CFD Equities

Product Information

TRADE

ONLINE TRADING MADE EASY

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CFD EQUITIES – PRODUCT INFORMATION

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 Why CFD Equities?

Up to 10X the Purchasing Power

CFDs are Leveraged Products traded on margin. For clients who wish to take advantage of price movements with minimum initial capital, CFDs offer leverage of up to 10X on key component stocks.

Note: UOB Kay Hian Private Limited (UOBKH) reserves the right to vary the required margin for the underlying securities and to limit each client's trading limit without prior notice.

Short Sell with Ease

CFD Equities allow you to take a position without owning the underlying shares. You may take advantage of bearish market conditions by shorting a stock on the spot without the need to go through the hassle associated with scrip borrowing and lending to borrow the shares first.

Direct Market Access (DMA) Model

Our DMA model provides you with greater transparency in trading as CFD Equities price and liquidity are identical to the underlying exchange, which means you can be assured orders executed are at true market prices without any spreads. You can participate directly in the order books of the underlying exchange and also benefit from the ability to participate in the pre-opening and closing auctions.

Participate in Corporate Action

Although you do not own the underlying shares, CFD Equities will mirror most corporate actions that take place in the underlying shares. Cash dividends will still be credited for long positions and debited from short positions. With CFD Equities, you are not entitled to any voting rights.

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Allow for Sophisticated Trading, Hedging or Investing Strategies

You can engage in both long and short strategies through one CFD Equities account. You may also adopt hedging strategies to protect your existing share portfolio against any adverse market conditions through CFD Equities.

Monitor and Trade on the Go with Browser-based and Mobile Platforms

UTRADE Delta provides you with a complete suite of trading platforms which gives you the ability to trade with ease, speed, and reliability. The mobile application keeps you informed even while on the go. Advanced trading features such as stop-loss and contingent order type provide better control of your trading activities during volatile times.

3 Comparison

i. CFD Equities vs. Shares

	CFD Equities	Traditional Shares
Leverage	Up to 10X	Margin: up to 3.3X
Typical Strategy	Long and Short	Long Only
Share Borrowing before Short Sell	No	Yes
Settlement Period	T+0 As low as 10% Initial Margin to initiate position	T+2 You pay 100% of contract value to own shares
Share Ownership	No	Yes
Corporate Actions	Yes	Yes
Execution Mode	Online or Broker Assisted	Online or Broker Assisted
Commission (SGX)	Online: 0.25% Broker: 0.25%	Online: 0.275% Broker: 0.40%
Financing Fee (SGX) (overnight positions)	Long Positions: 6.5% Short Positions: min. 3% (Charged on Full Contract Value, 365 Days)	Margin: Prime Rate + [1% to 2%] (Charged only on loan amount)
SGX Clearing & Access Fees	No	Yes [0.04%]
Advanced & Contingent Orders	Yes E.g. Non-Guaranteed Stop, Limit, Contingent Orders, OCO	Dependent on broker platform
Mobile Applications	Yes	Yes

(Please visit the UTRADE website for the latest rates and information)

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Example of a Long Position

Assume the following:

CFD Equities Commission = 0.25%
Finance Charge = 6.5% p.a. (365 days)

You are bullish on Share ABC and decide to buy (LONG) 10 lots of ABC share at S$3.00. Margin requirement for ABC component stock is 10% with leverage of 10 times.

	Example of a Profitable Trade		**Example of a Loss Making Trade**	
	CFD Equities	Shares	CFD Equities	Shares
Start of Day 1				
Initial Capital	S$ 3,000	S$ 30,000	S$ 3,000	S$ 30,000
Contract Value	S$ 30,000 (S$3 x 10,000 shares)	S$ 30,000 (S$3 x 10,000 shares)	S$ 30,000 (S$3 x 10,000 shares)	S$ 30,000 (S$3 x 10,000 shares)
Commission	S$ 75 (S$ 30,000 x 0.25%)	S$ 89.10 (S$ 30,000 x 0.275% + 8% GST)	S$ 75 (S$ 30,000 x 0.25%)	S$ 89.10 (S$ 30,000 x 0.275% + 8% GST)
Exchange Fees	N.A	S$ 12.96 (S$ 30,000 x 0.04% + 8% GST)	N.A	S$ 12.96 (S$ 30,000 x 0.04% + 8% GST)
End of Day 15	**Closing Price @ S$3.20**		**Closing Price @ S$2.80**	
Finance Fees (assume closing price remains unchanged for 15 days)	S$ 85.48 (S$ 32,000 x 6.5% / 365 days x 15 days)	N.A	S$ 74.79 (S$ 28,000 x 6.5% / 365 days x 15 days)	N.A
Contract Value (closing)	S$ 32,000	S$ 32,000	S$ 28,000	S$ 28,000
Commission (closing)	S$ 80 (S$ 32,000 x 0.25%)	S$ 95.04 (S$ 32,000 x 0.275% + 8% GST)	S$ 70 (S$ 28,000 x 0.25%)	S$ 83.16 (S$ 28,000 x 0.275% + 8% GST)
Exchange Fees	N.A	S$ 13.82 (S$ 32,000 x 0.04% + 8% GST)	N.A	S$ 12.10 (S$ 28,000 x 0.04% + 8% GST)
Net Gain/(Loss)	S$ 1,759.52	S$ 1,789.08	(S$ 2,219.79)	(S$ 2,197.32)
Return on Equity (Net Gain or Loss/Initial Capital)	58.65%	5.96%	(73.99%)	(7.32%)

CFD EQUITIES – PRODUCT INFORMATION

Example of a Short Position

Assume the following:

CFD Equities Commission = 0.25%
Finance Charge = 6.5% p.a. (365 days)

You are bearish on Share ABC and decide to sell (SHORT) 10 lots of ABC share at S$2.00. Margin requirement for ABC component stock is 10% with leverage of 10 times.

	Example of a Profitable Trade		**Example of a Loss Making Trade**	
	CFD Equities	Shares (SBL)	CFD Equities	Shares (SBL)
Start of Day 1				
Initial Capital	S$ 2,000	S$ 20,000	S$ 2,000	S$ 20,000
Contract Value	S$ 20,000 (S$2 x 10,000 shares)	S$ 20,000 (S$2 x 10,000 shares)	S$ 20,000 (S$2 x 10,000 shares)	S$ 20,000 (S$2 x 10,000 shares)
Commission	S$ 50 (S$ 20,000 x 0.25%)	S$ 59.40 (S$ 20,000 x 0.275% + 8% GST)	S$ 50 (S$ 20,000 x 0.25%)	S$ 59.40 (S$ 20,000 x 0.275% + 8% GST)
Exchange Fees	N.A	S$ 8.64 (S$ 20,000 x 0.04% + 8% GST)	N.A	S$ 8.64 (S$ 20,000 x 0.04% + 8% GST)
End of Day 15	**Closing Price @ S$1.80**		**Closing Price @ S$2.10**	
Contract Value (closing)	S$18,000	S$ 18,000	S$ 21,000	S$ 21,000
Finance Fees (assume closing price remains unchanged for 15 days)	S$ 48.08 (S$ 18,000 x 6.5% / 365 days x 15 days)	S$ 35.14 (S$ 18,000 x 4.75% / 365 days x 15 days)	S$ 56.10 (S$ 21,000 x 6.5% / 365 days x 15 days)	S$ 35.14 (S$ 21,000 x 4.75% / 365 days x 15 days)
Commission (closing)	S$ 45 (S$ 18,000 x 0.25%)	S$ 53.46 (S$ 18,000 x 0.275% + 8% GST)	S$ 52.50 (S$ 21,000 x 0.25%)	S$ 62.37 (S$ 21,000 x 0.275% + 8% GST)
Exchange Fees	N.A	S$ 7.78 (S$ 18,000 x 0.04% + 8% GST)	N.A	S$ 9.07 (S$ 21,000 x 0.04% + 8% GST)
Net Gain/(Loss)	S$ 1,856.92	S$ 1,835.59	(S$ 1,158.60)	(S$ 1,174.62)
Return on Equity (Net Gain or Loss/Initial Capital)	92.85%	9.18%	(57.93%)	(5.87%)

CFDs are leveraged products, you may incur significant gains as well as losses which can be greater than the initial capital invested

ii. DMA vs. Market Making

	DMA	Market Maker (MM)
Transparency in Order Fill (Exchange)	Yes	No
Participate in Liquidity of Exchange	Yes	No (liquidity depends on MM)
View Exchange Bid/Ask Queue (See where you are in the queue)	Yes[1]	No
Ability to Improve Bid/Ask	Yes (You are the price maker)	No (You are the price taker)
Participate in Exchange Pre-opening and closing	Yes	No
Quoted in Exchange Price	Yes	No (MM may mirror exchange prices but are not obliged to be exact)
Added Spread in Price	No	At the Discretion of MM
Dealer Deferred Re-quote	No	At the Discretion of MM

1 Terms and conditions apply to market depth access.

4 General Risks of CFD Trading

Leverage Risk

CFDs are leveraged products and carry a high degree of risk. The amount of initial margin utilized to initiate a transaction may be a relatively small amount of the contract value (as low as 10%). A relatively small market movement may have a proportionately larger impact on the capital you have deposited or will have to deposit. It may also result in you sustaining a total loss of your initial capital and any additional capital deposited to maintain your position. If the market moves against your position, or if margin levels are increased and you do not have sufficient margin, you may be called upon to top up additional margin on short notice in order to maintain your position.

Should you fail to do so within the specified time, your position may be liquidated at a loss and you will be liable for any resulting deficit in your trading account.

Liquidity Risk

CFDs are traded over the counter (OTC), and are not transacted on regulated exchanges. Without a secondary market, some CFDs may have lower liquidity than others at times. As we may use other counterparties for market access, there may be situations beyond our control when such access may be disrupted, resulting in us not being able to access the underlying markets. As such, you may not be able to close out your positions within a reasonable time. Under such situations we will endeavor to restore access as soon as we can.

At any point in time, if the underlying share is halted or suspended on the stock exchange indefinitely, we may require you to post up to 100% margin on such positions.

Counterparty Risk

Leveraged OTC products such as CFDs are traded on off-exchange basis. You are conducting transactions with the counterparty (UOB Kay Hian Private Limited). The risk you have to take with respect to the issuer or counterparty is their ability to satisfy its obligation to you.

A holder of a CFD contract should note that he has no recourse to the underlying shares as he has not actually bought the underlying shares.

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Online Trading Facilities

As with all online trading facilities, you may be exposed to risks associated with system failures – including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to instructions or is not executed at all. You should be aware that the internet is not a completely risk free transmission medium. Should there be delays in service provision, UOB Kay Hian Private Limited is committed to resolve any disruptions within a reasonable time.

Advanced Order Types

You are able to place certain order types (e.g. “stop-loss”, “stop and limit”) which are intended to limit the losses to a certain amount. These order types may not be effective when market conditions make it difficult or impossible to execute such orders. At times, it is also difficult or impossible to liquidate a position without incurring substantial losses.

Share Recall

The lender of any particular stock or share may recall his shares at any given notice and as such, clients with a short position in these stocks or shares will have to liquidate your positions immediately.

5 Funding, Costs & Trading

Minimum Initial Deposits for New Accounts

You are required to put up an initial deposit of **S$3,000** before any trade can be initiated. Only cash collateral is accepted at this time.

Method of Deposit into your UOB Kay Hian Private Limited CFD Account

You can choose to pay through one of the following ways:

- Cheque made payable to UOB Kay Hian Pte Ltd. (Please indicate your trading account number.)

- Telegraphic transfer

Please note that USD, HKD, SGD and AUD are accepted for payment. Payment processing is performed on full trading days only.

Withdrawal of Funds

You may contact your trading representative to submit a withdrawal request on your behalf.

Note: Withdrawal of funds may result in margin call. It is your responsibility to ensure that you have sufficient margin before submitting a fund withdrawal request.

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Trading Fees and Charges

Country	Commission Rate (Online)	Minimum Commission (Online)	Commission Rate (Offline)	Minimum Commission (Offline)	Financial Charges* (rates per annum)		Monthly Charge for Live Price Feed (Level 1)
					Long	Short	
Singapore	0.25%	SGD 25	0.25%	SGD 40	6.5%	Min. 3%	FREE
Hong Kong	0.35%	HKD 150	0.35%	HKD 200	5.5%	Min. 3%	HKD 120
United States	0.22%	USD 20	0.22%	USD 30	7.5%	Min. 3%	USD 3
Australia	0.20%	AUD 15	0.50%	AUD 50	5.5%	Min. 3%	AUD 25
Malaysia	0.40%	USD 20	0.70%	USD 50	7.5%	Min. 6%	USD 1
China	0.25%	USD 20	0.25%	USD 30	7.5%	Min 4.5%	N/A

*Applicable to non-promotional periods. Rates may be subject to change.

Commission fees include all foreign fees payable such as stamp duty and exchange fees. All CFD trades will be settled in the traded currency.

All commission charges are exempted from the GST.

Market Trading

Country	Exchange Market	Trading Hours	Trading Hours (Singapore Time)	Trading Hours (Singapore Time during daylight saving)
Singapore	SGX	Pre-opening: 8.30am – 9.00am Morning Session: 9.00am – 12.00pm Afternoon Session: 1.00pm – 5.00pm Pre-closing: 5.00pm – 5.06pm Trade at Close (Not Supported): 5.06pm – 5.16pm		
Hong Kong	HKEX	9.30am – 12.00pm 1.00pm – 4.00pm		
USA	NYSE & NASDAQ	9.30am – 4.00pm (US Time)	10.30pm – 5.00am	9.30pm – 4.00am
Australia	ASX	10am - 4pm	8.00am - 2.00pm	7.00am - 1.00pm

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Malaysia	Bursa	9.00am - 12.30pm 2.30pm - 5.00pm		
China	SSE & SZSE	9.10am - 11.30am 12.55pm – 3.00pm		

Impact of Corporate Action

Dividends

Clients holding a long CFD position will receive a credit adjustment in your CFD accounts on the underlying shares' ex-date, where the adjustment is equivalent to the nett (post-tax) dividend payment due on the underlying shares. If you are holding a short CFD position, you will incur a debit adjustment where the adjustment is equivalent to the gross (pre-tax) dividend payment.

Bonus/Stock Split and Reverse Stock Split

There will be an adjustment on quantity or price dependent on the underlying's corporate action to reflect the market equivalent.

Note: Notwithstanding the foregoing, UOB Kay Hian Pte Ltd reserves the right to close all open positions relating to the underlying security before the ex-date for any corporate action not mentioned in this CFD Equities Product Information sheet.

Suspension

If an underlying share trading on the exchange is suspended, the CFD will similarly be suspended from trading. During the suspension period, the margin requirements for open CFD positions may be revised up to 100%.

Short Selling CFD Equities

As UOBKH provides DMA (Direct Market Access) CFDs, you may be affected by any short selling rules for the stock market in any country. You may also experience forced closure of a position if the underlying shares are recalled. This may occur if a stock becomes difficult to borrow due to several events: takeovers, dividends, rights offerings (and other merger and acquisition activities) or increased hedge fund selling of the stock.

In the event if the cost of borrowing increases, UOBKH may, without notice or warning to you, pass this borrowing cost on to you in the form of a daily special borrowing charge. This charge is at the discretion of our hedging partners and is subject to fluctuation.

6 Margin Requirements

CFD Margin Requirements

Please refer to the respective market's counter list.

SGX counter list
US counter list
HKEX counter list
Bursa counter list
ASX counter list
China Connect counter list

Initial Margin (IM)

Initial Margin is the margin (collateral) that you must furnish in order to transact in a CFD position and is calculated as a percentage of the full contract value. Once an IM is lodged for a position, it will be marked to market based on the prevailing market prices of the underlying instrument and changes accordingly with the market's movements.

Free Equity (FE)

Free Equity is the surplus funds in the CFD account available for withdrawal or initiating of new positions.

Gross Liquidation Value (GLV) / Total Equity

GLV is the total value of the CFD account if all the positions are sold at the current market price, less any transaction charges and adjustments.

Essentially, GLV = IM + FE

Margin Call

A margin call may be made intraday whenever the margin ratio of your account exceeds 100%. Margin ratio is calculated in the following manner:

Margin Ratio = IM/GLV x 100%

When Margin Ratio > 100%, you will have 2 business days to satisfy the margin call.
When Margin Ratio > 125%, you will have 1 business day to satisfy the margin call.
When Margin Ratio > 140%, auto-liquidation of your open positions to bring the margin ratio below 100% again.

You will not be able to initiate a new position until you have satisfied your margin call requirements. Your trading representative will begin force-selling of your existing open positions if you fail to satisfy your margin calls within the stipulated timelines.

All margin calls will be sent via emails.

Examples of Margin Call

Scenario 1: Margin call when Margin Ratio > 100%
You deposit $5,000 and buy 10,000 shares of A at $3.00 (requires 10% IM). At the end of trading day, your portfolio fell in value to $2.75.

Description	**Value**	**Calculations**
End of Day 1 (marked to market)		
Unrealized loss	$2,500.00	Unrealized loss = ($3.00 - $2.75) x 10,000 (no of shares)
IM	$2,750.00	IM = $2.75 (closing price) x 10,000 (no of shares) x 10% (margin)
GLV	$2,500*	GLV = $5,000 (initial deposit) - $2,500 (unrealized loss)
FE	($250.00)	FE = $2,500 (GLV) – $2,750 (IM)
Margin Ratio	110.00%	Margin Ratio = $2,750 (IM) / $2,500 (GLV) x 100% Margin call will be made and you must top up your account within 2 business days.

Scenario 2: Margin call when Margin Ratio > 125%
You deposit $5,000 and buy 5,000 shares of B at $10.00 (requires 10% IM). At the end of trading day, your portfolio fell in value to $9.70.

Description	Value	Calculations
End of Day 1 (marked to market)		
Unrealized loss	$1,500.00	Unrealized loss = ($10.00 - $9.70) x 5,000 (no of shares)
IM	$4,850.00	IM = $9.70 (closing price) x 5,000 (no of shares) x 10% (margin)
GLV	$3,500*	GLV = $5,000 (initial deposit) - $1,500 (unrealized loss)
FE	($1,350.00)	FE = $3,500 (GLV) - $4,850 (IM)
Margin Ratio	138.57%	Margin Ratio = $4,850 (IM) / $3,500 (GLV) x 100% Margin call will be made and you must top up your account within 1 business day.

Scenario 3: Auto Liquidation when Margin Ratio > 140%
You deposit $5,000 and buy 5,000 shares of C at $4.00 (requires 10% IM). At the end of trading day, your portfolio fell in value to $3.10.

Description	Value	Calculations
End of Day 1 (marked to market)		
Unrealized loss	$4,500.00	Unrealized loss = ($4.00 - $3.10) x 5,000 (no of shares)
IM	$1,550.00	IM = $3.10 (closing price) x 5,000 (no of shares) x 10% (margin)
GLV	$500	GLV = $5,000 (initial deposit) - $4,500(unrealized loss)
FE	($1,050)	FE = $500 (GLV) – $1,550 (IM)
Margin Ratio	310%	Margin Ratio = $1,550 (IM) / $500 (GLV) x 100% You will face Auto-Liquidation

*Calculations exclude finance charges and commissions.

Force Sell/Liquidation

In the event of liquidation, UOBKH will decide on the position to liquidate to bring the margin ratio below 100%

Margin Deficit

You may encounter a Margin Deficit if you do not have sufficient margin during margin call or during adverse market conditions.

Interest on Debit Balance

SGD	Prime Rate + 1%
HKD	Prime Rate + 2%
USD	Prime Rate + 1.25%
AUD	7% (Estimated)

(Rates may be subjected to change)

7 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.

UOB Kay Hian Pte Ltd reserves the right to amend this document without prior notice. You are advised to read carefully and understand the Risk Disclosure Statement, Master Trading Agreement and Guide and Cautionary Note, from www.utrade.com.sg before undertaking transactions in CFDs.