

9 The marked-to-market closing price will be used to calculate the MM

Margin Deficit will incur a penalty debit interest charge based on the following:

Currency	Interest on Debit Balance
SGD	6.00% p.a.
USD	7.00% p.a.
HKD	7.00% p.a.
JPY	4.20% p.a.
CNY	8.25% p.a.
AUD	8.75% p.a.
EUR	7.00% p.a.
GBP	4.50% p.a.
CAD	7.00% p.a.
THB	8.25% p.a.

Rates may change from time to time at the discretion of Phillip Securities.

7. Details on CFD Contracts

Please visit our website at www.phillipcfd.com for the list of CFD contracts available for trading and their respective details.

8. Modes of Order Submission

CFD trading is available on POEMS 2.0, POEMS Mobile 2.0 and POEMS Mercury. Customers can also place CFD orders through their Trading Representative.

Phillip Securities has the discretion to halt trading at any time. Examples of instances where trading may be halted include (but is not limited to):

1. Volatile market conditions

2. Disruption to IT services

3. Trading halt or suspension of underlying asset

Do note that any limit order for Equities CFDs (Shares CFD and DMA CFD) submitted at prevailing market bid/ask prices exceeding the following limit(s) might be rejected or delayed subject to our approval:

<u>Shares CFD (whichever has a lower contract value):</u>

Maximum quantity per order: 500,000 share
Maximum contract value per order: S$300,000

<u>DMA CFD (whichever has a lower contract value):</u>
Maximum quantity per order: 500,000 shares
Maximum contract value per order: S$500,000

It is therefore highly recommended for you to split large orders into multiple smaller ones for submission.

Spreads for World Indices, Commodities and FX CFD are subject to variation, especially in volatile market conditions. Please note that the best/target spread of the World Indices, Commodities and FX CFD may be adjusted at Phillip Securities' discretion.

Order Fill

All Shares, World Indices, and FX CFD orders are done based on the Bid/Ask Price of the underlying counter or index. Investors who want to Buy (Long) a CFD counter can submit a Buy order based on the current **Ask** Price, or queue below the current **Ask** price. The order will be executed once the desired **Ask** price is triggered.

Conversely, a customer can also submit a Sell (Short) CFD order based on the current **Bid** Price, or queue above the current **Bid** price. The order will be executed once the desired **Bid** price is triggered.

Last Done price (based on cash market) will not trigger the execution of the trade (except for DMA CFD trades). Orders which are submitted between the current bid/ask spread or orders which are worse off than current bid/ask prices would be rejected, however this does not affect advanced orders sent via POEMS 2.0 and POEMS Mobile 2.0..

Example:

The Current CFD Bid/Ask price of counter ABC is S$7.94/S$7.95. (Illustration A)

A customer can either Buy at the current market price of S$7.95 or he can choose to place a queue order to Buy lower than S$7.95. In this case, the customer submitted a queue order to **buy (Long)** 10,000 ABC shares at S$7.94.

The Buy trade would be executed once the CFD Ask price is triggered. (Illustration B) Last Done Price would not trigger the order to get done.

Illustration A

Last Done Price will not trigger the order to be executed

hart	Contract	R	CFD Bid	CFD Ask	Buy Vol	Sell Vol	Total Vol	Last Done	Change	%Change	Open	High	Low
C	ABC		7.940	7.950	90	133	6,541	7.940	-0.080	-0.998	7.970	8.000	7.910

Illustration B

Automatic roll-over

hart	Contract	R	CFD Bid	CFD Ask	Buy Vol	Sell Vol	Total Vol	Last Done	Change	%Change	Open	High	Low
C	ABC		7.93	7.94	90	133	6,541	7.940	-0.080	-0.998	7.970	8.000	7.910

The above examples are for illustration only. Please see below for the types of order fill and the conditions.

Types of Order Fill

Equities CFD, World Indices, and FX CFD orders can be fully done, partially done or fully rejected. For partially done orders, the executed quantity will be less than the submitted quantity by the CFD customer. The partially done quantity will be executed solely at the discretion of Phillip Securities depending on the liquidity of the stock and the underlying market circumstances. When this happens, the CFD order status of the remaining unfilled orders will be stated as “working”.

In accordance with the changes in market conditions and its risk management policies, Phillip Securities reserves the right to reject any new CFD orders.

9. Order Types and Queue Restrictions

Definition of different order types	
Limit Order	An order to buy or sell at a specific price upon submission (or better). The order entered must be at prevailing market prices, or better as compared to the current market’s quotes, otherwise the order will be rejected.
Stop Limit Order	An order that combines the features of stop order and a limit order. Once the stop price is reached, the stop-limit order becomes a limit order to buy or to sell at a specified price (or better).
Trailing Stop Order	A trailing stop limit order is a stop limit order set at a percentage below/above the market price (For Long/Short position). The price is adjusted as the market price fluctuates.
One Cancels Other (OCO) Order	An order stipulating that if one part of the order is executed, the other part is automatically cancelled.

Definition of different order types	
If Done Order	A contingent order that is a limit order which will not be activated until the parent order is executed.
Contingency Order	A limit order that is not activated until the specified condition is met.
Market Order	An order to buy or sell a stock at the current market price.

Limit Order for Shares CFD

Buy order will be done when price indicated is the same as the Ask Price, after pre-execution checks are satisfied.

Sell order will be done when price indicated is the same as the Bid Price, after pre-execution checks are satisfied.

Limit Order for DMA CFD

Orders are done based on last done price and price/ time priority (not bid/ask prices)
For more information, please visit www.phillipcfd.com/platforms/risk-management-order-types/

You should note that all CFD positions will be closed out on a First-in First-out basis. Phillip Securities reserves the right to cancel any contracts that are done/filled as a result in the event of a price error arising from an erroneous price feed.

10. Margin Call

A margin call will be issued to you when your Equity Balance falls below the required Maintenance Margin (MM). The margin call (SGD based) amount is equivalent to the difference between the Initial Margin (IM) and your Equity Balance. Margin call calculations are done at 5 am[10] on the same day. All Profit or Loss and Portfolio Market Values are marked-to-market using the previous day's closing price.

Customers will have up to 2 business days (up till 3pm on the 2nd day) to fulfill the margin call. However, you will only have till 3pm on the day itself to fulfill this margin call if your account's Equity Balance is less than 5% of the market value of your portfolio.

You can fulfill the margin call by either depositing enough funds to increase your Equity Balance above the required Initial Margin or close positions to increase your Equity Balance above the required Initial Margin. Improvements to your equity balance resulting from favorable market movements during the day will not be regarded as partial or total fulfillment of the margin call.

Failure to fulfill the margin call will result in the force liquidation of your CFD positions to reduce the margin requirement. It is your responsibility to have enough funds in your account to fulfill the margin requirement and Phillip Securities reserves the right to force liquidate your positions without prior notice.

11. Minimum Deposit

Customers are not required to put up a minimum deposit to open a CFD Account.

12. Withdrawal of Funds

The lower of the previous day's day-end margin excess and the margin excess at the time of processing, will be the maximum amount available for withdrawal. The withdrawal request will be rejected if the submitted withdrawal amount is greater than the afore-mentioned.

Note: Customers are reminded to exercise due caution that withdrawal of funds might result in a margin call. Withdrawals, whether by way of electronic transfer or cheque, will only be made out in the name of the account held with Phillip Securities. Customers should refer to www.phillipcfd.com for the terms and conditions governing the withdrawal of CFD funds.

13. Fees and Charges

Commission Rates

All commission rates are charged on an amalgamated basis, unless otherwise stated.

Finance Charges

CFD positions that are held overnight will be subjected to overnight financing charge. The finance charge is calculated on a daily basis and will only be realised upon roll over or liquidation of your CFD position.

If you open and close a CFD position within the same trading day, you will not be subjected to any financing charge.

The daily financing charge is calculated as follows:

FC = MV X R / 365

FC = Daily finance charge

MV = Total market value of your CFD position marked to the closing price of the day

R = Finance rate for the CFD contract

Please visit our website at www.phillipcfd.com for the commission and finance charges applicable for the respective CFD contracts.

[10] Margin Call calculation are done on 6am during Non-US Daylight Savings

14. Modes of Payment

Please refer to https://www.poems.com.sg/payment/ for available modes of payment to fund the CFD account.

15. Closure of Account

An administrative fee of up to S$1.07 (inclusive of GST) will be charged for account closure with credit balance of S$1.00 or below.

16. Retrieval of Statements

An administrative fee will be levied for the retrieval of past CFD monthly statements as follows:

Period	Administrative fee[11]
Up to 1 year	S$21.40 per statement
More than 1 year	S$32.10 per statement

Note: Statements are not available beyond the statutory retention period of 5 years.

[11] Fee stated is inclusive of GST.

17. Working Examples on CFD

Shares CFD Long Example

A customer is bullish on XYZ component share and decides to buy (LONG) 15,000 contracts of XYZ share at S$2.30. Customer can trade XYZ component share on stocks or Shares CFD. Assume margin requirement for XYZ component stock is 10% with 10 times leverage. (Minimum commission of S$25 for CFD or shares)

	Scenario 1: Positions are closed 20 days later @ S$2.50		Scenario 2: Positions are closed 20 days later @ S$2.10	
Original Investment	Long CFD S$3,450	Long Shares S$34,500	Long CFD S$3,450	Long Shares S$34,500
Quantity (shares)	15,000	15,000	15,000	15,000
Opening contract value (Day 1)	(S$34,500)	(S$34,500)	(S$34,500)	(S$34,500)
Opening commission (incl. GST)	S$34,500 * 0.2% * 1.07 = (S$73.83)	S$34,500 * 0.28% * 1.07 = (S$103.36)	S$34,500 * 0.2% * 1.07 = (S$73.83)	S$34,500 * 0.28% * 1.07 = (S$103.36)
Clearing & Access fees (incl. GST)	S$0	S$34,500 * 0.0400% * 1.07 = (S$12.90)	S$0	S$34,500 * 0.0400% * 1.07 = (S$12.90)
Finance Charge[12] (based on daily marked-to-market prices)	S$34,500 * 4.5% * 20/365 = (S$85.07)	S$0	S$34,500 * 4.5% * 20/365 = (S$85.07)	S$0
Closing contract value (Day 20)	S$37,500	S$37,500	S$31,500	S$31,500
Closing Commission (incl. GST)	S$37,500 * 0.2% * 1.07 = (S$80.25)	S$37,500 * 0.28% * 1.07 = (S$112.35)	S$31,500 * 0.2% * 1.07 = (S$67.41)	S$31,500 * 0.28% * 1.07 = (S$94.37)
Clearing & Access fee (incl. GST)	S$0	S$37,500 * 0.0400% * 1.07 = (S$16.05)	S$0	S$31,500 * 0.0400% * 1.07 = (S$13.48)
Net Gain or (Loss)	S$2,760.85	S$2,755.34	(S$3,226.31)	(S$3,224.11)
Return on Equity (Net Gain or Loss/ Original Investment)	80.02%	7.99%	(93.51%)	(9.35%)

[12] Finance charge in this example is calculated based on contract opening price, assuming daily marked-to-market prices remains constant for 19 calendar days. Please refer to www.phillipcfd.com for the latest rates and promotions

Shares CFD Short Example

A customer is bearish on XYZ component share and decides to sell (SHORT) 30,000 contracts of XYZ share at S$1.00. Customer can trade XYZ component shares on stocks after borrowing shares using SBL facility, or use Shares CFD to short-sell XYZ component share. Assume margin requirement for XYZ component share is 10% with 10 times leverage. (Minimum commission of S$25 for CFD or shares)

	Scenario 1: Positions are closed 20 days later @ S$0.90		Scenario 2: Positions are closed 20 days later @ S$1.10	
Original Investment	Short CFD S$3,000	Short Shares (SBL) S$10,000	Short CFD S$3,000	Short Shares (SBL) S$10,000
Quantity (shares)	30,000	30,000	30,000	30,000
Opening contract value (Day 1)	S$30,000	S$30,000	(S$30,000)	(S$30,000)
Opening commission (incl. GST)	S$30,000 * 0.2% * 1.07 = (S$64.20)	S$30,000 * 0.28% * 1.07 = (S$89.88)	S$30,000 * 0.2% * 1.07 = (S$64.20)	S$30,000 * 0.28% * 1.07 = (S$89.88)
Clearing & Access fees (incl. GST)	S$0	S$30,000 * 0.0400% * 1.07 = (S$12.84)	S$0	S$30,000 * 0.0400% * 1.07 = (S$12.84)
Finance Charge[13] (based on daily marked-to-market prices)	S$30,000 * 8.0% * 20/365 = (S$131.51)	S$30,000 * 8.0% * 20/365 = (S$131.51)	S$30,000 * 8.0% * 20/365 = (S$131.51)	S$30,000 * 8.0% * 20/365 = (S$131.51)
Closing contract value (Day 20)	(S$27,000)	(S$27,000)	S$33,000	S$33,000
Closing Commission (incl. GST)	S$27,000 * 0.2% * 1.07 = (S$57.78)	S$27,000 * 0.28% * 1.07 = (S$80.89)	S$33,000 * 0.2% * 1.07 = (S$70.62)	S$33,000 * 0.28% * 1.07 = (S$98.87)
Clearing & Access fee (incl. GST)	S$0	S$27,000 * 0.0400% * 1.07 = (S$11.56)	S$0	S$33,000 * 0.0400% * 1.07 = (S$14.12)
Net Gain or(Loss)	S$2,746.51	S$2,673.32	(S$3,266.33)	(S$3,347.22)
Return on Equity (Net Gain/Original Investment)	91.77%	26.73%	(108.88%)	(33.47%)

[13] Finance charge in this example is calculated based on contract opening price, assuming daily marked-to-market prices remains constant for 19 calendar days. Please refer to www.phillipcfd.com for the latest rates and promotions

DMA CFD Long Example

A customer is bullish on XYZ component share and decides to buy (LONG) 15,000 contracts of XYZ share at S$2.30. Customer can trade XYZ component share on stocks or DMA CFD. Assume margin requirement for XYZ component stock is 10% with 10 times leverage. (Minimum commission of S$25 charges for DMA CFD or shares)

	Scenario 1: Positions are closed 20 days later @ S$2.50		Scenario 2: Positions are closed 20 days later @ S$2.10	
Original Investment	Long DMA CFD S$3,450	Long Shares S$34,500	Long DMA CFD S$3,450	Long Shares S$34,500
Quantity (shares)	15,000	15,000	15,000	15,000
Opening contract value (Day 1)	(S$34,500)	(S$34,500)	(S$34,500)	(S$34,500)
Opening commission (incl. GST)	S$34,500 * 0.20% * 1.07 = (S$73.83)	S$34,500 * 0.28% * 1.07 = (S$103.36)	S$34,500 * 0.20% * 1.07 = (S$73.83)	S$34,500 * 0.28% * 1.07 = (S$103.36)
Clearing & Access fees (incl. GST)	S$0	S$34,500 * 0.0400% *1.07 = (S$12.90)	S$0	S$34,500 * 0.0400% * 1.07 = (S$12.90)
Finance Charge[14]	S$34,500 * 4.5% *20/365 = (S$80.07)	S$0	S$34,500 * 4.5% *20/365 = (S$80.07)	S$0
Closing contract value (Day 10)	S$37,500	S$37,500	S$31,500	S$31,500
Closing Commission (incl. GST)	S$37,500 * 0.20% * 1.07 = (S$80.25)	S$37,500 * 0.28% * 1.07 = (S$112.35)	S$31,500 * 0.20% * 1.07 = (S$67.41)	S$31,500 * 0.28% * 1.07= (S$94.37)
Clearing & Access fee (incl. GST)	S$0	S$37,500 * 0.0400% * 1.07 = (S$16.05)	S$0	S$31,500 * 0.0400% * 1.07 = (S$13.48)
Net Gain/Loss	S$2,765.85	S$2,755.34	(S$3,221.31)	(S$3,224.11)
Return on Equity (Net Gain/Original Investment)	80.02%	7.99%	(93.37%)	(9.35%)

[14] Finance charge in this example is calculated based on contract opening price, assuming daily marked-to-market prices remains constant for 19 calendar days. Please refer to www.phillipcfd.com for the latest rates and promotions

DMA CFD Short Example

A customer is bearish on XYZ component share and decides to sell (SHORT) 30,000 contracts of XYZ share at S$1.00. Customer can trade XYZ component shares on stocks after borrowing shares using SBL facility, or use DMA CFD to short-sell XYZ component share. Assume margin requirement for XYZ component share is 10% with 10 times leverage. (Minimum commission of S$25 charges for CFD or shares)

	Scenario 1: Positions are closed 20 days later @ S$0.90		Scenario 2: Positions are closed 20 days later @ S$1.10	
Original Investment	Short DMA CFD S$3,000	Short Shares (SBL) S$10,000	Short DMA CFD S$3,000	Short Shares (SBL) S$10,000
Quantity (shares)	30,000	30,000	30,000	30,000
Opening contract value (Day 1)	S$30,000	S$30,000	(S$30,000)	(S$30,000)
Opening commission (incl. GST)	S$30,000 * 0.20% * 1.07 = (S$64.20)	S$30,000 * 0.28% * 1.07 = (S$89.88)	S$30,000 * 0.20% * 1.07 = (S$64.20)	S$30,000 * 0.28% * 1.07 = (S$89.88)
Clearing & Access fees (incl. GST)	S$0	S$30,000 * 0.0400% * 1.07 = (S$12.84)	S$0	S$30,000 * 0.0400% * 1.07 = (S$12.84)
Finance Charge[15]	S$30,000 * 8.0% * 20/365 = (S$131.51)	S$30,000 * 8.0% * 20/365 = (S$131.51)	S$30,000 * 8.0% * 20/365 = (S$131.51)	S$30,000 * 8.0% * 20/365 = (S$131.51)
Closing contract value (Day 10)	(S$27,000)	(S$27,000)	S$33,000	S$33,000
Closing Commission (incl. GST)	S$27,000 * 0.20% * 1.07 = (S$57.78)	S$27,000 * 0.28% * 1.07 = (S$80.89)	S$33,000 * 0.20% * 1.07 = (S$70.62)	S$33,000 * 0.28% * 1.07 = (S$98.87)
Clearing & Access fee (incl. GST)	S$0	S$27,000 * 0.0400% * 1.07 = (S$11.56)	S$0	S$33,000 * 0.0400% * 1.07 = (S$14.12)
Net Gain/Loss	S$2,746.51	S$2,673.32	(S$3,266.33)	(S$3,347.22)
Return on Equity (Net Gain/Original Investment)	91.55%	26.73%	(108.88%)	(33.47%)

[15] Finance charge in this example is calculated based on contract opening price, assuming daily marked-to-market prices remains constant for 19 calendar days. Please refer to www.phillipcfd.com for the latest rates and promotions

World Indices CFD Long Example

A customer is bullish on the Straits Times Index and purchases 1 contract of Straits Times Index SGD5 CFD worth S$12,000 at a price of 2,400.0 points. The value of 1 index point is S$5. *[2,400*S$5 = S$12,000]*

Scenario 1: Positions are closed 3 days later at a higher value

	CFD Bid	CFD Ask	Closing Price
DAY 1	2,394.0	2,400.0	2,390.0
DAY 2			2,430.0
DAY 3	2,440.0	2,446.0	

Opening Contract of 1 Contract (Day 1)	(S$12,000.00)
Opening Commission (incl. GST) Per side per lot basis	(S$10.70)
Total Financing Charges Qty*Closing Price*Value of 1 Index Point*FC/365 days*1 day FC for Day 1 = 1*2,390*S$5*5.5% /365*1 day = S$1.80 FC for Day 2 = 1*2,430*S$5*5.5% /365*1 day = S$1.83	(S$3.63)
Closing Contract Value (Day 3) = 2,440*S$5 = S$12,200.00	S$12,200.00
Closing Commission (incl. GST) Per side per lot basis	(S$10.70)
Net Gain	S$174.97
Margin = $12,000*5% = S$600.00	S$600.00
Return on Equity=(Net Gain/ Original Investment)	29.2%

Scenario 2: Positions are closed 3 days later at a lower value

	CFD Bid	CFD Ask	Closing Price
DAY 1	2,394.0	2,400.0	2,390.0
DAY 2			2,430.0
DAY 3	2,360.0	2,366.0	

Opening Contract of 1 Contract (Day 1)	(S$12,000.00)
Opening Commission (incl. GST) Per side per lot basis	(S$10.70)
Total Financing Charges Qty*Closing Price*Value of 1 Index Point*FC/365 days*1 day FC for Day 1 = 1*2,390*S$5*5.5%/365*1 day = S$1.80 FC for Day 2 =1*2,430*S$5*5.5%/365*1 day = S$1.83	(S$3.63)
Closing Contract Value (Day 3) = 2,360*S$5 = S$11,800.00	S$11,800.00
Closing Commission (incl. GST) Per side per lot basis	(S$10.70)
Net Loss	(S$225.03)
Margin = $12,000*5% = S$600.00	S$600.00
Return on Equity=(Net Gain/Original Investment)	(37.5%)

World Indices CFD Short Example

A customer is bearish on the Straits Times Index and shorts 1 lot of Straits Times Index SGD5 CFD worth S$12,450 at a price of 2,490.0 points. The value of 1 index point is S$5.

Scenario 1: Positions are closed 3 days later at a lower value

	CFD Bid	CFD Ask	Closing Price
DAY 1	2,490.0	2,496.0	2,500.0
DAY 2			2,460.0
DAY 3	2,444.0	2,450.0	

Opening Contract of 1 Lot (Day 1)	S$12,450.00
Opening Commission (incl. GST) Per side per lot basis	(S$10.70)
Total Financing Charges Qty * Closing Price * Value of 1 Index Point * FC / 365 days * 1 day FC for Day 1 = 1 * 2,500 * S$5 * 3.0% / 365 * 1 day = S$1.03 FC for Day 2 = 1 * 2,460 * S$5 * 3.0% / 365 * 1 day = S$1.01	(S$2.04)
Closing Contract Value (Day 3)	(S$12,250.00)
Closing Commission (incl. GST) Per side per lot basis	(S$10.70)
Net Gain	S$176.56
Margin	S$622.50
Return on Equity=(Net Gain/Original Investment)	28.4%

Scenario 2: Positions are closed 3 days later at a higher value

	CFD Bid	CFD Ask	Closing Price
DAY 1	2,490.0	2,496.0	2,500.0
DAY 2			2,460.0
DAY 3	2,524.0	2,530.0	

Opening Contract of 1 Lot (Day 1)	S$12,450.00
Opening Commission (incl. GST) Per side per lot basis	(S$10.70)
Total Financing Charges Qty * Closing Price * Value of 1 Index Point * FC / 365 days * 1 day FC for Day 1 = 1 * 2,500 * S$5 * 3.0% / 365 * 1 day = S$1.03 FC for Day 2 = 1 * 2,460 * S$5 * 3.0% / 365 * 1 day = S$1.01	(S$2.04)
Closing Contract Value (Day 3)	(S$12,650.00)
Closing Commission (incl. GST) Per side per lot basis	(S$10.70)
Net Loss	(S$223.44)
Margin	S$622.50
Return on Equity=(Net Gain/Original Investment)	(35.9%)

Margin Call Example on Singapore Shares CFD

Initial Deposit = S$5,000

First Day
BUY 2,000 contracts of Share A @ S$7.00, and Share A closed @ S$7.05

Opening commission = Commission x QtyA x Opening PriceA x GST = 0.3% × 2,000 × S$7.00 × 1.07 (incl. GST) = S$44.94

Finance Charge = QtyA x Closing priceA x FC p.a./ 365 days x 1 day = 2,000 × S$7.05 x 5.5% ÷ 365 × 1 = S$2.12

Unrealized Profit/Loss (marked-to-market at day end) = (Closing PriceA – Opening PriceA) x QtyA = (S$7.05 – S$7.00) × 2,000 = S$100

Maintenance Margin = QtyA x Closing PriceA x 20% = 2,000 x S$ 7.05 × 20% = S$2,820

Equity Balance = Initial deposit – Opening commissionA – FCA + Unrealized Profit/LossA = S$5,000 – S$44.94 – $2.12 + S$100 = S$5,052.94

Available Balance = Equity Balance – Maintenance MarginA = S$5,052.94 – S$2,820 = S$2,232.94

Second Day
SELL 3,000 contracts of Share B @ S$3.30, and Share B closed @ S$3.30

Opening commission = Comm. x QtyB x Opening PriceB x GST = 0.3% × 3,000 × S$3.30 × 1.07 (incl. GST) = S $31.78 **Finance Charge for Share B** = QtyB x Closing priceB x FC p.a./ 365 days x 1 day = 3,000 × S$3.30 x 8% ÷ 365 × 1 = S$2.17

Unrealized Profit/Loss (marked-to-market at day end) = (Closing PriceB – Opening PriceB) x QtyB = (S$3.30 – S$3.30) × 3,000 = S$0

Share A closed @ S$6.50

Finance Charge for Share A = FCA for Day 1 + FCA for Day 2 = S$2.12 + [QtyA x Closing priceA x FC p.a./ 365 days x 1 day] = S$2.12 + [2,000 × S$6.50 x 5.5% ÷ 365 × 1] = S$2.12 + S$1.96 = S$4.08

Unrealized Profit/Loss (marked-to-market at day end) = (Closing PriceA – Opening PriceA) x QtyA = (S$6.50 – S$7.00) × 2,000 = (S$1,000)

Maintenance Margin = (QtyA x Closing PriceA x 20%) + (QtyB x Closing PriceB x 20%) = (2,000 x S$6.50 × 20%) + (3,000 x S$3.30 × 20%) = S$4,580

Equity Balance = Initial deposit – Opening commission A - FC A – Opening commission B – FC B –Unrealized

Profit/Loss = S$5,000 – S$44.94 – S$4.08 – S$31.78 - S$2.17 – S$1,000 = S$3,917.03

Available Balance = $0 (Maintenance Margin > Equity Balance)

Margin Deficit (Amount to top up for Margin Call) **= Maintenance Margin–Equity Balance = S$4,580 – S$3,917.03 = S$662.97**

EQUITY BALANCE < 20% PORTFOLIO MARKET VALUE

This is a margin call situation. Including the call day, customer has 2 business days to top up the Margin Deficit.

Third Day

When prices change drastically, customer may face a Force-selling Call.

Share A closed @ S$5.85

Finance Charge for Share A = FCA for Day 1 + FCA for Day 2 + FCA for Day 3 = S$2.12 + S$1.96 + [QtyA x Closing priceA x FC p.a./ 365 days x 1 day] = 2,000 x S$5.85 x 5.5% ÷ 365 × 1 = S$2.12 + S$1.96 + S$1.76 = S$5.84

Share B closed @ S$4.12

Finance Charge for Share B = FCB for Day 2 + FCB for Day 3 = S$2.17 + [QtyB x Closing priceB x FC p.a./ 365 days x 1 day] = S$2.17 + [3,000 × S$4.12 x 8% ÷ 365 x 1] = S$2.17 + $2.71 = S$4.88

Unrealized Profit/Loss (marked-to-market at day end) = [(Closing PriceA – Opening PriceA) x QtyA]+ [(Closing PriceB

– Opening PriceB) x QtyB]= [(S$5.85 – S$7.00) × 2,000] + [(S$4.12 – S$3.30)] × 3,000] = (S$2,300) + (S$2,460) = (S$4,760)

Maintenance Margin = (QtyA x Closing PriceA x 20%) + (QtyB x Closing PriceB x 20%) = (2,000 x S$5.85 × 20%) + (3,000 x S$4.12 x 20%) = S$4,812

Equity Balance = Initial deposit – Opening CommissionA – FCA – Opening CommissionB - FC B - Unrealized

Profit/Loss = S$5,000 – S$44.94 – S$5.84 – S$31.78 – S$4.88 – S$4,760 = S$152.56

Available Balance = $0 (Maintenance Margin > Equity Balance)

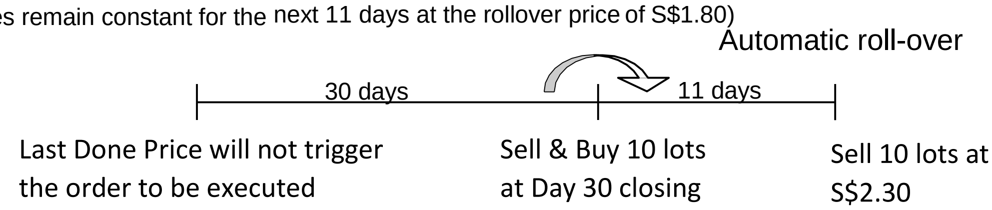
Margin Deficit (Amount to top up for Margin Call) = **Maintenance Margin–Equity Balance** = **S$4,812** – **S$152.56** = S$4,659.44

EQUITY BALANCE < 5% PORTFOLIO MARKET VALUE

This is a Force-liquidation Call, and customer has 1 business day, which is the call day itself, to top up the Margin Deficit.

Contract Renewal Example

A customer bought 10,000 contracts of Stock C (listed on SGX and non-STI component stock) at S$2.00. Customer decides to continue holding the position beyond 30 calendar days, such that an automatic roll-over takes place on Day 30, at the closing price of S$1.80. The position is closed off 11 days following the roll-over, at price of S$2.30. (Assume daily marked-to-market prices remain constant for first 30 calendar days at S$2.00 and prices remain constant for the next 11 days at the rollover price of S$1.80)



On 30th Calendar Day (Contract Renewal Date)

Old contract closed: Realized losses (S$2.00-S$1.80) * 10,000 shares = (S$2,000) will be debited from CFD account A new BUY CFD contract based on S$1.80 would be initiated.
There will be no commission charges for the closed contract and new contract initiated. Finance charges for the past 30 days will be realized based on daily marked-to-market prices.

Opening contract value (Day 1)	S$20,000
Opening commission (Day 1, incl. GST)	(S$64.20)
Realized Profit / Loss (Day 30)	(S$2,000)
Realized finance charge (Day 30)	(S$90.41)

New opening contract value (Day 30)	S$18,000
Closing commission (Day 41, incl. GST)	(S$73.83)
Realized finance charge (Day 31-41)	(S$29.84)
Opening contract value (Day 1)	S$20,000
Realized Profit / Loss (Day 31-41)	S$5,000

18. Disclaimers

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19. Product Summaries

- Shares CFD
- Shares Direct Market Access DMA
- ETF CFD
- World Indices CFD
- Commodities CFD
- FX CFD

19.1 Shares CFD

It is a form of CFD that allows customers to participate in the price movement of the underlying shares listed on the various exchanges.

Key Features of Shares CFDs

Portfolio Diversification

Customers are able to diversify their portfolio with CFD on stocks from different countries.

Short Position

Shares CFD allows customers to take a position on a stock (equity) without actually having to buy and sell the shares themselves. Therefore, CFD customers can take short positions, and not be limited to the T+2 days' contra period or the need to engage in SBL[16].

Leverage

As CFDs are leveraged products and traded on margin, customers only need a small percentage (as low as 10% for Shares CFD) of the total contract value to establish a position.

Note: Phillip Securities Pte Ltd reserves the right to vary the required margin for the underlying securities and limit each customer's trading limit without prior notice

Order Execution

Order Fill

All orders are done based on the Bid/Ask Price of the underlying counter. Investors who want to Buy (Long) a CFD counter can submit a Buy order based on the current **Ask** Price, or queue below the current **Ask** price. The order will be executed once the desired **Ask** price is triggered.

Conversely, a customer can also submit a Sell (Short) CFD order based on the current **Bid** Price, or queue above the current **Bid** price. The order will be executed once the desired **Bid** price is triggered.

Last Done price (based on cash market) and orders which are submitted between the current bid/offer spread will also not trigger the execution of the trade.

Shorting of Hong Kong Shares CFD is subject to uptick rule restriction. Customers who want to Sell (Short) Hong Kong CFD Shares must queue one bid higher than the current **Bid** price.

Types of Order Fill

Shares CFD orders can be fully done, partially done or fully rejected. For partially done orders, the executed quantity will be less than the submitted quantity by the CFD customer. The partially done quantity will be executed solely at the discretion of Phillip Securities depending on the liquidity of the stock and the underlying market circumstances. When this happens, the CFD order status of the remaining unfilled orders will be stated as "working".

In accordance with the changes in market conditions and its risk management policies, Phillip Securities reserves the right to reject any new CFD orders.

Order Types and Queue Restrictions

Definition of Different Order Types	
Limit Order	A limit order is an order to buy or sell at a specific price or better. A buy limit order can only be executed at the limit price or lower, and a sell limit order only be executed at the limit price or higher. A limit order is not guaranteed to execute.

[16] Securities Borrowing and Lending (SBL) facility allows customers to short the market by borrowing shares

Stop Limit Order	A stop limit order will be executed at a specified price, or better, after a given stop price has been reached. Once the stop price is reached, the stop-limit order becomes a limit order to buy or to sell at a specified price (or better). There is no guarantee that this order will be filled.
Trailing Stop Order	A trailing stop limit order is a stop limit order set at a defined percentage away from a stock's current market price. The price is adjusted as the market price fluctuates.
One Cancels Other (OCO) Order	An OCO order is a pair of orders stipulating that if one of the order is executed, the other order is automatically cancelled. An OCO order combines a stop limit order with a limit order. When either the stop limit order is triggered or the limit order is filled, the order other will be automatically canceled.
If Done Order	A synthetic order that will submit a limit order after the primary limit order is executed.
Contingency Order	A limit order that is not activated until the specified condition is met.
Market Order	An order to buy or sell a stock at the current market price. (Only for US market)
GTD (Good Till Date) Order	An order that combines the features of any of the above order types (except Market Order) but has an expiry date that is set by the client.

Market Order (only for US markets)

A market order is an order to buy or sell Shares CFDs at the current market price. The customer only indicates the quantity to be executed and the system will generate a fill. It should be noted that the price which the customer pays when the customer's order is executed may not always be the price he/she obtained from the price quotes. This may be especially true in fast-moving markets where CFD prices are generally more volatile. It should also be noted that orders submitted before US Trading hours could be done at a worse off price, in the event that the market gaps up or down.

Limit Order for Shares CFD

<u>Buy order will be done when price indicated</u> is the same as the Ask Price, after pre-execution checks are satisfied.

<u>Sell order will be done when price indicated</u> is the same as the Bid Price, after pre-execution checks are satisfied.

Synthetic Orders [Stop Limit, Trailing Stop Limit, If Done, Contingency and OCO (One-cancels-other)]

For all synthetic orders submitted, pre-execution checks such as account status, fund sufficiency, credit limit adequacy and short selling availability will be performed upon order triggering instead of order submission. Short-sell orders may be rejected much later as a result.

Order Triggering Example for Shares CFD:

Market price for counter A is S$3.90/ S$3.91 (CFD Bid/ CFD Ask) at 1000hrs.
Customer places the following order:

Action	New Short Sell
CFD Type	Shares CFD
Order Type	Stop Limit Order
Stop Price	S$3.88
Limit Price	S$3.85
Quantity	2,000 Contracts
Stop Price Trigger	Bid Price

At 12pm, if the market price drops to S$3.88/ S$3.89, it matches the stop price (CFD Bid). The stop limit order is triggered, thereby prompting the system to perform availability (quantity) check for this counter. If system returns with a nil quantity available, the order will be rejected. The above order is rejected at order trigger and not at the order submission.

Customers should note that all orders will be closed out on a First-in First-out basis. Phillip Securities reserves the right to withdraw any orders in the event of a price error arising from an erroneous price feed.

19.2 CFD Direct Market Access

Phillip Securities sends a corresponding stock order to the respective exchange upon receipt of the customer's DMA CFD order, allowing customers to participate in the order book of the exchange and liquidity of the market.

Key Features of Phillip DMA CFD

Participate in the Order Book of the Exchange

Phillip DMA CFD allows customers to participate in the order book of the exchange and this gives customers greater visibility and control of their orders. Customers can also participate in the pre-opening and pre-closing sessions of the exchange

Straight Through Processing

For each DMA order placed, the system will automatically submit an order for the underlying share to the exchange for matching.

No Additional Spreads

Prices for DMA are quoted exactly based on the exchange quoted price of the underlying share. No additional spreads will be quoted on top of prevailing market prices.

Order Execution

Orders are done based on last done price, based on price/time priority (not bid/ask price).

DMA CFD Opt In Process

DMA CFD facility will be automatically granted to new and existing Phillip Securities customers who sign up for a CFD account after 7 May 2010.

CFD customers who opened their accounts before 7 May 2010 can start trading DMA CFD by submitting the Opt-In form online on POEMS 2.0. The form is accessible by logging into POEMS 2.0> Acct Mgmt> CFD> DMA Opt-in. After opting in to DMA trading, customers will be granted access to DMA CFD trading immediately.

DMA CFD Order Execution

The lot sizes will follow the board lot size of the respective exchange's ready market.

Order Triggering Example for DMA CFD:

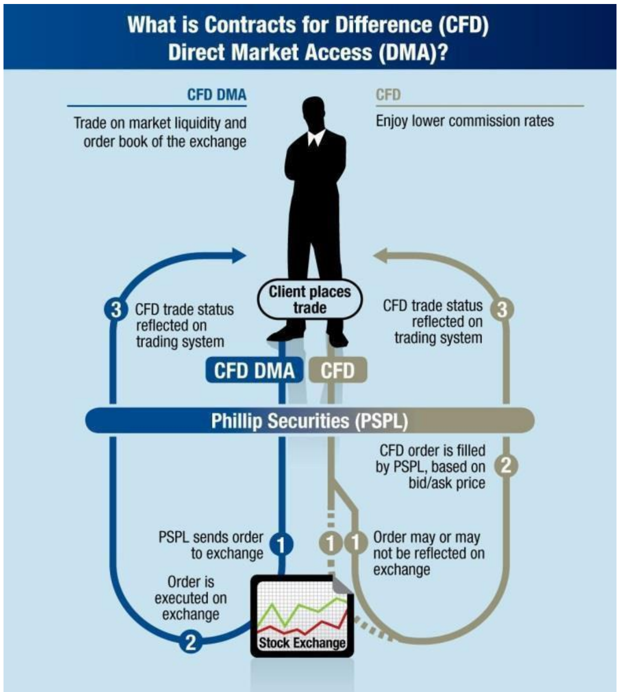
Market price for counter A is S$3.90/ S$3.92 (DMA CFD Bid/ DMA CFD Ask) and Last Done Price is $3.91 at 1000hrs.

Customer places the following order:

Platform	POEMS 2.0
Action	New Short Sell
CFD Type	DMA CFD
Order Type	Stop Limit Order
Stop Price	S$3.13
Limit Price	S$3.03
Quantity	20,000 Contracts
Stop Price Trigger	Last Done Price

At 1200hrs, the last done price drops to S$3.13, which triggers the stop limit order. The system will send in a limit order at S$3.03 and perform availability (quantity) check. The above order can be filled at S$3.03 or better, depending on availability. If the system returns with a nil quantity available, the order will be rejected. As such, the order rejection occurs at order trigger and not at the order submission.

Graphical Comparison between Shares CFD and DMA



Comparison between DMA CFD & Shares CFD

	DMA CFD	Shares CFD
Participate in order book of exchange	Yes	No
Participate in liquidity of the market	Yes	No
Pre & Post Auction Participate in pre-opening & pre-closing trading sessions	Yes	No
Capital Outlay	From 10%	From 10%

19.3 ETF CFD

It is a form of CFD that allows you to trade the price movement of the underlying Exchange Traded Funds (ETFs) listed on various markets. An ETF is a marketable security that trades on a stock exchange, which tracks an index, a commodity, or a basket of assets like an index fund.

For more information on ETFs, please visit www.phillipetf.com.

Key Features of ETF CFD

Trade Entire Stock Markets

ETF CFD allows customers to gain exposure to a diversified portfolio of securities and/ or assets through a single transaction. The range of ETFs offered on the AMEX market ranges from currencies funds, indices to commodities.

Increased Leverage, More Trading Power

ETF CFD enables customers to leverage up to 5 times the capital outlay, allowing customers to pay only a fraction of the underlying capital required.

Participate in Rising & Falling Markets

ETF CFD gives customers added flexibility as it allows customers to take long or short positions.

Order Types

Limit Order for ETF CFD

Buy order will be done when price indicated is the same as the Ask Price, after pre-execution checks are satisfied.

Sell order will be done when price indicated is the same as the Bid Price, after pre-execution checks are satisfied.

Synthetic Orders [Stop Limit, Trailing Stop Limit, If Done, Contingency and OCO (One-cancels-other)]

For all synthetic orders submitted via above platforms, pre- execution checks such as account status, fund sufficiency, credit limit adequacy and short selling availability will be performed upon order triggering instead of order submission. Short-sell orders may be rejected much later as a result.

Market Order (only for US markets)

A market order is an order to buy or sell ETF CFDs at the current market price. The customer only indicates the quantity to be executed and the system will generate a fill. It should be noted that the price which the customer pays when the customer's order is executed may not always be the price he/she obtained from the price quotes. This may be especially true in fast-moving markets where CFD prices are generally more volatile. It should also be noted that orders submitted before US Trading hours could be done at a worse off price, in the event that the market gaps up or down.

Customers should note that all orders will be closed out on a First-in First-out basis. Phillip Securities reserves the right to withdraw any orders in the event of a price error arising from an erroneous price feed.

Inverse (or 'short') ETFs

These ETFs track the movements of a short index. The short index moves inversely to its corresponding long index on a daily basis. So if the long stock index drops by 2%, the short index will increase by 2% less any fees. However, this relationship holds only on a day-to-day basis. The movement of a short ETF may not be equal to the simple inverse of the long index when measured over a period of more than one day. These ETFs are generally not intended for long term investments and are generally not suitable for retail investors who plan to hold them for longer than one day, particularly not in volatile markets.

Leveraged ETF

Leveraged ETFs aim to track, replicate or correspond to a multiple of the performance of the benchmark index that they track. Currently, there are more than 100 different leveraged ETFs which track commodities, currencies and various stock indices.

It is critical to understand the time period for which the leverage applies. Each fund explicitly states this time period in its prospectus. It is important to note that the risk of loss from trading leveraged ETF can be magnified.

Generally, leveraged ETFs are designed to generate the multiplier results only on a daily basis. They are not designed for long term index tracking. The compounded performance of a leveraged ETF over a period of time may be significantly different from the index's performance times the leveraged ETF's stated multiple.

19.4 World Indices CFD

It is a form of CFD that allows customers to participate in the movement of the underlying stock indices. The contact aims to track the level of the respective indices and provides customers a cost-effective way to diversify their portfolio.

Product	Category
Straits Times Index SGD5 CFD	Cash-Derived
Singapore Index SGD20 CFD	Cash-Correlating
FBM KLCI MYR10 CFD	
FTSE China A50 Index USD1 CFD	
Hong Kong Index HKD5 CFD	
Japan 225 Index JPY100 CFD	
Tokyo Index JPY1000 CFD	
Wall Street Index USD1 CFD	
US SP 500 Index USD1 CFD	
US SP 500 Index USD5 CFD	
US Tech 100 Index USD1 CFD	
US Tech 100 Index USD5 CFD	
UK100 Index GBP1 CFD	

Key Features of World Indices CFD

Trade Entire Stock Markets

World Indices CFD allows customers to trade on the price movements of a stock market, without owning any of the stocks within that index. Customers have the added ability to protect their existing share portfolio against adverse market conditions by utilizing a World Indices CFD to hedge their exposure.

Increased Leverage, More Trading Power

World Indices CFD enables customers to leverage 20 times the capital outlay, allowing customers to pay only a fraction of the underlying capital required.

Participate in Rising & Falling Markets

World Indices CFD gives customers added flexibility as it allows customers to take long or short positions.

Order Types

Customers are only able to submit Day and Overnight LIMIT, STOP LIMIT and OCO (One-Cancels-Other) orders for World Indices CFD.

Limit Order

Buy limit orders will be done when price indicated is the same as the Ask Price, after pre-execution checks are satisfied.
Sell limit orders will be done when price indicated is the same as the Bid Price, after pre-execution checks are satisfied.

Market Last Done Price will not trigger any World Indices CFD orders to be done.

Synthetic Orders [Stop Limit and OCO (One-cancels-other)]
For all synthetic orders submitted, pre- execution checks such as account status, fund sufficiency, credit limit adequacy and short selling availability will be performed upon order triggering instead of order submission. Short-sell orders may be rejected much later as a result.

All World Indices CFD submitted can be partially done, fully done or rejected.

Dividends Calculation

Where applicable, dividends for World Indices CFD will be calculated based on the weighting of the stock in the index as well as taxation rules of the respective indices' home country.

Example:

P&G is a component stock of the Dow Jones Industrial Average. It is paying dividends of US$0.562 and the weighting is 3.935219%.
Closing price of the Wall Street Index USD1 CFD is 13557.
Closing price of P&G is US$69.47.

No. of shares in 1 contract of Wall Street Index USD1 CFD
= (index closing price x stock weightage) ÷ stock price
= (13557 x 0.03935219) ÷ $69.47
= 7.68

Gross dividends = 7.68 x US$0.562
= US$4.32

Net dividends10 = US$4.32 x 70%
= US$ 3.02

Therefore, customers with LONG positions will **receive** net dividends of US$3 (rounded to the nearest decimal point) SHORT positions will **pay** gross dividends of US$4.30.

19.5 Commodities CFD

It is a form of CFD that allows customers to participate in the price movement of the underlying commodities, ranging from metals, and energy to agriculture.

Key Features of Commodities CFD

Leverage
As commodities CFD is a leveraged product traded on margin, customers only pay a fraction of the contract value to gain exposure to the underlying commodity contract.

Alternative Investment
Commodities' value is typically not driven by the same factors that affect the prices of other asset classes such as stocks or bonds. Hence, commodities may serve as a good instrument to diversify one's portfolio.

No Storage Cost
Commodities CFD is a derivative; therefore customers do not actually own the commodity. Investors can gain exposure to price changes in the underlying commodity and avoid the risks and costs involved in owning physical commodities at the same time.

Order Types

Limit Order

Buy limit orders will be done when price indicated is the same as the Ask Price, after pre-execution checks are satisfied.

Sell limit orders will be done when price indicated is the same as the Bid Price, after pre-execution checks are satisfied.

19.6 FX CFD

It is a form CFD of that allows customers to participate in the price movement of the underlying forex pair, giving you access to the largest and most liquid market.

The main objective is to achieve profits through currency appreciation for the currency bought, and currency depreciation for the currency sold.

Leverage

FX CFD are leveraged contracts and trade on margin. The amount of initial margin required to place a new trade is only a small percentage of the total contract value. As leveraging provides customers with the ability to utilise a small amount of capital to control a large amount of assets, customers need to be aware of the risk of leverage trading.

Short Position

Holding a short position or "shorting" refers to selling the contract first and buying it back at a later date, which is permitted in FX CFD trading. Holding short positions offers flexibility in trading opportunities, even when markets face a decline.

FX CFD Swap/Interest

As every FX CFD trade involves borrowing one underlying currency to buy another, interest rollover charges will be incurred. Interest may be gained or lost when holding an overnight position. The difference in interest rates between the currency pair you are trading is defined as swap. Interest may be gained or lost when holding an overnight position. As long as you have an existing open position, daily interest adjustments will be calculated from the original Value date to the next calendar Value date till the contract position is closed. The calculation of interest adjustment is inclusive of Saturday and Sunday if the value date crosses over the weekend. All swaps and interest will be reflected in the daily statements you receive.

Example:

You have an existing open position on Monday overnight till Tuesday. The original value date is Wednesday (T+2) and the next value date is Thursday. The calculation of your daily interest adjustment will be based on 1 day of interest (Wednesday – Thursday).

You have an existing open position on Wednesday overnight till Thursday. The original value date is Friday (T+2) and the next value date is the following Monday. The calculation of your daily interest adjustment will be based on 3 days of interest (Friday – Monday).

Rollover

To enable the customer to continue holding to a FX CFD position, Phillip Securities will need to continually rollover the underlying spot FX position to the next value/ expiry date, instead of settling the contract at 2 business days (except for USDCAD which settles in 1 business day) from the date of entering the trade. This rollover is done by the CFD desk daily without any intervention by the customer.

Rollover of the underlying forex currency involves the net interest return on a currency position held overnight. In this rollover process, swap will either be credited to or debited from the customer's account during this rollover.

Closing Positions

FX CFD contracts are closed out on a First-In, First-Out (FIFO) basis, as illustrated in the example below: The investor bought 10K of EURUSD at 1.3320 on Monday. On Tuesday, he bought 10K EURUSD at 1.3310. Within the same day on Tuesday, he sold 10K of EURUSD at 1.3312. This trade of selling 10K EURUSD at 1.3312 will be squared off with Monday's long EURUSD at 1.3320 based on FIFO basis.

Liquidity

FX CFD is traded on an over-the-counter (OTC) basis, which is subject to the availability of buy and sell prices and volume. It should be noted that some currency pairs, especially crosses, have lower liquidity than other currency pairs, which results in possibly wider spreads, and thinner volume. When liquidity is thin, working orders of the currency pair may not be filled at the exact specified price, and slippages can be expected. Liquidity may be less when it comes to holidays and during early Asian hours. Hence, it is important that customers seek clarification and gain understanding on the nature of contracts they want to trade.

Settlement Currency

All FX CFD contracts will be initiated and settled in the respective traded currencies.

Margin

Margin for all FX CFD contracts will be taken in the respective term currencies.

Profit and Loss

To calculate the potential profit or loss of a trade, customers may refer to the minimum tick value of one contract – cash value of the minimum price movement. It is important to understand how to calculate the profit and loss, which is best, illustrated using an example.

Example:

A customer Longs (buys) 100,000 USDJPY at 77.03 and subsequently squares off the position at 77.48.

Profit/Loss = Selling price – Buying price X Contract size = 77.48 – 77.03 X 100,000 = 0.45 X 100,000 = 45,000 (JPY)

Note that the profit and loss is always based in the reference currency (the 2nd currency being quoted)