

# Hong Kong 40 Index.CFD.Infosheet.

## 1. What is Hong Kong 40 Index CFD?

The Hong Kong 40 Index CFD is a special form of Contracts for Difference (CFD) that allows clients to trade the underlying stock index. It tracks the level of the index and, thus, provides clients a cost-effective way to diversify their portfolio.

*Please take note that any CFD offered is not approved or endorsed by the issuer or originator of the underlying security and that the issuer or originator is not privy to the CFD contract.*

## 2. Why trade an Index CFD?

These are the advantages of using Index CFDs:

### **Trade the entire stock market with index-tracking CFD**

An Index CFD allows you to trade on the price movements of an entire Stock market, without owning any of the stocks within that index. Clients have the added ability to protect your existing share portfolio against adverse market conditions by utilizing an Index CFD to hedge your exposure.

### **Increased Leverage, more Trading Power**

An Index CFD will enable clients to leverage up to 20 times the capital outlay, allowing clients to pay only a fraction of the underlying capital required.

### **Participate from rising & falling markets**

An Index CFD gives clients added flexibility as it allows clients to take long or short positions.

## Contract Details

Product	Value of 1 Index Point	Contract Size	Target Spreads	Min Trade Size	Initial & Maintenance Margin (IM)	Trading Hours (Monday to Friday, Singapore time)
Hong Kong 40 Index CFD	HK\$1	HK\$1 x Hong Kong 40 Index CFD Price	20 pts	5	10%	9:45 am - 12:30 pm, 2:30 pm - 4:15 pm

## Fees & Charges<sup>†</sup>

Product	Commission (GST applicable - rates indicated are before GST)	Long Finance Charge (DR)	Short Finance Charge (DR)
Hong Kong 40 Index CFD	HK\$30 (per side/lot basis)	5% p.a.	4% p.a.

- 1) Spreads are subject to variation, especially in volatile market conditions. Please note that the target spreads are subjected to the Market Maker's discretion.
- 2) Phillip Securities has the discretion to halt trading in circumstances of extreme price movement but without limitation.
- 3) An additional **roll-over commission** will be applied on the 30<sup>th</sup> day. Upon roll-over, the new contract value will be the last done price (on T+30) multiplied by the contract quantity.
- 4) The Margin Percentage for all Stock Index contracts is the percentage of the opening value of the contract listed in the tables. We reserve the right to alter the Margin Percentage at any time.
- 5) Any CFD offered is not approved or endorsed by the issuer or originator of the underlying security and that the issuer or originator is not privy to the CFD contract.
- 6) A dividend adjustment is applied when a component share passes its ex-dividend date in the underlying stock market. In the case of long positions, the dividend adjustment is credited to the client's account. In the case of short positions, the dividend adjustment is debited from the client's account.

†Rates are subjected to changes from time to time at the discretion of Phillip Securities.

### 3. Settlement Currency

All Phillip CFD contracts would be settled in the traded currencies. For Hong Kong 40 Index CFD, the settlement currency will be in HKD. There will be **NO AUTO CONVERSION** for HKD and USD should there be any margin deficit in these currencies. Should there be any margin deficit in the respective ledger, clients should submit conversion request to avoid incurring margin debit interest.

### 4. Margin Excess / Deficit Interest

Based on the client's funds in excess of those utilized towards the required margin (margin excess), any credit balance will accrue a competitive interest rate based on the following: (Do take note margin excess in MYR will not accrue any interest.)

Min Margin Excess	Credit Interest
HKD 50,000	0.10% p.a.

Margin Deficit will incur a penalty debit interest charge of:

Currency	Interest on Debit Balance
HKD	9.25% p.a.

\* Clients are advised of the rates upon account opening. Be advised though that these rates may change from time to time at the discretion of the management.

## 5. Margin Requirements

### ▪ **Definition of CFD Terms:**

**Ledger b/f** = Cash Deposits - Commission and GST  $\pm$  Realised P/L

**Ledger c/f** = Ledger b/f  $\pm$  \*Adjustments - Commission and GST  $\pm$  Realised P/L

**Equity Balance** = Ledger c/f  $\pm$  Unrealised P/L - Unrealised Finance Charges

*\* Note that Marked-to-Market is done daily*

**Available Cash / Funds for Withdrawal** = Equity Balance - MM

**Margin Call:** When Equity Balance < Maintenance Margin of the Portfolio Market Value

*\* Note that all Profit/Loss and Portfolio Market Value are marked-to-market using the day's Last Done Price*

**^Initial Margin (IM):** The required available balance (margin excess) in client's CFD account prior to buying or selling an Index CFD contract.

**Maintenance Margin (MM):** The minimum amount of equity balance that must be maintained in client's CFD account.

**Force-selling Margin (FM):** Phillip Securities reserves the right to force-sell without prior notice when the equity balance falls below force-selling margin of 5%.

**Margin Excess (Available Cash)** = Equity Balance - MM

**Margin Deficit** = MM - Equity Balance

*\*Adjustments include deposits, funds withdrawals, realised finance charges, cash adjustments for dividends and miscellaneous items (where applicable)*

*^ We reserve the right to amend margin requirements from time to time. Please refer to [www.phillipcfd.com](http://www.phillipcfd.com) for margin requirement of individual CFD counters.*

- The mark-to market day end price will be used to calculate the maintenance margin needed by a client.
- When equity balance falls below the Maintenance Margin (MM), a margin call amount equivalent to the difference between the Initial Margin (IM) and the equity balance will be made. The client will have 2 business days to meet this margin call if the Equity Balance is less than maintenance margin of portfolio. However, the client will have only 1 business day to meet this margin call if the Equity Balance is less than 5% of the market value of portfolio.
- Margin call calculations are done at 6 a.m. on the same day.

## 6. Placing Orders

- An Index CFD orders can be placed in a similar way as placing a share order. They can be placed through POEMS online or through the client's Trading Representatives.

## 7. Order Types

The orders types for Hong Kong 40 Index CFD are namely MARKET, LIMIT and STOP. The order types will affect how the orders are being executed and as a result it will affect how the orders are being filled.

### ▪ Market Order

A market order is an order to buy or sell a stock at the current market price. Client only indicates the quantity to be executed and the system will generate a fill. The disadvantage is the price you pay when your order is executed may not always be the price you obtained from the price quotes. This may be especially true in fast-moving markets where CFD prices are more volatile.

**Note:** There is a limit to the quantity allowed to be executed per market order. Clients who wish to execute quantities larger than the allowed limit must split your order. As this is a dynamic value, please refer to the rejection message for the maximum quantity allowed for the counter you might be trading.

### ▪ Limit Order

A limit order is an order to buy or sell a security at a specific price. A buy limit order can only be executed at the limit price or lower, and a sell limit order can only be executed at the limit price or higher.

**Note:** The limit price entered must be a better price as compared to the current market's quotes, otherwise the order will be rejected.

### ▪ Stop Order

A stop order is an order to buy or sell a stock once the price of the stock reaches a specified price, known as the stop price. When the specified price is reached, your stop order becomes a market order.

Clients are advised to execute caution when placing stop orders before the US market opens for trading. This is mainly due to possible large price gaps.

**Note:** The stop price entered must be a worse-off price as compared to the current market's quotes, otherwise the order will be rejected.

#### **Note:**

- All orders will be closed out on a First-in First-out basis. In the event of a price error arising out of error price feed, PSPL reserves the right to withdraw any orders done through Straight-through Processing.
- Definition of a STOP order: A stop order is an order to buy or sell a stock once the price of the stock reaches a specified price, known as the stop price. When the specified price is reached, your stop order becomes a market order.
- Definition of a Market Order: A market order is an order to buy or sell a stock at the current market price. The disadvantage is the price you pay when your order is executed may not always be the price you obtained from a real-time quote service or were quoted by your broker. This may be especially true in fast-moving markets where stock prices are more volatile.

## Hong Kong 40 Index CFD Working Examples

### Long Example

A client is bullish on Hong Kong 40 Index CFD and purchases 5 contracts worth HK\$101,000 at a price of 20,200 points. The value of 1 index point is HK\$1.

**Scenario 1: Positions are closed 3 days later at a higher value (20,473)**

	CFD Bid	CFD Ask	Closing Price
DAY 1	20,180	20,200	20,142
DAY 2			20,333
DAY 3	20,473	20,493	

Opening Contract of 1 Lot ( <i>Day 1</i> )	(HK\$101,000.00)
Opening Commission (incl GST)	(HK\$160.50)
Financing Charges	(HK\$27.73)
Closing Contract Value ( <i>Day 3</i> )	HK\$102,365.00
Closing Commission (incl GST)	(HK\$160.50)
Net Gain	HK\$1,016.27
Margin	HK\$10,100.00
Return on Equity=(Net Gain/Original Investment)	10.06%

**Scenario 2: Positions are closed 3 days later at a lower value (19,927)**

	CFD Bid	CFD Ask	Closing Price
DAY 1	20,180	20,200	20,142
DAY 2			20,333
DAY 3	19,927	19,947	

Opening Contract of 1 Lot ( <i>Day 1</i> )	(HK\$101,000.00)
Opening Commission (incl GST)	(HK\$160.50)
Financing Charges	(HK\$27.73)
Closing Contract Value ( <i>Day 3</i> )	HK\$99,635.00
Closing Commission (incl GST)	(HK\$160.50)
Net Loss	(HK\$1,713.73)
Margin	HK\$10,100.00
Return on Equity=(Net Gain/Original Investment)	(16.97%)

## Short Example

A client is bearish on Hong Kong 40 Index CFD and shorts 5 contracts worth HK\$102,500 at a price of 20,500 points. The value of 1 index point is HK\$1.

**Scenario 1: Positions are closed 3 days later at a lower value (19,751)**

	CFD Bid	CFD Ask	Closing Price
DAY 1	20,200	20,220	20,600
DAY 2			19,894
DAY 3	19,731	19,751	

Opening Contract of 1 Lot ( <i>Day 1</i> )	HK\$102,500.00
Opening Commission (incl GST)	(HK\$160.50)
Financing Charges	(HK\$22.19)
Closing Contract Value ( <i>Day 3</i> )	(HK\$98,755.00)
Closing Commission (incl GST)	(HK\$160.50)
Net Gain	HK\$3,401.81
Margin	HK\$10,250.00
Return on Equity=(Net Gain/Original Investment)	33.19%

**Scenario 2: Positions are closed 3 days later at a higher value (20,649)**

	CFD Bid	CFD Ask	Closing Price
DAY 1	20,200	20,220	20,600
DAY 2			19,894
DAY 3	20,629	20,649	

Opening Contract of 1 Lot ( <i>Day 1</i> )	HK\$102,500.00
Opening Commission (incl GST)	(HK\$160.50)
Financing Charges	(HK\$22.19)
Closing Contract Value ( <i>Day 3</i> )	(HK\$103,245.00)
Closing Commission (incl GST)	(HK\$160.50)
Net Loss	(HK\$1,088.19)
Margin	HK\$10,250.00
Return on Equity=(Net Gain/Original Investment)	(10.62%)

**Please Note:**

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**Phillip Securities Pte Ltd**

Head Office: 250 North Bridge Road #06-00 Raffles City Tower Singapore 179101

- Tel: 6531 1555 • Account Enquiries: 6336 4564 • Night Dealing: 6532 0696 / 6532 6703 (US CFD) • Fax: 6334 2015
- Email: [cfid@phillip.com.sg](mailto:cfid@phillip.com.sg) • Web: [www.phillipcfd.com](http://www.phillipcfd.com)