

## 1. What is Straits Times Index CFD?

Straits Times 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.

## 2. Why Straits Times Index CFD?

These are the advantages of using Straits Times Index CFD:

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

Straits Times 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 the Straits Times Index CFD to hedge your exposure.

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

Straits Times 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**

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

## 3. Corporate Actions

### ▪ **Dividends**

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. **Dividends adjustments are made in the respective currencies.**

Formula for dividend adjustment:

Equivalent number of shares = [Qty of Index Contract x Settlement Price of Index CFD x Value of 1 Index Point] x Stock Weighting on the Index / Settlement Share price

**Dividend adjustment** = Equivalent number of shares x dividend issued

*Note: Stock weightings on the Index are available on Bloomberg terminals.*

For example:

Assume DBS weighting on the Index is 10% and DBS issues dividend of S\$0.05 per share. On the last day of Cum-dividend date, DBS's closing price is S\$20 and settlement price for Straits Time Index CFD is 2000.

- For client who long 2 contracts of Straits Times Index CFD at 1,950 points,  
Equivalent number of DBS shares = 2 Lot x 2,000 x S\$5 x 10% / S\$20 = 100 shares  
Client **receives** = 100 x S\$0.05 per share = S\$5.00

- For client who short 2 contracts of Straits Times Index CFD at 1,950 points,  
Equivalent number of DBS shares = 2 Lot x 2,000 x S\$5 x 10% / S\$20 = 100 shares  
Client *pays* = 100 x S\$0.05 per share = S\$5.00

#### 4. Contract Details

Product	Value of 1 Index Point	Contract Size	Target Spreads	Initial Margin (IM)	Maintenance Margin (MM)	Trading Hours (Singapore time)
Straits Times Index CFD	S\$5	S\$5 x Straits Times Index CFD Price	6 pts	5%	5%	Monday to Friday, 9:01 am - 12:30 pm & 2:00 pm - 4:59 pm

#### 5. Fees & Charges<sup>†</sup>

##### ▪ *Commission*

Product	Commission (GST applicable - rates indicated are before GST)
Straits Times Index CFD	S\$10 (per side/lot basis)

1) An additional *renewal commission* will be applied on the 30<sup>th</sup> calendar day closing price. Upon renewal, the new contract value will be the closing price (on T+30) multiplied by the contract quantity.

2) Please refer to [www.phillipcfid.com](http://www.phillipcfid.com) for any promotions.

##### ▪ *Finance Charges*

Whilst holding onto Straits Times Index CFD overnight position, your account will incur finance charges that are computed based on a daily marked-to-market price (based on 100% of the contract value).

Product	Long Finance Charge (DR)	Short Finance Charge (DR)
Straits Times Index CFD	5.5 % p.a.	2.0 % p.a.

<sup>†</sup> Rates may change from time to time at the discretion of Phillip Securities. Refer to [www.phillipcfid.com](http://www.phillipcfid.com) for updates.

#### 6. Settlement Currency

All Phillip CFD contracts would be settled in the respective traded currencies. For Straits Times Index CFD, the settlement currency will be in SGD. There will be **NO AUTO CONVERSION** for USD and HKD should there be any margin deficit in these 2 currencies. Should there be any margin deficit in the respective ledger, clients should submit conversion request to avoid incurring margin debit interest.

#### 7. 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
SGD 50,000	0.10% p.a.
HKD 50,000	0.10% p.a.
USD 50,000	0.15% p.a.

Margin Deficit will incur a penalty debit interest charge of:

Currency	Interest on Debit Balance
SGD	6.00% p.a.
USD	7.00% p.a.
HKD	9.25% p.a.
MYR	Not applicable*

\* Client's MYR ledger is not allowed to go into deficit. Should there be a deficit, the MYR ledger will be automatically converted into SGD.

Rates may change from time to time at the discretion of Phillip Securities. Refer to [www.phillipcf.com](http://www.phillipcf.com) for updates.

## 8. Margin Requirements

### ▪ Definition of CFD Terms:

**Ledger** = Cash Deposits - Commission ± Realised Profit or Loss - Realised Finance Charges ± Realised credit or debit interest

**Equity Balance** = Ledger ± Unrealised Profit or Loss - Unrealised Finance Charges

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

**Available Cash or Funds for Withdrawal** = Equity Balance - MM ± Unrealised credit or debit interest

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

\* Note that all Profit or 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 a Straits Times Index CFD contract. IM for Straits Times Index CFD is 5% Market Value of Portfolio.

**Maintenance Margin (MM):** The minimum amount of equity balance that must be maintained in client's CFD account. MM for Straits Times Index CFD is 5% Market Value of Portfolio.

**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 - IM

**Margin Deficit** = IM - Equity Balance

## 9. Placing Orders

- Straits Times 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.
- Phillip Securities has the discretion to halt trading at any time. Examples of instances where trading may be halted include (but is not limited to):
  - i. Volatile market conditions
  - ii. Disruption to IT services

- Spreads are subject to variation, especially in volatile market conditions. Please note that the target spread of Straits Times Index CFD may be adjusted at Phillip Securities' discretion.

## 10. Order Types

- Market Order** (Buy Straits Times Index CFD at Ask price, and Sell Straits Times Index CFD at Bid price)
- Limit Order**

Product	Limit Order Type
Straits Times Index CFD	Queue up to $\pm 10\%$ of current Bid/Ask price

Phillip CFD orders submitted can be **partially done, fully done or rejected**.

Phillip CFD limit orders will be done when the buy order price hits the Ask price or sell order price hits the Bid price. Market Last Done Price will not trigger any CFD orders to be done.

**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, Phillip Securities reserves the right to withdraw any orders done through Straight-through Processing.

## CFD Working Examples

### Long Example

A client is bullish on Straits Times Index and purchases 1 lot of Straits Times Index CFD worth S\$12,000 at a price of 2,400 points. The value of 1 index point is S\$5.

**Scenario 1: Positions are closed 3 days later at a higher value**

	CFD Bid	CFD Ask	Closing Price
DAY 1	2,394	2,400	2,390
Day 2			2,430
DAY 3	2,440	2,446	

Opening Contract of 1 Lot (Day 1)	(S\$12,000.00)
Opening Commission (incl GST)	(S\$10.70)
Financing Charges	(S\$3.63)
Closing Contract Value (Day 10)	S\$12,200.00
Closing Commission (incl GST)	(S\$10.70)
Net Gain	S\$174.97
Margin	S\$600.00
Return on Equity=(Net Gain/Original Investment)	29.2%

**Scenario 2: Positions are closed 3 days later at a lower value**

	CFD Bid	CFD Ask	Closing Price
DAY 1	2,394	2,400	2,390
Day 2			2,430
DAY 3	2,360	2,366	

Opening Contract of 1 Lot ( <i>Day 1</i> )	(S\$12,000.00)
Opening Commission (incl GST)	(S\$10.70)
Financing Charges	(S\$3.63)
Closing Contract Value ( <i>Day 10</i> )	S\$11,800.00
Closing Commission (incl GST)	(S\$10.70)
Net Loss	(S\$225.03)
Margin	S\$600.00
Return on Equity=(Net Gain/Original Investment)	(37.5%)

**Short Example**

A client is bearish on Straits Times Index and shorts 1 lot of Straits Times Index CFD worth S\$12,450 at a price of 2,490 points. The value of 1 index point is S\$5.

**Scenario 1: Positions are closed 3 days later at a lower value**

	CFD Bid	CFD Ask	Closing Price
DAY 1	2,490	2,496	2,500
Day 2			2,460
DAY 3	2,444	2,450	

Opening Contract of 1 Lot ( <i>Day 1</i> )	S\$12,450.00
Opening Commission (incl GST)	(S\$10.70)
Financing Charges	(S\$1.70)
Closing Contract Value ( <i>Day 10</i> )	(S\$12,250.00)
Closing Commission (incl GST)	(S\$10.70)
Net Gain	S\$176.90
Margin	S\$622.50
Return on Equity=(Net Gain/Original Investment)	28.4%

**Scenario 2: Positions are closed 3 days later at a higher value**

	CFD Bid	CFD Ask	Closing Price
DAY 1	2,490	2,496	2,500
Day 2			2,460
DAY 3	2,524	2,530	

Opening Contract of 1 Lot (Day 1)	S\$12,450.00
Opening Commission (incl GST)	(S\$10.70)
Financing Charges	(S\$1.70)
Closing Contract Value (Day 10)	(S\$10,650.00)
Closing Commission (incl GST)	(S\$10.70)
Net Loss	(S\$223.10)
Margin	S\$622.50
Return on Equity=(Net Gain/Original Investment)	(35.8%)

**Please Note:**

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