# Contracts for Difference (CFD) – Risk Disclosure and Risk Fact Sheet

Note: You should request for a copy of the General Terms and Conditions and associated risk disclosures from CGS-CIMB Securities (Singapore) Pte. Ltd. (the "firm"), as this Risk Fact Sheet does not disclose all the risks of trading in CFDs. Risk Fact Sheet only highlights the common risks of trading in CFDs. It complements the General Terms and Conditions and associated risk disclosures furnished by the firm.

## Risk Fact Sheet for CFDs

Prepared on: 8 October 2019

This Risk Fact Sheet is provided to you in accordance with Notice SFA N04-N15. It highlights the common risks of trading in CFDs and complements the trading agreement and associated risk disclosures furnished by the firm. This Risk Fact Sheet does not disclose all the risks of trading in CFDs. It is important to read the General Terms and Conditions 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 General Terms and Conditions and associated risk disclosures, please contact the firm to request for a copy. 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 a leveraged product like CFDs, you should be prepared to lose more than or all of your initial investment amount that you have placed as margin with the firm.

**Illustration**:
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.
XYZ Ltd has a margin rate of 10%. You will be required to put up an initial margin of 10% x S$2.00 x 2,000 = S$400.

- Suppose the share price of XYZ Ltd falls from S$2.00 to S$1.95. In such a case, you will incur a loss of S$100 (S$1.95 – S$2.00) x 2,000.
- Assume adverse market information on XYZ Ltd cause the share price to fall further to $1.75. You will incur a loss of S$500 (S$1.75 – S$2.00) x 2,000. The S$500 loss would be deducted from your initial margin of S$400, which means you have to pay an additional S$100. Even if you were able to liquidate the position, the value of the share would have fallen 12.5% in comparison to the 10% margin deposit that you placed as collateral.
- In the worst case scenario, the shares of XYZ Ltd become worthless. You lose the full contract value of S$4000 (S$0 – S$2.00) x 2,000. You would have not just lost your entire initial investment but 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?**
A margin call occurs when you no longer have any free equity to cover the margin required to hold that position. You need to have funds in your account over and above that of the required margin to ensure you can cover any unrealised losses the position may incur. Once your position is under margin call, you are required to top-up the required margin within 2 business days, including the date of notice to fulfil the margin call. A force-sell is triggered when the Gross Liquidation Value is less than 70% of the Initial Margin (i.e. Gross Liquidation Value divided by Initial Margin <70%). Once triggered, you are required to top up the required margin by 2pm on the same business day.

The firm has the sole discretion to force-close the outstanding CFD contracts without further notice to you if you fail to top up the required margin by the stipulated timeline.

**Q3. How is the CFD quoted?**
The firm uses Direct Market Access (DMA). DMA allows our CFD clients to have direct market access to the underlying security market through our CFD platform. Our CFD clients will be participating in the market at prices identical to that of the underlying security market.

You may refer to this link https://cfd.cgs-cimb.com.sg/cfd.html for more information.

**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?**
Yes, 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. Quotes for prices for dealing in the firm's products are indicative only and not guaranteed.

**Q5. Will my order be manually executed? If so, under what circumstances does the firm rely on manual execution?**
In the normal course of business, any order placed via the firm's system will be executed electronically. Any order executed through online services does not rely on manual intervention or dealing. You will be able to view the status of your order on our platform. Alternatively, you may refer to your preliminary statement sent via email to you at the close of Singapore Market hours or refer to the Close Of Business (C.O.B.) statement on the following business day.

For CFD markets that cannot be traded electronically through the platform, you may call the dealing desk to place your order.

**Q6. Where are my margins kept and maintained? Can the firm use my margins for its own purposes?**
Your moneys or other assets that you placed with the firm are required by regulations to be maintained in segregated accounts with certain specific entities. Your moneys or other assets are segregated from the firm's own moneys or assets, but may be kept in the same omnibus account with other customers of the firm. The firm 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 margins if CGS-CIMB Securities (Singapore) Pte Ltd becomes insolvent? Will I be able to get back my moneys or other assets?**
The firm 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 the firm 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 the firm's creditors. Nonetheless, the recovery and return of your moneys or other assets will take time, as this is subject to due process of the firm's liquidation, including the reconciliation of all its customers' positions and moneys.

**Q8. Under what circumstances can CGS-CIMB Securities (Singapore) Pte Ltd close my position or void my order?**
Under the terms of the trading agreement, the firm can close out your position or void your trade when:

(i) you are unable to meet the margin calls within the required timeframe;
(ii) upon the occurrence of certain events as determined by the firm at its sole discretion;
(iii) by reason of any cause beyond the firm's control, including but not limited to any act of force majeure as listed in the General Terms and conditions.

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

**Commission & Financing Fees**

There are 2 basic cost incurred during CFD trading, commission and financing charges.

Commission: Levied on the full contract value on a per trade basis. Commission is calculated as a percentage of the full contract value of the underlying stock that is bought or sold.

Finance charges: A financing fee is charged daily on any CFD position held overnight.

**Data Feed Charges & Marketing Licensing Fees**

Investors trading in foreign markets are required to subscribe for foreign market data feed.
You may refer to this link https://cfd.cgs-cimb.com.sg/cfd.html?loc=5 for the market data fees.

**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?**
If any of the CFD underlying securities ceases to be quoted on a relevant exchange, or are under halt/suspension, the firm may at its absolute discretion, elect to terminate the relevant CFD or vary the margin requirement for the CFD depending on the situation. The firm will determine the CFD Contract Value at its sole discretion upon termination.

## *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 trading exchange ("**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 risks 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 he option and the seller will be obligated to either settle the option in cash or to acquire or 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, contract, 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 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 Leveraged 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 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 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 whether 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 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 report.

(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 results 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 to 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. A separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with the applicable rules and attendant risks. applicable rules and attendant risks.

**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 on contracts for differences ("CFDs") and Form 13 Risk Disclosure Statement and fully understand its contents.

Signature of Main Applicant / Authorised Signatory

Name :____________________________________

Date:______________________________________

Signature of Joint Applicant/Authorised Signatory

Name :_____________________________________

Date:_______________________________________

**CGS-CIMB Securities (Singapore) Pte. Ltd.**
(Company Number: 198701621D) Member of Singapore Exchange Securities Trading Limited
10 Marina Boulevard #09-01, Marina Bay Financial Centre Tower 2, Singapore 018983
Call Centre: 1800 538 9889 Fax: (65) 6809 8616 Email: clientservices.sg@cgs-cimb.com
www.cgs-cimb.com
SG/EXT/CFDFORMRISKFACT/030/291121