CFD RISK FACT SHEET

Note:

Customer should request for a copy of the General Terms and associated risk disclosures from StoneX Financial Pte Ltd. ["SFP"] 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 associated risk disclosures furnished by SFP.

Risk Fact Sheet for CFDs

Prepared on: 19/07/2019

1. 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 General Terms and associated risk disclosures furnished by SFP.

2. This Risk Fact Sheet does not disclose all the risks of trading in CFDs. It is important to read the General Terms 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 associated risk disclosures, please contact SFP 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 a 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 your margin paid to SFP.

Illustration 1:

(1) You open an account with S$1,000 as margin.

Trading Resources[1]	Net Equity[2]	Cash (SGD)[3]	P&L – unrealised[4]	Margin Requirement[5]	Margin Indicator[6]
1,000	1,000	1,000	0	0	N.A

(2) You open a long position in 1,000 XYZ Ltd CFD (10% margin) @ S$10.00 per CFD. The notional value of the contract is S$10,000 (1,000 X S$10) and the margin requirement is S$1,000 (S$10,000 X 10%).

Trading Resources	Net Equity	Cash (SGD)	P&L – unrealised	Margin Requirement	Margin Indicator
0	1,000	1,000	0	1,000	100%

(3) The price of XYZ Ltd CFD then falls from S$10.00 to S$9.85. The notional value of the contract is now S$9,850 (1,000 X S$9.85) and the revised margin requirement is S$985 (S$9,850 X 10%). In this case, your unrealised loss is S$150.

Trading Resources	Net Equity	Cash (SGD)	P&L – unrealised	Margin Requirement	Margin Indicator
-135	850	1,000	-150	985	86%

(4) In a scenario where the price of XYZ Ltd CFD falls further to S$9.40. The notional value of the contract is now S$9,400 (1,000 X S$9.40) and the revised margin requirement is S$940 (S$9,400 X 10%). As your

[1] Trading Resources: Equivalent to buying power. The resources in the account that can be used to establish positions.
[2] Net Equity: Equivalent to net liquidation value. The amount that the account would settle to once open positions are crystalised.
[3] Cash: The aggregate amount of the client's deposit and withdrawals, net of realized Profit & Loss ("P&L")
[4] P&L – unrealised: Marked-to-market P&L value of open positions.
[5] Margin Requirement: The amount of money you need to deposit with SFP to place a trade and maintain that position, marked-to-market.
[6] Margin Indicator: Net Equity divided by Margin requirement. A percentage of net liquidation value to cash tied to open positions.

Margin Indicator has fallen below 50%, this resulted in a margin closed out ("MCO") event and your realised loss is S$600.

Trading Resources	Net Equity	Cash (SGD)	P&L – unrealised	Margin Requirement	Margin Indicator
-570	400	1,000	-600	940	43%

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

If your Margin Indicator is at or below the MCO level, we may close all or any of your open positions immediately and without notice at the next available price; this is to protect you from possibly incurring further losses. Margin Indicator is the net equity (the sum of your cash and unrealised profit/loss) to total margin requirement, expressed as a percentage.

We strongly recommend that you monitor your margin level carefully, as you should not expect to receive a margin call or warning prior to closure. The Margin Indicator on the trading platform makes monitoring your margin level very easy. MCO levels vary by account types. The current MCO level for CFD and FX account is 50% and 100% respectively. SFP reserves the right to amend the MCO level at any time.

In illustration 1(4) above, the MCO level for the account is 50%. As the Margin Indicator had fallen below 50%, an MCO event occurred and the open position was closed resulting in a loss of S$600.

Q3. How is the CFD quoted?

Our CFDs are priced from an underlying exchange and commission charges shall be applicable instead of adding a spread between the bid/offer price.

For FX, we offer both the direct market access (DMA) and non-DMA model. For DMA model, the bid/offer rate is provided directly by the liquidity provider and no spread shall be added. In the case of non-DMA model for FX, a spread shall be added.

Please refer to the Pricing and Fees document and SFP's website for the latest information on the commission changes and spread for different markets.

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?

One possible circumstance is during market gapping or slippage. Market gapping or slippage occurs when prices literally 'gap' between one price and the next, without trading at the prices in between, usually in times of extreme market volatility. For instance, if you place a stop-loss order that is to be triggered for execution at the stop price level that you have indicated, it may be difficult or not possible to execute your stop-loss order at that stop price level, due to market gapping or slippage. As a result, you may incur unexpected losses when your stop-loss order is executed at the next available price.

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

SFP'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 SFP's trading system. This can happen if there is insufficient or unavailable liquidity in the underlying market for SFP to hedge its own risk exposure. In this regard, SFP has the discretion to determine the price of the CFD and FX.

Q6. Where are my margins kept and maintained? Can the firm use my margins for its own purposes?

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

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

SFP is your contractual counterparty and is obliged according to the terms and conditions of the General Terms to honour your CFD and FX trades and any profits made. Therefore, if SFP becomes insolvent, you face the risk that SFP will not be able to honour any profits that you made. As for your moneys that are held in the segregated bank accounts, these should be protected from the claims of SFP's creditors. Nonetheless, the recovery and return of your moneys will take time, as this is subject to due process of SFP's liquidation, including the reconciliation of all its customers' positions and moneys.

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

Under the General Terms, SFP can close out your position or void your trade when:

(i) Insufficient Trading Resources (paragraph 10 of the General Terms);

(ii) a Manifest Error occurred (paragraph 14 of the General Terms);

(iii) an Event Outside Our Control and Market Disruption Event occurred (paragraph 15 of the General Terms);

(iv) Corporation Actions and other events affecting Underlying Instruments (paragraph 19 of the General Terms);

The price at which your CFD and FX positions 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?

SFP's commission, fees and other charges may include but are not limited to the following items. Please refer to the Pricing and Fees document and SFP's website for the latest information.

Commission: Only applicable to CFDs on Shares All commission charges are subjected to the Goods and Services Tax (GST).

Finance Charge: This includes FX and CFDs overnight financing charges.

Funding and Withdrawal: Charges are incurred on funding via credit and debit cards only.

Inactivity fees: Where no activity has occurred on your account for a certain period, your account shall be deemed "inactive" and a monthly fee shall be charged.

Illustration 2: 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 X 2,000 X 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 interest charges in accordance with the calculations documented in the Pricing and Fees document.

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, SFP may allow you to exit your CFD and FX position at a price determined by SFP (Paragraph 15 of the General Terms). During the period of suspension, holders of long positions will continue to be charged interest if the positions are held overnight.

In the event of a prolonged period of suspension, SFP 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 the firm. 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.