RISK FACT SHEET FOR CFDs

IMPORTANT

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This Risk Fact Sheet is provided to you in accordance with MAS Notice SFA N04-N15. It highlights the common risks of trading in CFDs and complements the Margin Trading Customer Agreement ("MTCA") and associated risk disclosures furnished by IG Asia Pte Ltd ("IGA" or the firm). This Risk Fact Sheet does not disclose all the risks of trading in CFDs. It is important to read the MTCA 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 MTCA and associated risk disclosures, please contact IGA 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 deposit an initial 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 initial investment amount that you have deposited as margin to the firm.

Illustration 1: *CFDs on Forex*
Spot GBP/USD is quoted at 1.55797/1.55805 and you are buying 1 standard contract at 1.55805.

To open the buy position, you have to pay/deposit an amount of money (the initial margin) to fund your position. The initial margin is calculated based on the required minimum margin rate of 5%. It reflects a percentage of the full value of the position.

1 standard contract equals 100,000 units of the first named currency.

The initial margin requirement would be 100,000 X 5% = £5000 or 1.55805 x 100,000 x 5% = USD 7790.25

- *If the Bid price of GBP/USD falls from 1.55805 to 1.55705, you will incur a running loss of USD100 (i.e. 1.55805 – 1.55705) X 100,000 X 1 contract.*
- *Assuming market conditions become worse and the GBP/USD falls further to 1.55505, you will incur a running loss of USD300 (i.e. 1.55805 – 1.55505) X 100,000 X 1 contract.*
- *You will need to ensure that you have enough funds in your account to maintain your open positions, which in this example, you will need the minimum amount of (£5000 + USD300) equivalent to maintain your positions.*
- *In the worst case, the GBP/USD slips further, your account may go into a margin call position which means that we will close your positions at the prevailing price levels to get your account out of the margin call. In the case where the account goes into a debit balance, you will also incur additional charges, costs and fees*

Illustration 2: *Knock-Out CFDs ("KO")*
When you enter into a Knock-Out transaction, you also need to set aside an initial margin.

This is calculated by multiplying the position size with the opening price of your position, multiplied by 1.1, and is approximately the maximum amount that the position can lose.

Margin = Opening price X position size x 1.1

Opening price is calculated as follows:
Bull: (IG's underlying offer price – your knockout level) + knockout premium
Bear: (Your knockout level – IG's underlying price bid) + knockout premium

Margin is calculated as: [(IG's underlying offer price – your knockout level) + knockout premium] x 1.1

*FTSE is quoted with Ask price of 7400. You decide to go long for 1 contract, by opening a FTSE 100 Bull KO position at £1 per point with a knock-out level at 7200. If the current knock-out premium is 0.8, the margin you will need to set aside is [(7400 – 7200) + 0.8] * 1.1 = £220.88. The KO price will move one-for-one with the underlying IG market, so for every point that our underlying price moves, the KO price moves with exactly the same amount.*

- *If the FTSE rises and the current bid becomes 7500, your running profit would be +£100.*
- *If the FTSE drops and the current bid becomes 7300, your running loss would be -£100.*
- *If the FTSE drops to your knock-out level, your realised loss would be -£200.80, which includes the 0.8 knock-out premium. The additional margin of £20.08 is released back to your account.*

Q2. WHAT WILL HAPPEN IF I DO NOT HAVE ENOUGH MARGIN TO COVER MY LOSSES?

Margin call is the term for when the equity on your account (i.e. the total capital you have deposited plus or minus any running profits or running losses) drops below your margin requirement. At this point, your positions become at risk of being automatically closed off in order to reduce the margin requirement on your account. You can also go into a margin call on the weekend for markets that are open.

You can get out of a margin call situation in one of two ways: (1) deposit enough funds to increase your equity above the margin requirement; or (2) close your positions to reduce it.

Please call our helpdesk at +65 6390 5118 if you need assistance.

When will your positions get closed out?

Typically, there are three scenarios in which your positions will get automatically closed out:

(i) If your equity drops beneath 50% of your margin requirement
(ii) If you remain on margin call constantly for 48 hours
(iii) If you are on margin call during periods of increased volatility, or when we anticipate increased volatility

Illustration 3: *Margin Call*

Referring to Illustration 1, assuming the account has funds of USD 8000. With the initial margin requirement of USD 7790.25 and if the price of Spot GBP/USD should fall to 1.55505, the account will incur a running loss of USD300. This would mean that this account will go into a margin call. Theoretically, to keep the position open, this account would require USD 8090.25 (USD 7790.25 + USD 300), that is to say, it would need to be topped up with at least US$90.25 in this scenario.

Do note our margin requirements are subject to change. If they increase for one or more of your positions, then your current equity may not be enough to keep your positions open. It is also important to remember that we could close you out at any time during a margin call. It is your responsibility to have enough funds on your account to fully cover the margin requirement of your open positions.

Will you be notified?

The firm is not under any obligation to keep you informed when you are on a margin call. However, we may contact you via, for e.g., phone or email.

Q3. HOW IS THE CFD QUOTED?

The firm quotes a lower and higher figure for each transaction ("our bid and offer prices"). These figures will be based on either the bid and offer prices in the underlying market ("commission transaction") or our own bid and offer prices ("spread transaction"). Therefore, CFD prices will only be available if the underlying market/exchange is open or if there is sufficient liquidity.

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. There are two main reasons for this, namely, high volatility in the market and gap in the market:

High volatility in the market: If there is a sudden movement of price beyond your stop order, the trade may not be closed in time and the stop may not be triggered at the level at which it was set.

Gap in the market: The market moves sharply up or down with little or no trading in between. Particularly 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.

Q5. WILL MY ORDER BE MANUALLY EXECUTED? IF SO, UNDER WHAT CIRCUMSTANCES DOES THE FIRM RELY ON MANUAL EXECUTION?

Any order that you place on the firm's trading system will be executed electronically and does not rely on manual intervention. You should call our helpdesk if you encounter technical difficulty placing your order.

Q6. WHERE ARE MY MARGINS KEPT AND MAINTAINED? CAN THE FIRM USE MY MARGIN FOR ITS OWN PURPOSES?

The firm treats and deals with all monies received on account of its clients as belonging to the clients. The monies are required by regulations to be segregated from IG's own monies but may be kept in the same omnibus account with other customers of the firm. All client monies must be held in segregated customer trust accounts maintained at approved banks, which must be separate and distinct from the bank's own money. The firm is not permitted to use client monies for its own purposes, including for settling its own dealings with our hedge counterparties.

Q7. WHAT WILL HAPPEN TO MY MARGINS IF THE FIRM BECOMES INSOLVENT? WILL I BE ABLE TO GET BACK MY MONIES OR OTHER ASSETS?

IGA is your contractual counterparty and is obliged under the terms of the MTCA to honour your CFD trades and any profits made. If the firm becomes insolvent, you face the risk that IGA will not be able to honour any profits that you made. All monies held in the segregated customer trust accounts will be protected from the claims of the firm's creditors. Nonetheless, the recovery and return of your monies will take time, as this is subject to due process of the firm's liquidation, which includes the reconciliation of all its clients' positions and monies.

Q8. UNDER WHAT CIRCUMSTANCES CAN IGA CLOSE MY POSITION OR VOID MY ORDER?

Under the terms of the MTCA, IGA can close out your position or void your trade when:
(i) you are unable to meet the margin calls within the requested timeframe;
(ii) by reason of any cause beyond the firm's control, including but not limited to any act of force majeure as listed in Term 17 of the MTCA.

Q9. WHAT ARE THE COMMISSIONS, FEES AND OTHER CHARGES THAT I HAVE OR MAY HAVE TO PAY?

The commissions, fees and overnight financing charges that are applicable to your CFD transactions depend on the type of underlying asset /product that you are trading. For examples and details of the commission, fees and overnight financing rates that are applicable, please go to https://www.ig.com/sg/our-charges.

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?

When you trade CFDs with IG, you open each transaction with us as principal and not as agent for any undisclosed person. This means that IG will treat you as our client for all purposes and you will be responsible for performing your obligations under each transaction entered into by you.

In event of a suspension or halt of trading where the price of the underlying share or asset is unavailable, IG will notify clients who have open position on the underlying asset that its margin requirement is going to be amended to 100% and remain at 100% until there are any further news (for e.g. resumption of trading or delisting) which IG will reflect in due course.

If a client has an open position on an underlying share that will be delisted, IG will close the client's position at a level of zero, and typically open a new position (referred to as a "proceeds line") on the client's behalf. This "proceeds line" position is untradeable, has no price, and brings no value to the client's account. When the company of the underlying share eventually announces that no return will be made to shareholders, IG will proceed to close the "proceeds line" position at the level of zero.

During the period of suspension, clients who hold long positions will continue to be charged interest if the positions are held overnight.

In the event of a prolonged period of suspension, the firm may require clients to increase the margins, pay up the contract value in full, or close their positions at an appropriate price determined by the firm. In the worst case, clients could lose 100% of their contract value. Clients may also be liable to pay additional charges, costs and fees incurred.