

## APPLICATION FOR CONTRACTS FOR DIFFERENCE (CFD) TRADING FACILITY

### A Customer's Particulars

Customer Name ..... NRIC .....

Trading A/C No ..... Trading Representative (TR) Code .....

Telephone No ..... (Home) ..... (Mobile) ..... (Office) .....

**Important Note:** CFDs may not be suitable for customers whose investment objective is preservation of capital and/or whose risk tolerance is low. Customers are advised to understand the nature and risks involved in margin trading. Trading in CFDs will and do involve risks. At the very least you must be and are prepared to risk the possibility of losing the entirety of the margin that you deposit with PSPL to establish or maintain a CFD position.

**Commission and Other Charges:** Before you sign up for this product, you should be clear about all commissions, fees and other charges for which you will be liable. These charges will affect the performance/returns of your investment.

### B Customer's Profile

It is important that you take some time to fully understand the nature and purpose of the questions posed. Please answer all the questions by checking the boxes below:

#### Part I – Your Personal Information

- What is your age?
  - Under 30 years
  - 30 to 54 years
  - 55 years and above #
- What is your highest level of education?
  - Tertiary
  - Secondary
  - Primary and below #
- How familiar and experienced are you with investments?
  - a) Specify years of trading stocks \_\_\_\_\_
  - b)  Very familiar and experienced
  - Quite familiar with some experience
  - Not familiar #
- What is your English Language Proficiency?
  - Good  Fair  Poor #  NA #
- What is your current occupation? (if retiree, state occupation before retirement)
  - Professional/ Manager/ Executive
  - Business person/ Self-Employed
  - Homemaker/ Unemployed/ Student/ NS #
  - Clerical/ Blue Collar #
  - Others, specify \_\_\_\_\_
- What is your current annual income level? (if retiree, state previous income)
  - > S\$300,000  S\$100,001 to S\$300,000
  - S\$60,001 to S\$100,000  S\$30,000 to S\$60,000
  - < S\$30,000 #
- What is your estimated current net worth?
  - > S\$2,000,000
  - S\$500,001 to S\$2,000,000
  - S\$100,001 to S\$500,000
  - S\$50,000 to S\$100,000
  - < S\$50,000 #
- What percentage of your investable/liquid assets will be invested using our services as securities dealer?
  - < 25%
  - 25% to 49%
  - 50% to 75%
  - > 75%

Note: The percentage should represent only your risk capital. In this regard risk capital means funds and assets which if lost would not change your lifestyle or your family's lifestyle.
- Are you dependent on the assets/cash that you will be using for investments or trading with or through us to meet any current or anticipated payment requirements?
  - Yes \*\*\*  No

## Part II – Investment Objectives & Risk Profile

1. Which of the following best describes your investment objectives and risk profile?

Conservative \*\*\*

I wish to achieve returns of up to 2% above bank deposit rates with lower than average risk and fluctuation in value and long-term and secure income stream.

Moderately Aggressive

I wish to achieve returns of 3% – 10% above bank deposit rates and am willing to accept occasional periods of high volatility. I fully accept that investment returns will vary substantially from year to year and that there is a high chance of capital loss in any one year. I may engage in speculative trading from time to time.

Aggressive

I wish to achieve returns of more than 10% above bank deposit rates over the short-term (under 12 months) with a tolerance for a correspondingly and significantly higher degree of volatility and risk of loss. I appreciate that there is a high chance of capital loss in individual transactions. I am willing to take substantial risks, am keen on contra transactions and have an appetite for investing in speculative shares.

2. Given your tolerance for risk and understanding that investments fluctuate in value, which of the following statements would best describe your reaction if the value of your portfolio were to decline by 5% to 10% over a short period of time?

Extremely Concerned \*\*\*

I cannot accept even temporary loss of principal.

Somewhat Concerned

I recognize that short-term losses are a normal investment risk and can tolerate even the entire loss of my investment. While I may normally hold my positions for more than two straight quarters of losses, I am unlikely to allow the entire loss of my investment but will provide liquidation orders to limit or cut my losses as I deem fit.

Not Concerned

I am primarily interested in achieving my long-term investment goals and recognize that short-term losses are a normal investment risk and I can and will tolerate the loss as a normal event. I am in any event able and willing to tolerate the loss of my entire investment against my expectation of the long-term investment value of my investments. I will of course provide liquidation orders for any investment I no longer have faith in as I deem appropriate.

## Part III – Risks of Trading

1. Having read the relevant risk warnings and disclosures with respect to Leveraged Instruments generally (including Form 13) as well as with respect to specific Leveraged Instruments –

a) I understand that transactions in OTC / Exchange Traded Leveraged Instruments carry a high degree of risk and investors may sustain large losses in response to a small but adverse movement in the price of the instrument traded in.

I Accept

b) I understand that OTC Leveraged Instruments may be very illiquid and may not have any secondary market, meaning that such instruments may be difficult to be sold within a reasonable time (if at all) or at a price which reflects its objectively perceived “fair” value. For some of such instruments it may even be difficult to get any reliable independent information about the value and risks associated with such instruments.

I Accept

2. I understand that I may be called upon at short notice to make additional margin deposits and if the required margin deposit is not made within the prescribed time, my collateral or positions may be liquidated at a loss without prior notification to me.

I Accept

**Note:**\*\*\* From the answer choice, trading in Leveraged Instruments is probably not suitable for you at all, and you should not even proceed with submitting your application for an Account with us to trade in Leveraged Instruments.

As a general guide, an investor with 5 responses as # is likely to be a vulnerable customer.

While the information on your risk tolerance is relevant and necessary to assist us in making suitable assessments in relation to you, providing the information (and any other information in this questionnaire) will not in itself have any effect on limiting your potential losses.

## CUSTOMER'S ACKNOWLEDGEMENT & AGREEMENT

I confirm that the information furnished above is materially correct and may be relied upon by you and any and all of your representatives and officers in making any suitability determination with respect to me.

I agree to notify Phillip Securities Pte Ltd (PSPL) of any material change in my personal situation and/or investment profile. I acknowledge and understand that any statements of financial goals or objectives by me does not make or imply any undertaking, agreement or guarantee by you as to the attainment or the feasibility of attainment of such goals or objectives.

I confirm that there is no other information other than what has been provided that is relevant to determining the suitability of any service or Leveraged Instrument to be marketed or offered to me.

I also acknowledge and confirm that where I come to know of any Leveraged Instrument other than through PSPL or its authorized representatives (including through newspaper and other general media advertisements) and purport to give any order for the purchase or sale of such Leveraged Instrument, my order is and will only be made after I have independently determined that such Leveraged Instrument is suitable for me to transact in.

I confirm that I have received, read and understood the terms and conditions spelt out (which may be amended from time to time) in the TERMS AND CONDITIONS OF CFD TRADING, the CFD INFORMATION SHEET and PSPL's standard CONDITIONS GOVERNING PHILLIP SECURITIES TRADING ACCOUNTS, all of which are referred to and construed as part of the agreement between PSPL and myself in respect of CFD trading (the “Agreement”). In consideration of PSPL accepting my application for and providing me a CFD account, I hereby agree to be bound by the terms of the Agreement currently in effect and as amended from time to time. I have also read the RISK FACT SHEET and RISK DISCLOSURE STATEMENT and confirm that I am acquainted with the risks associated with trading in CFDs.

.....  
Signature of Customer / Date

.....  
Signature of TR / Date

## RISK FACT SHEET AND RISK DISCLOSURE STATEMENT

### Risk Fact Sheet for Contracts for Differences

Prepared on: [24/09/19]

It highlights the common risks of trading in Contracts for Differences (CFDs) and complements the trading agreement and associated risk disclosures furnished by PSPL. This Risk Fact Sheet does not disclose all the risks of trading in CFDs. It is important to read the trading agreement and associated risk disclosures before deciding whether to trade in CFDs. You should also carefully consider whether trading in CFDs is appropriate for you in the light of your experience, objectives, financial resources and other relevant circumstances. If you do not have a copy of the trading agreement (i.e. Conditions Governing Phillip Securities Accounts) and associated risk disclosures, please contact PSPL to request for a copy or downloading via <https://www.poems.com.sg>. You should not trade in CFDs if you do not understand the product or are not comfortable with the accompanying risks.

#### **Q1. What is my potential loss when I trade on margin in CFDs?**

When you enter into a CFD transaction, you need to pay an initial margin, which is based on a percentage of the value of the trade. When you trade on margin, you should be prepared to lose more than or all of your initial investment amount that you have paid as margin to PSPL.

**Illustration 1:** The shares of XYZ Ltd are quoted at S\$2.00 per share and you are buying 2,000 shares of XYZ Ltd as a CFD at S\$2.00 per CFD. PSPL sets the margin at 10% so you have to put up an initial margin of 10% X S\$2.00 X 2,000 = S\$400.

- The share price of XYZ Ltd then falls from S\$2.00 to S\$1.95. As such, your unrealised marked-to-market loss is S\$100 [(S\$1.95 – S\$2.00) X 2,000].
- Due to adverse market information on XYZ Ltd, the share price falls further to S\$1.75. Your unrealised marked-to-market loss is now S\$500 [(S\$1.75 – S\$2.00) X 2,000]. If you were to liquidate your position, your realised loss would be \$500, which is S\$100 more than your initial margin of S\$400.
- In the worst case, the shares of XYZ Ltd become worthless. You lose the full contract value of S\$4,000 [(S\$0 – S\$2.00) X 2,000], which is 10 times the initial margin of \$400 you have put up. This is similar to the situation where you bought 2,000 shares at S\$2.00 per share, and lost your entire investment. You may also be liable for additional charges, costs and fees incurred.

#### **Q2. What will happen if I do not have enough margin to cover my losses?**

There are two margin call situations as follows:

- (i) If the cash balance in your account is less than the margin required on your account, PSPL will issue you a margin call to pay the margin shortfall by the second business day.
- (ii) For account's margin ratio that falls below 5%, the account holder has to pay the margin shortfall by the next business day.

If you fail to meet the margin call, PSPL has the right to close out your CFD positions without notifying you, pursuant to the Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 7 of your trading agreement with us. Therefore, you will need to monitor your account closely to ensure that you deal with any margin calls promptly.

**Illustration 2:** Referring to Illustration 1, the share price of XYZ Ltd falls from S\$2.00 to S\$1.95 and the notional value of the contract is now \$3,900 (2,000 x \$1.95). The margin requirements (assuming 10% margin rate) to maintain the contract is now S\$390 (S\$3,900 x 10%). With an unrealized loss of S\$100 [(S\$2.00 – S\$1.95) x 2,000] and margin of S\$400, your net equity is now S\$300 (S\$400 – S\$100). PSPL issues you a margin call of S\$90 to top up your margin to S\$390 (assuming that the margin requirement is S\$390). If you fail to pay the margin call by the stipulated business day, PSPL can close out your position. If the share price of XYZ Ltd continues to fall and your loss exceeds S\$X (i.e. X% of the margin requirement), PSPL may close out your position. In addition, you may be liable for additional charges, costs and fees incurred.

### **Q3. How is the CFD quoted?**

PSPL has two pricing models for its products – the CFD direct market access (CFD DMA) model and the CFD non-DMA model. For the CFD DMA model, the CFD prices will correspond directly to prices of the reference instrument quoted in the underlying exchange or market. Therefore, the CFD prices will only be available if the underlying exchange or market is open and if there is sufficient liquidity.

For the CFD non-DMA model, the firm determines and quotes its own prices which are referenced to, but may differ, from the actual prices in the underlying exchange or market. In particular, when the underlying exchange or market is not open or has insufficient liquidity, the CFD non-DMA prices quoted by the firm may deviate significantly from the underlying or last available reference price, or the firm may charge additional spreads to its prices. Because the firm deals with you as principal for its own account, there is a risk of conflict of interests as the firm may quote you a price that is less favourable to you than what is available in the underlying exchange or market to avoid losses in its own account.

### **Q4. Can my order be executed at a price that is less favourable than the price quoted on the trading system, or the price that I have submitted?**

Your order can be executed at a price that is less favourable than the price quoted on the trading system as stipulated in the Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 6 of the agreement. Quotes for prices for dealing in PSPL's products are indicative only and not guaranteed. This can happen when there is a change in our quoted price between the time your order is placed and the time your order is received or executed by our system (e.g. delay in the internet transmission of your order, or rapid price fluctuations in the financial markets during that period). In particular, for stop-loss orders that are triggered for execution at the stop price level that you have indicated, it may be difficult or not possible to liquidate your position at your stop price level, due to rapid price fluctuations or lack of liquidity in the markets. If any of the foregoing events happens, you may incur unexpected losses.

However, your order will not be executed at a price that is less favourable than your submitted price.

### **Q5. Will my order be manually executed? If so, under what circumstances does PSPL rely on manual execution?**

PSPL's system executes your orders on an automated basis and does not rely on any manual intervention or dealing, unless your orders do not pass the pre-execution checks carried out by PSPL's trading system. This can happen if there is insufficient or unavailable liquidity in the underlying market for PSPL to hedge its own risk exposure. In this regard, PSPL has the discretion to determine the price of the CFD pursuant to Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 12 of your trading agreement with us.

### **Q6. Where are my margins kept and maintained? Can PSPL use my margin for its own purposes?**

Your moneys or other assets that you placed with PSPL are required by regulations to be maintained in segregated accounts with certain specific entities. Your moneys or other assets are segregated from PSPL's own moneys or assets, but may be kept in the same omnibus account with other customers of the firm. PSPL is not permitted to use your money or other assets in the segregated account for its own purposes, including for settling its own dealings with its hedge counterparty.

### **Q7. What will happen to my margin if PSPL becomes insolvent? Will I be able to get back my moneys or other assets?**

PSPL is your contractual counterparty and is obliged according to the terms and conditions of the trading agreement to honour your CFD trades and any profits made. Therefore, if in an unlikely and unfortunate event that PSPL becomes insolvent, you face the risk that the firm will not be able to honour any profits that you made. As for your moneys or other assets that are held in the segregated account, these should be protected from the claims of PSPL's creditors. Nonetheless, the recovery and return of your moneys or other assets will take time, as this is subject to due process of PSPL's liquidation, including the reconciliation of all its customers' positions and moneys.

#### Q8. Under what circumstances can PSPL close my position or void my order?

Under the terms of the trading agreement, PSPL can close out your position or void your trade when:

- (i) you are unable to meet the margin calls within the required timeframe (Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 7);
- (ii) any of the situations as listed in Part B Section 7, paragraphs 10 or 12 of the Conditions Governing Phillip Securities Accounts occurs

The price at which your CFD is closed out will depend on the available price of the underlying share or asset at that point in time, which may result in a loss to you.

#### Q9. What are the commissions, fees and other charges that I have or may have to pay?

PSPL's commission, fees and other charges may include but are not limited to the following items. Please refer to <https://www.phillipcfid.com> for the latest information.

**Commission:** Applicable to all CFDs except for FX CFDs. All commission charges are subject to the Goods and Services Tax (GST).

**Finance Charge:** A financing fee is charged on any CFD positions that are held overnight on a daily basis. Finance charge is set at a percentage (e.g. 0.5% p.a.) and is charged based on 100% of the end-of-day marked-to-market value of your CFD positions.

**Illustration 3:** The shares of XYZ Ltd are quoted at S\$2.00 per share and you buy 2,000 shares of XYZ Ltd as a CFD at S\$2.00 per CFD. The commission charged is  $S\$2.00 \times 2,000 \times 0.5\% = S\$20.00$ . In addition, GST of S\$1.40 (7% of S\$20.00) is levied. If you hold the 2,000 shares as a CFD overnight, you incur a daily financing charge. The daily charge is  $(S\$4,000 \times 0.5\% / 365 \text{ days}) = S\$0.05$ .

#### Q10. What happens when trading in the underlying share or asset is suspended or halted? How can I exit my position and will I suffer losses?

In event of a suspension where the price of the underlying share is unavailable, PSPL may allow you to exit your CFD position at a price determined by PSPL (Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 12). During the period of suspension, holders of CFD positions will continue to incur finance charges if the positions are held overnight.

In the event of a prolonged period of suspension, PSPL may require you to increase the margins, pay up the contract value in full, or close off your positions at an appropriate price determined by PSPL. In the worst case, you could lose 100% of the contract value. You may also be liable to pay additional charges, costs and fees incurred.

## **Risk Disclosure Statement**

1. This statement is provided to you in accordance with regulation 47E(1) of the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10).
2. This statement does not disclose all the risks and other significant aspects of trading in futures, options, over-the-counter derivatives contracts where the underlying is a currency or currency index (“**OTCD currency contracts**”) and spot foreign exchange contracts for the purposes of leveraged foreign exchange trading (“**Spot LFX trading contracts**”). In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to the risks. Trading in futures, options, OTCD currency contracts and Spot LFX trading contracts may not be suitable for many members of the public. You should carefully consider whether such trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. In considering whether to trade, you should be aware of the following:

### **(a) Futures, OTCD currency contracts and Spot LFX trading contracts**

#### **(i) Effect of ‘Leverage’ or ‘Gearing’**

Transactions in futures, OTCD currency contracts and Spot LFX trading contracts carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract, OTCD currency contract or Spot LFX trading contract transaction so that the transaction is highly ‘leveraged’ or ‘geared’. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit; this may work against you as well as for you. You may sustain a total loss of the initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice in order to maintain your position. If you fail to comply with a request for additional funds within the specified time, your position may be liquidated at a loss and you will be liable for any resulting deficit in your account.

#### **(ii) Risk-Reducing Orders or Strategies**

The placing of certain orders (e.g. ‘stop-loss’ orders, where permitted under local law, or ‘stop-limit’ orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. At times, it is also difficult or impossible to liquidate a position without incurring substantial losses. Strategies using combinations of positions, such as ‘spread’ and ‘straddle’ positions may be as risky as taking simple ‘long’ or ‘short’ positions.

### **(b) Options**

#### **(i) Variable Degree of Risk**

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of options (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options would have to increase for your position to become profitable, taking into account the premium paid and all transaction costs.

The purchaser of options may offset its position by trading in the market or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, OTCD currency contract or Spot LFX trading contract, the purchaser will have to acquire a position in the futures contract, OTCD currency contract or Spot LFX trading contract, as the case may be, with associated liabilities for margin (see the section on Futures, OTCD currency contracts and Spot LFX trading contracts above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium paid plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that, ordinarily, the chance of such options becoming profitable is remote.

Selling (‘writing’ or ‘granting’) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess

of the amount of premium received. The seller will be liable to deposit additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, OTCD currency contract or spot LFX trading contract, the seller will acquire a position in the futures contract, OTCD currency contract or spot LFX trading contract, as the case may be, with associated liabilities for margin (see the section on Futures, OTCD currency contracts and Spot LFX trading contracts above). If the option is 'covered' by the seller holding a corresponding position in the underlying futures contract, OTCD currency contract, spot LFX trading contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, limiting the liability of the purchaser to margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

## **(c) Additional Risks Common to Futures, Options and Leverage Foreign Exchange Trading**

### **(i) Terms and Conditions of Contracts**

You should ask the corporation with which you conduct your transactions for the terms and conditions of the specific futures contract, option, OTCD currency contract or spot LFX trading contract which you are trading and the associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract, OTCD currency contract or spot LFX trading contract transaction and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

### **(ii) Suspension or Restriction of Trading and Pricing Relationships**

Market conditions (e.g. illiquidity) or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or 'circuit breakers') may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the futures contract, and the underlying interest and the option may not exist. This can occur when, e.g., the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge 'fair' value.

### **(iii) Deposited Cash and Property**

You should familiarise yourself with the protection accorded to any money or other property which you deposit for domestic and foreign transactions, particularly in a firm's insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

## **(d) Commission and Other Charges**

Before you begin to trade, you should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

## **(e) Transactions in Other Jurisdictions**

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to a rule which may offer different or diminished investor protection. Before you trade, you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of the regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should

ask the firm with which you conduct your transactions for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

#### **(f) Currency Risks**

The profit or loss in transactions in foreign currency-denominated futures and options contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

#### **(g) Trading Facilities**

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the one or more parties, namely the system provider, the market, the clearing house or member firms. Such limits may vary. You should ask the firm with which you conduct your transactions for details in this respect.

#### **(h) Electronic Trading**

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or not executed at all.

#### **(i) Off-Exchange Transactions**

In some jurisdictions, firms are permitted to effect off-exchange transactions. The firm with which you conduct your transactions may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with the applicable rules and attendant risks.

Note:

“Margin” means an amount of money, securities, property or other collateral, representing a part of the value of the contract or agreement to be entered into, which is deposited by the buyer or the seller of a transaction in a futures contract, OTCD currency contract or spot LFX trading contract to ensure performance of the terms of the transaction in the futures contract, OTCD currency contract or spot LFX trading contract.

#### **Acknowledgement of Receipt of the Risk Fact Sheet and Risk Disclosure Statement**

I/we hereby acknowledge that I/we have received a copy of this Risk Fact Sheet and Risk Disclosure Statement on contracts for differences (“CFDs”) and fully understand its contents.

**Name of Customer**

**NRIC / Registration Number of Company**

**Signature/s of Customer / Authorised Signatories**

**Date:**



## RISK FACT SHEET AND RISK DISCLOSURE STATEMENT

### Risk Fact Sheet for Contracts for Differences

Prepared on: [24/09/19]

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**Illustration 1:** The shares of XYZ Ltd are quoted at S\$2.00 per share and you are buying 2,000 shares of XYZ Ltd as a CFD at S\$2.00 per CFD. PSPL sets the margin at 10% so you have to put up an initial margin of 10% X S\$2.00 X 2,000 = S\$400.

- The share price of XYZ Ltd then falls from S\$2.00 to S\$1.95. As such, your unrealised marked-to-market loss is S\$100 [(S\$1.95 – S\$2.00) X 2,000].
- Due to adverse market information on XYZ Ltd, the share price falls further to S\$1.75. Your unrealised marked-to-market loss is now S\$500 [(S\$1.75 – S\$2.00) X 2,000]. If you were to liquidate your position, your realised loss would be \$500, which is S\$100 more than your initial margin of S\$400.
- In the worst case, the shares of XYZ Ltd become worthless. You lose the full contract value of S\$4,000 [(S\$0 – S\$2.00) X 2,000], which is 10 times the initial margin of \$400 you have put up. This is similar to the situation where you bought 2,000 shares at S\$2.00 per share, and lost your entire investment. You may also be liable for additional charges, costs and fees incurred.

#### Q2. What will happen if I do not have enough margin to cover my losses?

There are two margin call situations as follows:

- (i) If the cash balance in your account is less than the margin required on your account, PSPL will issue you a margin call to pay the margin shortfall by the second business day.
- (ii) For account's margin ratio that falls below 5%, the account holder has to pay the margin shortfall by the next business day.

If you fail to meet the margin call, PSPL has the right to close out your CFD positions without notifying you, pursuant to the Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 7 of your trading agreement with us. Therefore, you will need to monitor your account closely to ensure that you deal with any margin calls promptly.

**Illustration 2:** Referring to Illustration 1, the share price of XYZ Ltd falls from S\$2.00 to S\$1.95 and the notional value of the contract is now \$3,900 (2,000 x \$1.95). The margin requirements (assuming 10% margin rate) to maintain the contract is now S\$390 (S\$3,900 x 10%). With an unrealized loss of S\$100 [(S\$2.00 – S\$1.95) x 2,000] and margin of S\$400, your net equity is now S\$300 (S\$400 – S\$100). PSPL issues you a margin call of S\$90 to top up your margin to S\$390 (assuming that the margin requirement is S\$390). If you fail to pay the margin call by the stipulated business day, PSPL can close out your position. If the share price of XYZ Ltd continues to fall and your loss exceeds S\$X (i.e. X% of the margin requirement), PSPL may close out your position. In addition, you may be liable for additional charges, costs and fees incurred.

**Q3. How is the CFD quoted?**

PSPL has two pricing models for its products – the CFD direct market access (CFD DMA) model and the CFD non-DMA model. For the CFD DMA model, the CFD prices will correspond directly to prices of the reference instrument quoted in the underlying exchange or market. Therefore, the CFD prices will only be available if the underlying exchange or market is open and if there is sufficient liquidity.

For the CFD non-DMA model, the firm determines and quotes its own prices which are referenced to, but may differ, from the actual prices in the underlying exchange or market. In particular, when the underlying exchange or market is not open or has insufficient liquidity, the CFD non-DMA prices quoted by the firm may deviate significantly from the underlying or last available reference price, or the firm may charge additional spreads to its prices. Because the firm deals with you as principal for its own account, there is a risk of conflict of interests as the firm may quote you a price that is less favourable to you than what is available in the underlying exchange or market to avoid losses in its own account.

**Q4. Can my order be executed at a price that is less favourable than the price quoted on the trading system, or the price that I have submitted?**

Your order can be executed at a price that is less favourable than the price quoted on the trading system as stipulated in the Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 6 of the agreement. Quotes for prices for dealing in PSPL's products are indicative only and not guaranteed. This can happen when there is a change in our quoted price between the time your order is placed and the time your order is received or executed by our system (e.g. delay in the internet transmission of your order, or rapid price fluctuations in the financial markets during that period). In particular, for stop-loss orders that are triggered for execution at the stop price level that you have indicated, it may be difficult or not possible to liquidate your position at your stop price level, due to rapid price fluctuations or lack of liquidity in the markets. If any of the foregoing events happens, you may incur unexpected losses.

However, your order will not be executed at a price that is less favourable than your submitted price.

**Q5. Will my order be manually executed? If so, under what circumstances does PSPL rely on manual execution?**

PSPL's system executes your orders on an automated basis and does not rely on any manual intervention or dealing, unless your orders do not pass the pre-execution checks carried out by PSPL's trading system. This can happen if there is insufficient or unavailable liquidity in the underlying market for PSPL to hedge its own risk exposure. In this regard, PSPL has the discretion to determine the price of the CFD pursuant to Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 12 of your trading agreement with us.

**Q6. Where are my margins kept and maintained? Can PSPL use my margin for its own purposes?**

Your moneys or other assets that you placed with PSPL are required by regulations to be maintained in segregated accounts with certain specific entities. Your moneys or other assets are segregated from PSPL's own moneys or assets, but may be kept in the same omnibus account with other customers of the firm. PSPL is not permitted to use your money or other assets in the segregated account for its own purposes, including for settling its own dealings with its hedge counterparty.

**Q7. What will happen to my margin if PSPL becomes insolvent? Will I be able to get back my moneys or other assets?**

PSPL is your contractual counterparty and is obliged according to the terms and conditions of the trading agreement to honour your CFD trades and any profits made. Therefore, if in an unlikely and unfortunate event that PSPL becomes insolvent, you face the risk that the firm will not be able to honour any profits that you made. As for your moneys or other assets that are held in the segregated account, these should be protected from the claims of PSPL's creditors. Nonetheless, the recovery and return of your moneys or other assets will take time, as this is subject to due process of PSPL's liquidation, including the reconciliation of all its customers' positions and moneys.

### Q8. Under what circumstances can PSPL close my position or void my order?

Under the terms of the trading agreement, PSPL can close out your position or void your trade when:

- (i) you are unable to meet the margin calls within the required timeframe (Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 7);
- (ii) any of the situations as listed in Part B Section 7, paragraphs 10 or 12 of the Conditions Governing Phillip Securities Accounts occurs

The price at which your CFD is closed out will depend on the available price of the underlying share or asset at that point in time, which may result in a loss to you.

### Q9. What are the commissions, fees and other charges that I have or may have to pay?

PSPL's commission, fees and other charges may include but are not limited to the following items. Please refer to <https://www.phillipcfid.com> for the latest information.

**Commission:** Applicable to all CFDs except for FX CFDs. All commission charges are subject to the Goods and Services Tax (GST).

**Finance Charge:** A financing fee is charged on any CFD positions that are held overnight on a daily basis. Finance charge is set at a percentage (e.g. 0.5% p.a.) and is charged based on 100% of the end-of-day marked-to-market value of your CFD positions.

**Illustration 3:** The shares of XYZ Ltd are quoted at S\$2.00 per share and you buy 2,000 shares of XYZ Ltd as a CFD at S\$2.00 per CFD. The commission charged is  $S\$2.00 \times 2,000 \times 0.5\% = S\$20.00$ . In addition, GST of S\$1.40 (7% of S\$20.00) is levied. If you hold the 2,000 shares as a CFD overnight, you incur a daily financing charge. The daily charge is  $(S\$4,000 \times 0.5\% / 365 \text{ days}) = S\$0.05$ .

### Q10. What happens when trading in the underlying share or asset is suspended or halted? How can I exit my position and will I suffer losses?

In event of a suspension where the price of the underlying share is unavailable, PSPL may allow you to exit your CFD position at a price determined by PSPL (Conditions Governing Phillip Securities Accounts, Part B Section 7, paragraph 12). During the period of suspension, holders of CFD positions will continue to incur finance charges if the positions are held overnight.

In the event of a prolonged period of suspension, PSPL may require you to increase the margins, pay up the contract value in full, or close off your positions at an appropriate price determined by PSPL. In the worst case, you could lose 100% of the contract value. You may also be liable to pay additional charges, costs and fees incurred.

## **Risk Disclosure Statement**

1. This statement is provided to you in accordance with regulation 47E(1) of the Securities and Futures (Licensing and Conduct of Business) Regulations (Rg 10).
2. This statement does not disclose all the risks and other significant aspects of trading in futures, options, over-the-counter derivatives contracts where the underlying is a currency or currency index (“**OTCD currency contracts**”) and spot foreign exchange contracts for the purposes of leveraged foreign exchange trading (“**Spot LFX trading contracts**”). In light of the risks, you should undertake such transactions only if you understand the nature of the contracts (and contractual relationships) into which you are entering and the extent of your exposure to the risks. Trading in futures, options, OTCD currency contracts and Spot LFX trading contracts may not be suitable for many members of the public. You should carefully consider whether such trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances. In considering whether to trade, you should be aware of the following:

### **(a) Futures, OTCD currency contracts and Spot LFX trading contracts**

#### **(i) Effect of ‘Leverage’ or ‘Gearing’**

Transactions in futures, OTCD currency contracts and Spot LFX trading contracts carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract, OTCD currency contract or Spot LFX trading contract transaction so that the transaction is highly ‘leveraged’ or ‘geared’. A relatively small market movement will have a proportionately larger impact on the funds you have deposited or will have to deposit; this may work against you as well as for you. You may sustain a total loss of the initial margin funds and any additional funds deposited with the firm to maintain your position. If the market moves against your position or margin levels are increased, you may be called upon to pay substantial additional funds on short notice in order to maintain your position. If you fail to comply with a request for additional funds within the specified time, your position may be liquidated at a loss and you will be liable for any resulting deficit in your account.

#### **(ii) Risk-Reducing Orders or Strategies**

The placing of certain orders (e.g. ‘stop-loss’ orders, where permitted under local law, or ‘stop-limit’ orders) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. At times, it is also difficult or impossible to liquidate a position without incurring substantial losses. Strategies using combinations of positions, such as ‘spread’ and ‘straddle’ positions may be as risky as taking simple ‘long’ or ‘short’ positions.

### **(b) Options**

#### **(i) Variable Degree of Risk**

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of options (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options would have to increase for your position to become profitable, taking into account the premium paid and all transaction costs.

The purchaser of options may offset its position by trading in the market or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying interest. If the option is on a futures contract, OTCD currency contract or Spot LFX trading contract, the purchaser will have to acquire a position in the futures contract, OTCD currency contract or Spot LFX trading contract, as the case may be, with associated liabilities for margin (see the section on Futures, OTCD currency contracts and Spot LFX trading contracts above). If the purchased options expire worthless, you will suffer a total loss of your investment which will consist of the option premium paid plus transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that, ordinarily, the chance of such options becoming profitable is remote.

Selling (‘writing’ or ‘granting’) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess

of the amount of premium received. The seller will be liable to deposit additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying interest. If the option is on a futures contract, OTC currency contract or spot LFX trading contract, the seller will acquire a position in the futures contract, OTC currency contract or spot LFX trading contract, as the case may be, with associated liabilities for margin (see the section on Futures, OTC currency contracts and Spot LFX trading contracts above). If the option is 'covered' by the seller holding a corresponding position in the underlying futures contract, OTC currency contract, spot LFX trading contract or another option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

Certain exchanges in some jurisdictions permit deferred payment of the option premium, limiting the liability of the purchaser to margin payments not exceeding the amount of the premium. The purchaser is still subject to the risk of losing the premium and transaction costs. When the option is exercised or expires, the purchaser is responsible for any unpaid premium outstanding at that time.

### **(c) Additional Risks Common to Futures, Options and Leverage Foreign Exchange Trading**

#### **(i) Terms and Conditions of Contracts**

You should ask the corporation with which you conduct your transactions for the terms and conditions of the specific futures contract, option, OTC currency contract or spot LFX trading contract which you are trading and the associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of the underlying interest of a futures contract, OTC currency contract or spot LFX trading contract transaction and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances, the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying interest.

#### **(ii) Suspension or Restriction of Trading and Pricing Relationships**

Market conditions (e.g. illiquidity) or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or 'circuit breakers') may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying interest and the futures contract, and the underlying interest and the option may not exist. This can occur when, e.g., the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to judge 'fair' value.

#### **(iii) Deposited Cash and Property**

You should familiarise yourself with the protection accorded to any money or other property which you deposit for domestic and foreign transactions, particularly in a firm's insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property which had been specifically identifiable as your own will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

### **(d) Commission and Other Charges**

Before you begin to trade, you should obtain a clear explanation of all commissions, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

### **(e) Transactions in Other Jurisdictions**

Transactions on markets in other jurisdictions, including markets formally linked to a domestic market, may expose you to additional risk. Such markets may be subject to a rule which may offer different or diminished investor protection. Before you trade, you should enquire about any rules relevant to your particular transactions. Your local regulatory authority will be unable to compel the enforcement of the rules of the regulatory authorities or markets in other jurisdictions where your transactions have been effected. You should

ask the firm with which you conduct your transactions for details about the types of redress available in both your home jurisdiction and other relevant jurisdictions before you start to trade.

#### **(f) Currency Risks**

The profit or loss in transactions in foreign currency-denominated futures and options contracts (whether they are traded in your own or another jurisdiction) will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

#### **(g) Trading Facilities**

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the one or more parties, namely the system provider, the market, the clearing house or member firms. Such limits may vary. You should ask the firm with which you conduct your transactions for details in this respect.

#### **(h) Electronic Trading**

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or not executed at all.

#### **(i) Off-Exchange Transactions**

In some jurisdictions, firms are permitted to effect off-exchange transactions. The firm with which you conduct your transactions may be acting as your counterparty to the transaction. It may be difficult or impossible to liquidate an existing position, to assess the value, to determine a fair price or to assess the exposure to risk. For these reasons, these transactions may involve increased risks. Off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with the applicable rules and attendant risks.

Note:

“Margin” means an amount of money, securities, property or other collateral, representing a part of the value of the contract or agreement to be entered into, which is deposited by the buyer or the seller of a transaction in a futures contract, OTCD currency contract or spot LFX trading contract to ensure performance of the terms of the transaction in the futures contract, OTCD currency contract or spot LFX trading contract.