

# UTRADE CFD INDICES

## Product Information



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## 1. WHAT ARE CFDs?

A Contract for Difference (CFD) is an agreement between 2 parties to settle, at the close of the contract, any 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 you to participate in the price movement of an underlying product without actually owning the asset. This can be done by fulfilling a minimum collateral requirement (known as margin) instead of the full contract value.

## 2. WHAT ARE CFD INDICES?

Most major stock indices are based on a basket of blue chip stocks that represent the performance of the financial market. CFD INDICES is a financial instrument that tracks the underlying Stock Index.

## 3. WHY TRADE CFD INDICES?

<ul style="list-style-type: none"><li>• <b>Leverage</b></li></ul> <p>Up to 20X the initial deposit</p> <ul style="list-style-type: none"><li>• <b>Responsive to Economic Events</b></li></ul> <p>Benefit from market movement across variety of economic events</p>	<ul style="list-style-type: none"><li>• <b>Hassle Free &amp; Cost Effective</b></li></ul> <p>Imagine settling just once for a basket of index component blue chips</p> <ul style="list-style-type: none"><li>• <b>Diversified Exposures</b></li></ul> <p>Diversify your exposure over a basket of index component blue chip instead of a single stock</p>	<ul style="list-style-type: none"><li>• <b>Trading Opportunities</b></li></ul> <p>You can go long if you have a bullish view or short when you are bearish</p> <ul style="list-style-type: none"><li>• <b>No Contract Expiry</b></li></ul> <p>Positions can be held as long as you like</p>
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## WHO CAN TRADE CFD INDICES?

New Investors	Seasoned Investors
<ul style="list-style-type: none"> <li>• <b>Leverage with Lower Initial Capital</b></li> <li>• Trade on <b>Broader Economic View</b> to monitor overall market conditions versus specifics</li> <li>• Investors can choose their <b>Level of Participation</b> and be as active or passive as they like.</li> <li>• Trade <b>Short Term</b> from a few days to weeks. CFD INDICES have no expiry and can be traded during on and off market hours. On top of it, buying and selling is easy, direct and immediate.</li> <li>• Opportunity in both <b>Bullish and Bearish</b> markets by holding long and short positions respectively.</li> </ul>	<ul style="list-style-type: none"> <li>• <b>Diversify</b> with a basket of index component blue chips</li> <li>• <b>Leverage</b> on the Low Initial Capital</li> <li>• <b>Broader Economic View</b> to track overall market conditions than having to specific markets / companies.</li> <li>• Opportunity in both <b>Bullish and Bearish</b> markets by holding long and short positions respectively.</li> <li>• <b>Hedging Tool</b> against existing portfolio(s)</li> <li>• <b>Take advantage of</b> market volatility.</li> </ul>

## 4. HOW TO TRADE CFD INDICES?

Investors can trade by taking a position on a selected index or indices. Since indices are traded both in rising (bull) and falling (bear) markets, investors will take a position on the index according to their view of the market direction. When the market moves in favour of their view, they would make a profit in line with each point the index moves in favour of the position, vice versa for the opposite direction they would make a loss.

What can affect the movement of Indices?

Broader market movements affect the price of many companies.

Some examples include:

- Political Instability / Uncertainty
- Industry news that have a direct impact on companies of that sector – e.g. mining or banking
- Economic data —e.g. inflation statistics or unemployment numbers, interest rates

**Take Note: We hold monthly seminars on products and trading, so please do join our seminars to learn more!**



## 5. PRODUCT SPECIFICATIONS

**Minimum Trade Size** for all CFD INDICES is 1 lot which is also equivalent to 1 index point. Except for Japan Nikkei 225 where the minimum trade size 10 lots and in increments of 10s

No	Index	Minimum Trade Size	Value of 1 Index Point
1	US Wall Street 30 Index	1	US\$1
2	US Tech 100 Index	1	US\$1
3	US SPX 500 Index	1	US\$1
4	Hong Kong 50 Index	1	HK\$1
5	Australia 200 Index	1	A\$1
6	Japan Nikkei 225 Index	10	¥10

### Trading Hours

Trading Hours in Singapore Time (GMT+8)			
Index	Symbol	Non-Daylight Savings	Daylight Savings (DS)
Australia 200 Index	AUS200	7.50am to 2.30pm	6.50am to 1.30pm (Sydney DS)
		3.10pm to 6.00am*	2.10pm to 5.00am* (Sydney DS)
		*closes at 5.00am (US DS)	*closes at 4.00am (US DS)
Hong Kong 50 Index	HK50	9.15am to 12.00pm	
		1.00pm to 4.30pm	
		5.15pm to 1.00am	
Japan 225 Index	JP225	7.00am to 6.00am	
US SPX 500, US Tech 100, US Wall Street 30	US500, USTEC, US30	7.00am to 5.15am	6.00am to 4.15am (US DS)
		5.30am to 6.00am	4.30am to 5.00am (US DS)

Remarks: MT4 Server time is GMT+2 (GMT+3 during US DS)

**Index Price** is quoted based on different underlying instruments. To view the live prices of each index please log onto your UTRADE MT4 System to view.



## TRADING CHARGES:

Index	Commission per side*	Financing Rate for Overnight Position**
AUS200	US\$0.30	AUD Deposit 1 Month Rate at 17:00 ET +/- 3.5%
HK50	US\$0.40	HKD Deposit 1 Month Rate at 17:00 ET +/- 3.5%
JP225	US\$0.10	BBA LIBOR JPY 1 Month Rate at 17:00 ET +/- 3.5%
US500	US\$0.20	BBA LIBOR USD 1 Month Rate at 17:00 ET +/- 3.5%
USTEC	US\$0.20	BBA LIBOR USD 1 Month Rate at 17:00 ET +/- 3.5%
US30	US\$2	BBA LIBOR USD 1 Month Rate at 17:00 ET +/- 3.5%

\*Commission is charged per 1 lot per side

\*\* Financing is charged for positions held overnight.

### Trading Charges are as follows:

A. Margin Requirement is 5% of contract value on CFD Indices

(Formula)  $\text{Contract Value} \times 5\% \times \text{Trade Size (No of Lots)}$

Example:

*Assumption*

Contract value = \$25,000

Trade Size (No of Lots) = 4

Margin Requirement (5%) =  $\$25,000 \times 4 \times 5\% = \mathbf{\$5,000}$

B. Financing Fee is charged for overnight positions @ Reference Rate  $\pm$  3.5%

(Formula)  $\text{Trade Size} \times \text{Market Closing Price} \times (\text{Libor} \pm 3.5\%) / 365$

Example:

*Assumption*

Trade Size (No of Lots) = 4

Market Closing Price = \$25,000

Financing Fee =  $4 \times \$25,000 \times (2.5\% + 3.5\%) / 365 = \mathbf{\$16.44}$



## 6. MARGIN REQUIREMENTS

CFD Indices are traded on margin. This means that you are able to leverage your investment by opening positions of larger size than the funds you have to place known as a margin collateral.

Margin Requirements for all CFD Indices contracts is **5% of full contract value**.

### a. Margin Requirements

A Margin (Requirement) is the percentage of cash collateral that an investor must have for with his/her own account. It is the amount **earmarked** on your trading account to cover any potential losses from an open CFD position.

It can be further broken down into:

- Initial Margin (IM) Requirement
- Maintenance Margin (MM) Requirement

### b. Initial Margin (IM)

Initial margin (IM) is the minimum amount required to initiate a new position. It is calculated as a percentage of the full contract value.

#### **EXAMPLE:**

Client A wishes to buy 1 lot of US30 Index quoted at \$25,000. US30 has a margin requirement of 5%.

#### **Initial Margin required to open position (5%)**

= 5% x Full Contract Value of Index x No. of Lots

= 5% x \$25,000 x 1

= **\$1,250**

No. of Lots	Contract Value	Margin required
1	USD \$25,000	<b>USD \$1,250</b>

Client A will need to have **US\$1,250** in Free Equity to open this position.



### c. Margin (M)

Margin (M) is the minimum amount required to maintain an existing position.

#### Example:

#### **Maintenance Margin required to maintain position (5%)**

= 5% x Full Contract Value of Index x No. of Lots

#### Breakdown of maintenance margin required for each position

No. of Lots	Order Side	Instrument	Price	Margin Required (USD)
2	Buy	US30	25,000	\$2,500
1	Sell	US500	2,748	\$137.40

**Total Maintenance Margin Required (USD) = \$2,500 + \$137.40 = \$2,637.40**

### d. Margin Call

A Margin Call is our alert to you to deposit more funds, or to (partially) close your positions if you so choose, when the market is against your favour

A Margin Call occurs when the trading Account Equity (E) falls below the broker's required minimum value.

This is denoted by the Margin Ratio % on the UTRADE MT4 Platform.

**Equity (E)** = Current Balance +/- Unrealized P/L of all positions

\*Note that the Unrealized P/L is marked to market; hence it will fluctuate based on market conditions.

**Margin Ratio %** = Equity (E) / Margin Required of all positions (M) \*100

\*Margin call will occur when Margin Ratio % falls to 100%

\*Margin closeout will occur when Margin Ratio % falls to 50%.





### Examples:

Customer Z has an trading account of USD3,600

Customer Z opens a long position of 2 lots of US Wall Street 30 Index (US30) at contract value of US\$25,000 per lot.

#### Scenario 1

Market price of US30 Index remains at US\$25,000

**Margin (M) Required (5%):** = 5% x Full Contract Value of Index x No. of lots = 5% x \$25,000 x 2 = US\$2,500

**Equity (E) = Current Balance +/- Unrealized P/L of all positions** = 3,600

*\*assuming there is no unrealized P/L*

**Margin Ratio %** = Equity (E) / Margin (M) x 100% = 3,600 / 2,500 = **144%**

#### Scenario 2 (Margin Call)

Market Price of US30 Index falls to US\$23,500 (loss of US\$1,500)

**Margin (M) Required remains unchanged.**

**Equity (AE) = Current Balance +/- Unrealized P/L of all positions** = 3,600 – 1,500 = 2,100

**Margin Ratio %** = Equity (E) / Margin (M) x 100% = 2,100 / 2,500 = **84%**

*\*Margin call email alert will be sent out immediately to Customer Z informing his account is in margin call.*

*\*Customer Z will not be able to initiate new positions*

#### Scenario 3 (Margin Closeout)

Market Price of US30 Index falls further to US\$22,650 (further loss of US\$850)

**Margin (M) Required remains unchanged.**

**Equity (E) = Current Balance +/- Unrealized P/L of all positions** = 2,100 - 850 = 1,250

**Margin Ratio %** = Equity (E) / Margin (M) x 100% = 1,250 / 2,500 = **50%**

*\*Customer Z will have his positions auto-liquidated on MT4 the moment 50% or below is breached.*

*\*This trigger may happen during intra-day trading prior to EOD margin call.*

*\*An email will be sent to inform Customer Z his positions have been auto-liquidated.*



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## Further Examples

Scenario A (LONG)	(Day 1) Open Position <b>LONG</b> on DOW JONES (1 Lot) (Day 4) Close Position
Open Price	US\$24,000
Closing Price	US\$24,500
Initial Margin (IM)	Opening Price (for day) x IM x Qty US\$24,000 x 5% x 1 Lot = US\$1200
Profit/Loss	(Closing Price - Opening Price) x Qty US\$24500 - US\$24000) x 1 Lot = US\$500
Commission	Opening Commission : US\$2 Closing Commission : US\$2
Finance Charges	Closing Price x Qty Assumption of Closing price for the following days are the same at US\$24,500 Day 1: US\$24,500 Day 2: US\$24,500 Day 3: US\$24,500  Finance Charges Each Day Day 1: US\$24,500 x 1 Lot * [Reference Rate (e.g. USD LIBOR of 2.5%) + 3.5%] / 365 = US\$4.03 Day 2: US\$24,500 x 1 Lot * [Reference Rate (e.g. USD LIBOR of 2.5%) + 3.5%] / 365 = US\$4.03 Day 3: US\$24,500 x 1 Lot * [Reference Rate (e.g. USD LIBOR of 2.5%) + 3.5%] / 365 = US\$4.03  Total Finance Charges = US\$4.03 + US\$4.03 + US\$4.03 = US\$12.09
Net Gain/ Loss	Net Gain = 500 - 2 - 2 - 12.09 = US\$483.91
Return on Equity	483.91/1200 = 40.33%



Scenario B <b>(SHORT)</b>	(Day 1) Open Position <b>SHORT</b> on NASDAQ (2 Lots) (Day 3) Close Position
Open Price	US\$7,600
Closing Price	US\$7,000
Initial Margin (IM)	Opening Price (for day) x IM x Qty = US\$7,600 x 5% x 2 Lots = US\$760
Profit/Loss	(Closing Price - Opening Price) x Qty = US\$7600 - US\$7000 x 2 Lots = US\$1200
Commission	Opening Commission : US\$1 Closing Commission : US\$1
Finance Charges	Closing Price x Qty Assumption of Closing price for the following days Day 1: US\$7,600 Day 2: US\$7,000  Finance Adjustments Received Each Day Day 1: US\$7,600 x 2 Lots * [Reference Rate (e.g. USD LIBOR of 2.5%) - 3.5%] / 365 = US\$0.42 Day 2: US\$7,000 x 2 Lots * [Reference Rate (e.g. USD LIBOR of 2.5%) - 3.5%] / 365 = US\$0.38  Total Finance Charges = US\$0.42+ US\$0.38 = US\$0.80
Net Gain/ Loss	Net Gain = 1200 - 1 - 1 + 0.80 = US\$1,198.20
Return on Equity	1198.20/760 = 157%



Scenario C (LONG)	(Day 1) Open Position <b>LONG</b> on DOW JONES (1 Lot) (Day 4) Close Position
Free Equity	US\$1,500
Open Price	US\$24,000
Closing Price	US\$22,000
Margin (M)	Opening Price (for day) x IM x Qty US\$24,000 x 5% x 1 Lot = US\$1200
Margin	Assumption of Closing price for the following days are: Day 1: US\$24,000 Day 2: US\$23,800 Day 3: US\$23,000  Maintenance Margin only required for Day 2 when Closing Price drops below US\$24,000 Day 1 : US\$24,000 x 5% = US\$1200 Day 2 : US\$23,800 x 5% = US\$1190 Day 3 : US\$23,500 x 5% = US\$1175
Margin Ratio	Day 1: US\$1500 / US\$1190 = 126% Day 2: [US\$1500 (Original Equity) - US\$200 Loss] / US\$1190 (Margin) x 100% = 109% Day 3: [US\$1500 (Original Equity) - US\$500 Loss] / US\$1175 (Margin) x 100% = 85%
Margin Call	Margin % < 100% Margin call is done when Margin % =<100% Auto liquidation is done when Margin % =<50%  Margin % = 1000/1175 = 85% A Margin Call will be done on Day 3 as the Margin % is at 85%.



## 7. CORPORATE ACTIONS / DIVIDENDS

Cash Dividends / Cash adjustments are booked on the Pay date and the actual value of the payment will be settled on the Pay Date.

Example: Cash Dividends

Assumption:

Net Adjustment for AUS200 = \$15.03 per share

Cash Dividends will be credited and/or debited depending on the position that is taken on the CFD Indices.

(Example 1) 50 Short Position = 50 x \$15.03 = \$751.50 will be debited from your account

(Example 2) 100 Long Position = 100 x \$15.03 = \$1503.00 will be credited to your account

## 8. TRADING PLATFORMS

CFD Indices will be offered on UTRADE MetaTrader 4 Platform (Desktop & Mobile).

### Desktop version

Click [here](#) to download the desktop platform

### Mobile version

Download “MetaTrader 4” mobile app from Google Play Store and Apple Store

### Platform Help Guide

Click [here](#) to download the MetaTrader 4 Help Guide

## ORDER TYPES AVAILABLE

### 1. Market

Market order is a commitment to the brokerage company to buy or sell a security at the current price.

Execution of this order results in opening of a trade position. Securities are bought at ASK price and sold at BID price. Stop Loss and Take Profit orders can be attached to a market order.

Market orders will prioritise the certainty of execution over the price of execution; hence it is possible for market orders to be filled at worse than requested price.



## 2. Limit

Limit order is the client's commitment to the brokerage company to buy or sell a security at a pre-defined price in the future.

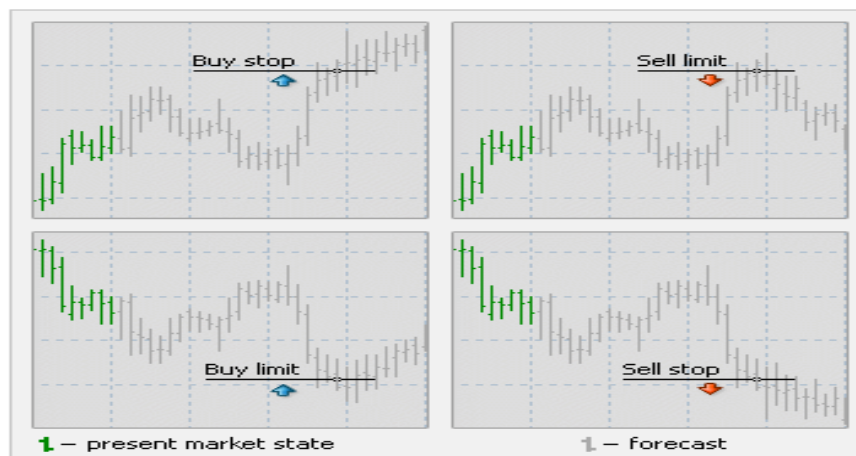
This type of orders is used for opening of a trade position provided the future quotes reach the pre-defined level. There are four types of pending orders available in UTRADE MT4 Platform:

**Buy Limit** – buy provided the future "ASK" price is equal to the pre-defined value. The current price level is higher than the value of the placed order. Orders of this type are usually placed in anticipation of that the security price, having fallen to a certain level, will increase;

**Buy Stop** – buy provided the future "ASK" price is equal to the pre-defined value. The current price level is lower than the value of the placed order. Orders of this type are usually placed in anticipation of that the security price, having reached a certain level, will keep on increasing;

**Sell Limit** – sell provided the future "BID" price is equal to the pre-defined value. The current price level is lower than the value of the placed order. Orders of this type are usually placed in anticipation of that the security price, having increased to a certain level, will fall;

**Sell Stop** – sell provided the future "BID" price is equal to the pre-defined value. The current price level is higher than the value of the placed order. Orders of this type are usually placed in anticipation of that the security price, having reached a certain level, will keep on falling.



## (G) OTHERS

### 1. Common Terms

Term	Definition
Long Position	A Long Position is when the investor opens a position for a financial product (e.g. Indices) anticipating the value will rise over time.
Short Position	A Short Position is when the investor opens a position for a financial product (e.g. Indices) anticipating the value will drop over time.
Bull Market	A bull market is the condition of the overall financial industry where which prices of financial products are rising or are expected to rise. <i>(Example) When investors predicts a bull market in the stock market, they would hold a long position to potentially profit from it.</i>
Bear Market	A bear market is the condition of the overall financial industry where which prices of financial products are rising or are expected to fall. <i>(Example) When investors predicts a bear market in the stock market, they would hold a short position to potentially profit from it.</i>
Price Interest Points (Pips)	A pip is the price move in a given exchange rate. Understanding the change in value helps traders to enter, or edit orders to manage their trading strategy.
Benchmark Rate	It is the benchmark interest rate which banks offer to lend funds to one another in the international interbank market for short-term loans.  Such an example is LIBOR. LIBOR is an average value of the interest-rate which is calculated from estimates submitted by the leading global banks on a daily basis. It stands for London Inter-bank Offered Rate and serves as the first step to calculating interest rates on various loans throughout the world.  LIBOR serves as a globally accepted key benchmark interest rate that indicates how much does it costs to the banks to borrow from each other. It is used as the necessary reference rate for transacting in the global markets worth more than \$350 trillion and comprises of various financial products that include interest rate swaps, forward rate agreements, mortgages, commercial loans.
Contract For Difference (CFD)	A Contract for Difference (CFD) is an agreement between 2 parties to settle, at the close of the contract, any 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 you to participate in the price movement of an underlying product without actually owning the asset. This can be done by fulfilling a minimum collateral requirement (known as margin) instead of the full contract value.



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	Term	Definition
	Free Margin	<p>Surplus of funds in account available for withdrawal or to open new positions</p> <p>Free Margin = Current Cash Balance +/- Unrealized P/L of all positions - Maintenance Margin Utilized of all positions (MM)</p> <p>*Note that the Unrealized P/L is marked to market; hence it will fluctuate based on market conditions.</p>
	Margin Requirements	<p>A Margin (Requirement) is the percentage of marginable securities that an investor must pay for with his/her own cash. It is the amount earmarked on your trading account to cover any potential losses from an open CFD position.</p>
	Margin (M)	<p>Margin (M) is the minimum amount minimum amount investors have to put up and deposit required to maintain an existing position. It is calculated as a percentage of the full contract value.</p>
	Margin Call	<p>A margin call occurs when the account value falls below the broker's required minimum value. The investor can either deposit more money in the account or close some of the assets held in the account.</p> <p><u>Margin call will kick in when</u>  <math>\text{Margin Ratio \%} = \text{Equity (E)} / \text{Margin Required of all positions (M)} \leq 100\%</math></p> <p><b>** see 8(d) Margin call for elaborations</b></p>
	Margin Ratio / Utilization	<p><math>\text{Margin Ratio \%} = \text{Account Equity (AE)} / \text{Margin Required of all positions} * 100</math></p> <p>*Margin call will occur when Margin Ratio % falls to 100%  **Margin closeout will occur when Margin Ratio % falls to 50%.</p>
	Account Equity (AE)	<p>Account Equity is the account balance plus or minus the floating profit/loss from any open trades.</p> <p>Account Equity (AE) = Current Account Cash Balance +/- Unrealized P/L of all positions</p> <p>*Note that the Unrealized P/L is marked to market; hence it will fluctuate based on market conditions.</p>





# Disclaimer

This document is provided to you for general information only and does not constitute a recommendation, an offer or solicitation to purchase or sell the product mentioned herein. It does not have any regard to your specific investment objectives, financial situation and any of your particular needs.

Whilst care and effort has been taken to ensure the accuracy of the information provided herein and in UTRADE Web, UOB Kay Hian Pte Ltd does not warrant the information expressed or implied is absolutely true, correct, timely or fit for any particular purpose or use. We are not liable for any loss or damage arising from the use of this information.

## RISK CONSIDERATIONS

Contracts for difference are derivatives transactions which provide for adjustment between the parties based on the respective values or levels of certain assets or reference indices at the time of the contracts and at an agreed future time. Such assets or reference indices can be shares as well as commodities, securities, currencies, interest rate swaps, etc. There is no delivery on these contracts which can only be settled in cash. The prices of contracts for difference and the underlying asset or reference indices may be highly volatile and may fluctuate over wide ranges.

Contracts for difference are leveraged transactions. An investor must deposit collateral, also known as "margin", with UOB Kay Hian in order to transact. The high degree of leverage that is often obtainable in margin trading can work against the investor as well as for the investor due to fluctuating market conditions. The investor may sustain large losses as well as gains in response to a small market movement. While the amount of the initial margin required to enter into a transaction may be small relative to the value of the transaction, a relatively small market movement would have a proportionately larger impact. The investor may sustain losses in excess of any cash and any other assets deposited as collateral with UOB Kay Hian. The investor may be called upon at short notice to make additional substantial margin deposits or interest payments. In certain instances, the investor's position may be liquidated without his or her consent or notice.

Contracts for Difference are a form of derivative and therefore can result in profit or loss. Contracts for difference involve the risk of loss and are not suitable for many members of the public. The loss can be greater than the initial margin and therefore might not be suitable for all investors.

All contracts for difference will be entered into with UOB Kay Hian transacting as principal. They may not be transacted on a regulated exchange, and the terms and conditions of contracts for difference will be established solely by UOB Kay Hian. The investor's rights and obligations under a contract for difference are not assignable or transferable to any person, and the transaction can only be closed out with UOB Kay Hian during UOB Kay Hian 'normal' trading hours.

Before you trade, you should familiarize yourself with the details of all commissions and other charges for which you will be liable. In particular, if you enter into a position in a contract for difference, you will be liable to pay a financing fee to the Company. Financing fees are based on prevailing market interest rates and will vary over time. Details of the prevailing financing fees are available from the Company.

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