

UTRADE CFD 10

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 owning the asset. This can be done by fulfilling a minimum collateral requirement (known as margin) instead of the full contract value.

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

CFD Equities are derivative instruments that track the share price of the underlying equity.

2 What is CFD 10 and Why Trade It?

CFD 10 is a financial instrument that allows you to trade underlying Equities using leverage on a short-term basis.

You can use CFD 10 to perform short-term trades with a small capital outlay and enjoy the flexibility to hold the position for up to 30 calendar days. Thereafter, the contract will expire.

Only Long Positions are allowed for CFD 10, no short selling allowed.

CFD 10 allows clients to enjoy the following benefits:

a. Up to 10 calendar days of No Interest Financing Period

Clients will enjoy 10 calendar days of no interest financing for positions held overnight. Thereafter, standard daily financing charges will apply from the 11th calendar day onwards.

b. Lower Margin Requirements for first 10 days

For certain equity counters, the margin requirements will be lowered for the first 10 days so that clients can minimize the collateral required for their open positions.

c. Ease of Corporate Action Handling

Participate in Corporate Action with ease as all events are cash settled.

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

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3 CFD 10 Trades

| | CFD 10 |
|---|---|
| Leverage | Up to 10x |
| Contract Tenure | Up to 30 calendar days |
| Financing Fee* (SGX overnight positions) | 0% for first 10 calendar days (Standard CFD financing fees apply from 11 th calendar day onwards) |
| Commission (SGX) | Online: 0.35% (min. \$25) Broker: 0.40% (min. \$40) |

(*Financing Fees are subject to periodic reviews, please visit ustrade.com.sg for the latest rates)

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Example 1 (10 Days holding period)

Assume the following:

Client initiates a long position in ASL Marine (Non-marginable share)

Margin Requirement for 1st 10 Days: 20%

Position Quantity: 200,000 shares

Day 1 (Entry Price): \$0.064

Day 10 (Exit Price): \$0.066 (3% increase in share price)

| | CFD 10 |
|--------------------------------------|--|
| Contract Value | \$12,800 (200,000 x \$0.064) |
| Initial Margin required for position | \$2,560 (\$12800 x 20%) |
| Total Profits | \$400 [($\$0.066 - \0.064) x 200,000] |
| Opening Commission @ 0.35% | \$44.80 (0.35% x \$12,800) |
| Financing | Zero (0% for first 10 calendar days) |
| Closing Commission @ 0.35% | \$46.20 (0.35% x \$0.066 x 200,000) |
| Net Profits | \$309 (\$400 - \$44.80 - \$46.20) |
| Potential Returns on Investment | 12.07% (\$309 / \$2560 x 100%) |

Calculations exclude GST.

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Example 2 (20 Days holding period)

Assume the following:

Client initiates a long position in ASL Marine (Non-marginable share)

Margin Requirement for 1st 10 Days: 20%

Margin Requirement from 11th Day onwards: 70%

Position Quantity: 200,000 shares

Day 1 (Entry Price): \$0.064

Day 20 (Exit Price): \$0.066 (3% increase in share price)

| | CFD 10 | |
|--------------------------------------|---|--|
| Contract Value | \$12,800 (200,000 x \$0.064) | |
| Initial Margin required for position | 1 st 10 days \$2,560 ((\$12800 x 20%) | 11 th day onwards \$8,960 ((\$12,800 x 70%) |
| Total Profits | \$400 [(\$0.066 – \$0.064) x 200,000] | |
| Opening Commission @ 0.35% | \$44.80 (0.35% x \$12,800) | |
| Approximate Financing | \$16.66 [(\$12,800 x 4.75% / 365 days) x (20 - 10 days)] | |
| Closing Commission @ 0.35% | \$46.20 (0.35% x \$0.066 x 200,000) | |
| Net Profits | \$292.34 (\$400 - \$44.80 - \$16.66 - \$46.20) | |
| Potential Returns on Investment | 3.26% (\$292.34 / \$8,960 x 100%) | |

Based on Financing Rate of 4.75% per annum.

Calculations exclude GST.

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

4 CFD 10 Contract Specifications

a. Contract Tenure

All CFD 10 contracts will expire after 30 calendar days. Clients will need to manually close the position before the end of the 30th calendar day. Otherwise, the position will be force-closed by the broker.

Each CFD 10 contract will indicate the Opening Date of the position under the Trade Date column in the daily electronic statements. All CFD 10 contracts will be closed based on a First-In-First-Out (FIFO) basis.

For CFD 10, there will be no monthly rollover of the contracts on the last trading day of the calendar month (e.g. April) unlike the CFD Equities.

Trades of the same CFD 10 equity counter on the same trading day for the same direction (buy/sell) will be amalgamated to form a net CFD 10 contract.

b. Margin Requirements

If there is insufficient equity in the CFD 10 account, the system will not allow clients to open a new position. Clients can close existing positions to free up margins or top up funds to increase the equity within the account.

For the first 10 calendar days, the margin requirements are lowered for certain equity categories. From the 11th calendar day onwards, when the margin requirement % increases, clients might face a margin call.

| Category | A | B | C | D | E | Non-Marginable (NM) |
|------------------------------|-----|-----|-----|-----|-----|---------------------|
| First 10 Days | 10% | 20% | 20% | 20% | 20% | 20% |
| 11 th Day Onwards | 10% | 20% | 30% | 50% | 70% | 70% |

Kindly refer to utrade.com.sg for the latest Margin Requirements

The margin call email will be sent out to the client and the trading representative. Based on the current guidelines, clients are given the following duration to fulfill the margin call:

| Margin Call Type | Margin Ratio | Rectification |
|------------------|--------------|-----------------------|
| Normal | > 100% | 2 Working Days |
| Immediate | > 125% | 1 Working Day |
| Force-Sell | > 140% | Immediate Liquidation |

Margin Ratio = (Margin Amount Required to maintain Portfolio Position) / (Total Equity)
 = (Initial Margin) / (Gross Liquidation Value)
 = IM / GLV

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c. Counter Limits

| Category | A | B | C | D | E | Non-Marginable (NM) |
|---------------------|----|------|------|------|-----|---------------------|
| Counter Limit (S\$) | 3m | 1.5m | 300k | 200k | 70k | 50k |

Please refer to ustrade.com.sg for the latest Counter Limits

d. Interest on Debit Balance

Clients will need to ensure that there are sufficient funds in the appropriate currency for the settlement of the trades. Otherwise, a debit interest cost will be incurred.

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

(Rates may be subjected to change)

5 General Risks of CFD Trading

a. 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.

b. 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.

c. 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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d. Online Trading Facilities

Similar to 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 due to 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.

e. Advanced Order Types

You can 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.

6 Funding, Costs & Trading

a. 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.

b. Method of Deposit into your UOB Kay Hian Private Limited CFD 10 Account

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

- i. Cash or Cheque at our Head Office at 8 Anthony Road, #01-01, Singapore 229957
- ii. Cheque made payable to “UOB Kay Hian Pte Ltd” (Please indicate your trading account number)
- iii. Telegraphic transfer
- iv. Internet Fund Transfer / Internet Bill Payment / FAST Transfer

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

c. 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.

d. Trading Fees and Charges

| Country | Commission Rate (Online) | Minimum Commission (Online) | Commission Rate (Offline) | Minimum Commission (Offline) | Financial Charges (per annum) (Long) | Monthly Charges for Live Price Feed (Level 1) |
|-----------|--------------------------|-----------------------------|---------------------------|------------------------------|---------------------------------------|---|
| Singapore | 0.35% | SGD 25 | 0.40% | SGD 40 | 0% (1 st 10 days) | FREE |
| | | | | | 4.75% (11 th day onwards) | |

All rates may be subject to change.

Commission fees include exchange fees. All CFD 10 trades will be settled in the traded currency. All commission charges will be subjected to the prevailing GST (e.g. 7%). These fees are automatically deducted from your CFD 10 account the following morning.

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e. Market Trading

| Country | Exchange Market | Trading Hours |
|-----------|-----------------|--|
| 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: 5.06pm – 5.16pm (Not Supported) |

h. Impact of Corporate Action

i. Dividends

Clients who hold a long CFD 10 position will receive a credit adjustment in your CFD 10 accounts on the underlying shares' ex-date, where the adjustment is equivalent to the nett (post-tax) dividend payment due on the underlying shares.

ii. Bonus/Stock Split and Reverse Stock Split

There will be an adjustment on quantity or price depending 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 10 Product Information sheet.

iii. Suspension

If an underlying share trading on the exchange is suspended, the CFD 10 will similarly be suspended from trading. During the suspension period, the margin requirements for open CFD 10 positions may be revised up to 100%.

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

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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.