

Introduction to Contracts for Difference ("CFD")

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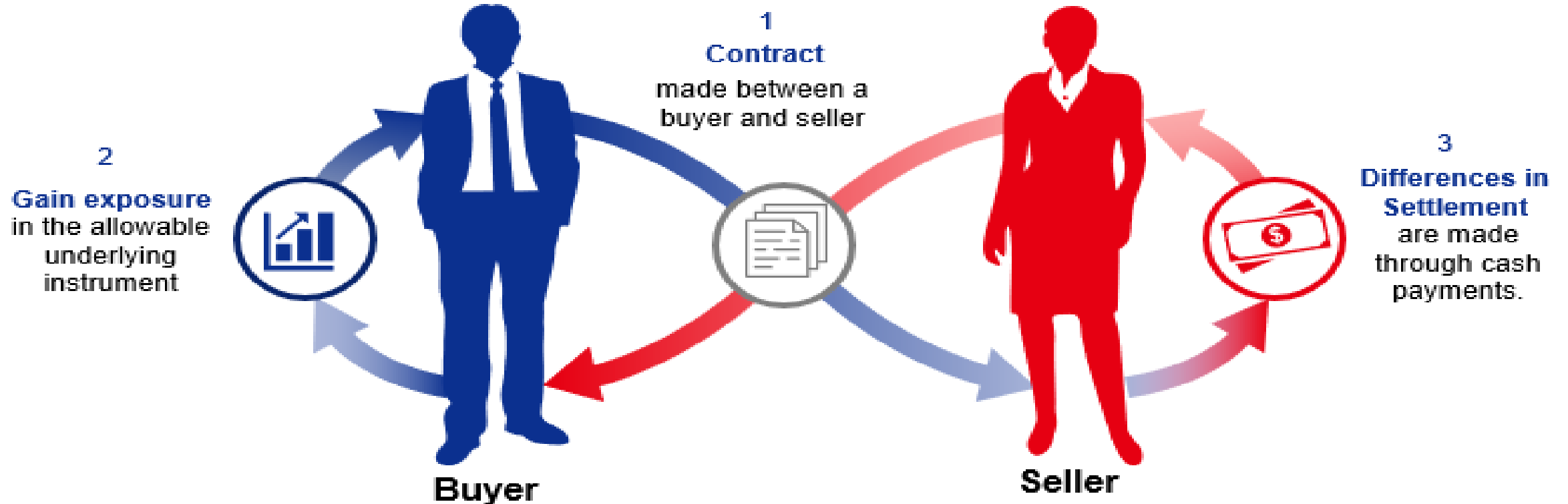
CONTENTS



1. What is CFD?
2. DMA vs Market Maker
3. Types of CFDs
4. Fees & Commissions
5. Margin & Leverage
6. Shares CFDs vs. Traditional Share Trading Illustration
7. Corporate Action and Price Adjustment Event
8. Trading Platform
9. Risk(s) associated with CFDs
10. Is CFD Trading Appropriate for You?
11. Introduction to CFD Videos
12. Important Notes
13. Contact Details

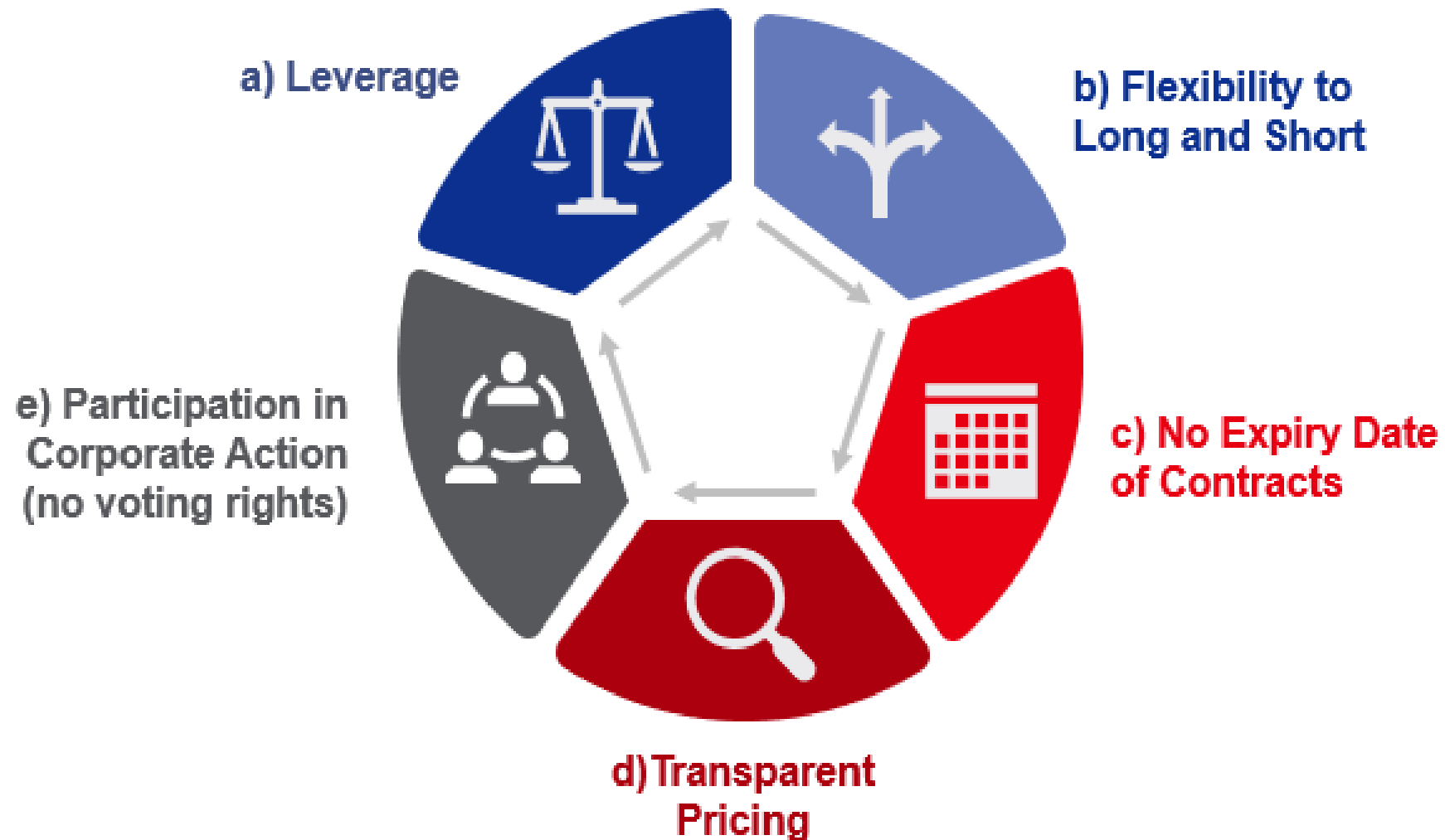
1. What is CFD?

CFD, Contracts for Difference, is a contract made between a buyer and a seller to gain exposure to an asset without having to take ownership of the underlying instrument whereby differences in the settlement between the open and closing trade prices are cash settled.



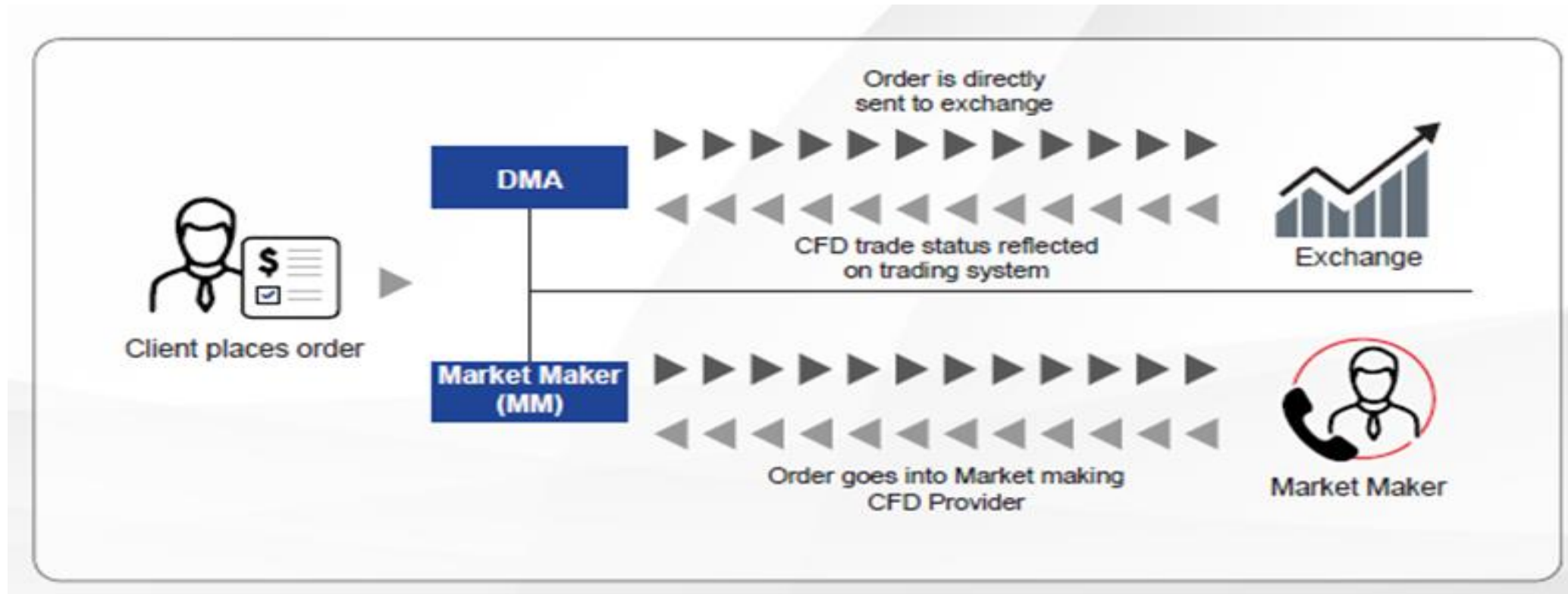
1. What is CFD?

Product Features and Benefits



2. DMA vs Market Maker

Direct Market Access (DMA), is the electronic facility that allows for CFD prices and liquidity to be identical to the underlying stock markets. Investors enter into CFDs at the underlying market price. This means that all orders are executed in real time and the investors can be assured of true market prices.



2. DMA vs Market Maker

Comparison between Direct Market Access (DMA) and Market Making (MM) Model

	DMA	Market Maker
Liquidity is identical to the exchange	✓	✗
Complete price transparency	✓	✗
Orders flow into the underlying market	✓	✗
Real market liquidity	✓	✗
Participate in the market opening and closing phases	✓	✗
Trades are 100% hedged	✓	✗
Clients are price makers & price takers	✓	✗
CFD provider has the potential to profit from clients losses	✗	✓
Stop losses are triggered into the exchange liquidity	✓	✗
Dealer intervention	✗	✓

3. Types of CFDs

CFD – Listed Underlying Instrument (Shares, REITs, ETFs)

For CFD where the underlying instrument is listed on the relevant exchange, the prices and liquidity of these types of CFD are the same as the underlying instrument listed on the relevant exchanges. When investors place a CFD order through CGS MYF's trading platform, a corresponding order for the underlying instrument will be sent to the relevant exchange.

CFD – Index

For index CFD offered by CGS MYF, these indices are not listed on any exchange and their underlying are cash indices on major global exchanges. Index CFD gives investors an option to trade based on opinion of the overall market direction without having to pick individual assets. CGS MYF receives prices from its index liquidity providers (or market makers) which is streamed to the investors on the trading platform. Investors can view real time Bid/Ask quotes of the index CFD on the trading platform at any time during index trading hours. Prices for index CFD can move substantially during volatile market conditions. Various market factors such as foreign exchange, interest rates, news/announcements, market risk and illiquidity affects index CFD prices.

Note: For an updated list of CFD product offered by CGS MYF, please visit our website at <https://www.cgsi.com.my/our-offerings/products/cfd>

3. Types of CFDs

Settlement Currencies

All CFDs are settled in their respective settlement currencies. All profits, losses and charges, arising from trades are held in investor's account in the respective currencies. They are **not automatically converted** to investor's preferred base currency, although the equivalent amount of which will be shown on the trading platform.

Investor can refer statements to check the balance of each currency is in investor's account. Investor can inform respective FBR if wish to perform any foreign currency conversion.

4. Fees & Commissions

Commission

- Commission is charged on each CFD trade and is calculated as a percentage of the full contract value of the underlying stock that is bought or sold.
- Commission amount = Trade quantity * Trade average price * commission rate (% or basis points)

Example:

CFD name	Trade quantity	Trade average price	Commission rate %	Minimum commission	Commission amount
XYZ	1,000	\$10	0.25%	\$15	\$25
ABC	500	\$5	0.25%	\$15	\$15

Note: Please refer to <https://www.cgsi.com.my/our-offerings/products/cfd> for latest commission rates.

4. Fees & Commissions

Overnight Financing

- A financing fee is charged daily on any CFD positions **held overnight**. It is computed based on the end-of-day marked to market value of your CFD portfolio and charged on full contract value.
- Overnight financing is charged at an **effective rate** (%) and is debited or credited from your account on a daily basis. There are no finance charges if the position is closed within the same day.

CGS MYF Base Rate ("CBR"%)	Benchmark Rate Per Market
CGS MYF Spread ("FR"%)	Financing Spread Rate applied by CGS MYF
Effective Rate ("ER%") Long Positions ER% Short Positions ER%	FR% +/- CBR% FR% + CBR% FR% - CBR%
Accrual Days ("N") Monday till Thursday Friday	Number of days financing is charged 1 day 3 days (including Saturday & Sunday)
Number of days in a Year ("Y")	360 days (for contracts settled in USD) or 365 days
Overnight Financing	$(\text{Position Quantity} \times \text{Marked-To-Market-Price}) \times \text{ER\%} \times N / Y$

Note: Please refer to <https://www.cgsi.com.my/our-offerings/products/cfd> for latest financing rates.

4. Fees & Commissions

Overnight Financing

Example 1: Long financing on 1,000 XYZ CFD and Marked-To-Market (“MTM”) price \$10 from Day 1 to Day 2

CBR% = 0.98%

FR% = 4.00%

ER% = (4.00% + 0.98%) = 4.98% p.a.

N = 1

Y = 360 (US position)

Long Overnight Financing = $(1,000 * 10) * 4.98\% * 1 / 360 = \1.38

Example 2: Short financing on 1,000 XYZ CFD and MTM price \$10 from Day 1 to Day 2

CBR% = 0.98%

FR% = 4.00%

ER% = (4.00% - 0.98%) = 3.02% p.a.

N = 1

Y = 360 (US position)

Short Overnight Financing = $(1,000 * 10) * 3.02\% * 1 / 360 = \0.83

** In cases where CBR% is greater than FR% then short overnight financing is credited into account*

4. Fees & Commissions

Contracts For Difference Commission and Charges Schedule

A. Commission & Financing Rates CFDs

Exchange	Commission (All-in)*	Minimum	Financing	Base Rate
Singapore	0.25%	SGD 15	3.75% +/- Base Rate	1m SIBCSORA (+10bps)
Hong Kong	0.33%	HKD 100		1m HIBOR
Australia	0.20%	AUD 15		1m BBSW
US (Share price ≤ USD21)	3 cents per share	USD 15		US Overnight Bank Funding Rate
US (Share price > USD21)	0.20%	USD 15		US Overnight Bank Funding Rate
Malaysia	0.35%	MYR 40		1m KLIBOR
Shanghai	0.30%	USD 15		US Overnight Bank Funding Rate
Cash Index CFD	N.A.	N.A.		Offered Rate of Index Currency

* All-in charges include market clearing fee, trading fee, transaction levy and stamp duty of respective market.
All commission paid is subject to 8% SST.

Charges & rates are subject to change at the sole discretion of CGS International Futures Malaysia Sdn. Bhd. Please refer to <https://www.cgsi.com.my/our-offerings/products/cfd> for latest commission rates.

5. Margin and Leverage

- CFDs are leveraged products, investors don't need to pay the full value of exposure in order to trade.
- Margin represents a security deposit that investor is required to provide when investor first open a position and thereafter throughout the term of the CFD.
- While leverage enables investor to spread capital further, it is important to keep in mind that investor's profit or loss will still be calculated on the full size of the position. That means both profits and losses can be hugely magnified as compared to investor's outlay.
- There is no maximum gain on investor's trading position if the market moves in favour, but if the market moves against the investor, investor may lose more than the fund investor deposited in account.

Example:	Share CFD	Traditional Share Trading
	Investor buys 1000 XYZ CFD @ \$10	Investor buys 1000 XYZ shares @ \$10
Contract Value	\$10,000	\$10,000
Initial Outlay	(\$1,000)	(\$10,000)
	10% Initial Margin on CFD	Full Value

5. Margin and Leverage

- CGS MYF applies minimum margin as stated in the [SC Guidelines on CFD](#):

Type of Underlying Instrument	Minimum margin
Shares of a single stock	<ul style="list-style-type: none">• 10% for index shares• 20% for non-index shares
Indices	<ul style="list-style-type: none">• 5%
Units of an ETF	<ul style="list-style-type: none">• 20%
Units of a REIT	<ul style="list-style-type: none">• 10% for index REITs• 20% for non-index REITs

- Margin requirement varies for respective underlying assets and CGS MYF reserves the rights to vary the margin requirement from time to time. For the latest margin rate, investor can login to the trading platform and refer to the **Margin Watchlist** widget.

6. Shares CFDs vs. Traditional Share Trading Illustration

Illustration 1 - A Profit-Making Trade

	CFD Trading	Traditional Stock Trading
	Buy 1,000 XYZ CFD @ \$10	Buy 1,000 XYZ Shares @ \$10
Initial Outlay	(\$1,000) Upfront payment of 10% Margin is required.	(\$10,000) Payment by settlement date is required.
Contract Value	\$10,000	\$10,000
Commission @ 0.25%	(\$25)	(\$25)
	Sell 1,000 XYZ CFD @ \$11	Sell 1,000 XYZ Shares @ \$11
Contract Value	\$11,000	\$11,000
Gross Profit/(Loss)	\$1,000	\$1,000
Commission @ 0.25%	(\$27.50)	(\$27.50)
Financing Cost *	(\$5.48)	-
Net Profit/(Loss)	(\$1,000 - \$25 - \$27.50 - \$5.48) = \$942.02	(\$1,000 - \$25 - \$27.50) = \$947.50
Return on Initial Outlay	\$942.02 / \$1,000 = 94.20%	\$947.5 / \$10,000 = 9.48%

The risk of loss in CFD trading can be substantial and investors may lose more than initial investment. Investors are not the actual owners of the underlying instrument itself and do not have any rights over the underlying instrument.

Gains may be amplified due to leverage.

6. Shares CFDs vs. Traditional Share Trading Illustration

Illustration 2 - A Loss-Making Trade

	CFD Trading	Traditional Stock Trading
	Buy 1,000 XYZ CFD @ \$10	Buy 1,000 XYZ shares @ \$10
Initial Outlay	(\$1,000) Upfront payment of 10% Margin is required.	(\$10,000) Payment by settlement date is required.
Contract Value	\$10,000	\$10,000
Commission @ 0.25%	(\$25)	(\$25)
	Sell 1,000 XYZ CFD @ \$9	Sell 1,000 XYZ shares @ \$9
Contract Value	\$9,000	\$9,000
Commission @ 0.25%	(\$22.5)	(\$22.5)
Gross Profit/(Loss)	(\$1,000)	(\$1,000)
Financing Cost *	(\$5.48)	-
Net Profit/(Loss)	$(-\$1,000 - \$25 - \$22.50 - \$5.48)$ $= (\$1,052.98)$	$(-\$1,000 - \$25 - \$22.50)$ $= (\$1,047.50)$
Return on Initial Outlay	$(\$1,052.98) / \$1,000 = (-105.30\%)$	$(\$1,047.50) / \$10,000 = (-10.48\%)$

The risk of loss in CFD trading can be substantial and investors may lose more than initial investment. Investors are not the actual owners of the underlying instrument itself and do not have any rights over the underlying instrument.

Losses may be magnified due to leverage.

6. Shares CFDs vs. Traditional Share Trading Illustration



- Illustration 1 & 2 show the effect of leverage on substantial financial gains as well as incurring substantial financial losses respectively.
- Note: The illustrations assume the trade takes place on a Friday and the subsequent sale takes place on the following Wednesday. Position is held for 5 days. Financing cost* is determined at the CGS MYF (CBR%) plus 3.75% for long positions, minus 3.75% for short positions.
- This example uses an effective financing rate of 4% per year / 365 days and assumes no change in valuation price on Monday & Tuesday. CBR% is subject to change as it relates to the interbank quoted rate.

7. Corporate Action and Price Adjustment Event

- A corporate action or price adjustment event may from time to time occur in relation to the underlying asset of the CFD.
- If such an event occurs, CGS MYF shall in its absolute discretion determine the appropriate adjustments (if any) to the contract value of any underlying asset which is affected by a corporate action or other adjustment event and/or to the related quantity of shares to which the CFD relates.
- In general, CFD positions are entitled or liable for corporate action such as dividend, bonus issue, rights issue and stock splits.
- CGS MYF may, in its absolute discretion, apply corporate action to CFD positions based on its hedge provider's adjustments.

8. CFD Trading Platform

- CGS MYF provides an online CFD trading platform to clients.
- The market feed is delayed by default. User can subscribe to real time market data.

Platform features:



View account
balance summary
and portfolio
positions details



Create and
manage user
defined
Watchlist



Input Buy or
Sell CFD
orders



Input Contingent
orders



Search and View
historical orders
& executed
trades

8. CFD Trading Platform

- Order Types in Viewpoint



Note: For more information on order types, please refer to Education and Guides tab at <https://www.cgsi.com.my/our-offerings/products/cfd>

9. Risk(s) associated with CFDs

CFD is a complex, speculative and high-risk product with volatile returns, these risks may lead to unfavorable financial outcomes where your losses could exceed your initial deposit.

You should seek independent advice and consider carefully if this product is appropriate for you in relation to your personal circumstances, investment experience, financial goals and needs. **Until you fully understand the product, benefits and risks associated you should not trade CFDs.**

Leverage Risk	Gapping Risk	Operational Risk
Counterparty Risk	Execution Risk	Regulatory Risk
Market Risk	Stop Orders are not Guaranteed	
Liquidity Risk	Foreign Exchange Risk	

10. Is CFD Trading Appropriate for You?

If you are considering to trade CFDs, you should ask yourself:



11. Introduction to CFD Videos

Please watch our interactive short videos to learn more about CFDs!

A promotional graphic for the 'CFD Investing 101 Video Series'. It features the CGS International logo at the top left. Below it, the title 'CFD Investing 101 Video Series' is written in large, bold, blue and black text. A red button with the text 'WATCH NOW' and a play icon is positioned below the title. At the bottom left, it says 'CGS International Futures Malaysia'. The right side of the graphic is an illustration of a desk with various items: a laptop displaying a play button, a calculator, a clock, a potted plant, a stack of papers, a folder, a smartphone, and some gears, all rendered in a blue and white isometric style.

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CFD Investing 101 Video Series

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12. Important Notes

- Currently, CFD can only be traded by [sophisticated investors](#) product, any person who is determined to be a sophisticated investor under the [Guidelines on Categories of Sophisticated Investors](#) issued by the Securities Commission Malaysia (“SC”).
- Before you start trading CFD with CGS MYF, please ensure that you have read and understood the [Terms and Conditions for CFD](#), [Disclosure Document](#), [Product Highlights Sheet](#) and [Risk Statement](#) which are available at <https://www.cgsi.com.my/our-offerings/products/cfd>.
- CFD is a complex leveraged product, and you are advised to fully understand the risks associated with CFD before trading them.

13. Contact Details

For more information, kindly visit us at:

- CGS International Futures Malaysia Sdn Bhd
Level 29, Menara Aras Raya,
No 11, Jalan Raja Laut,
50350 Kuala Lumpur, Wilayah Persekutuan, Malaysia
- or Contact us at (603) 2635 8908 or (603) 2635 9777
- or email us at futuresbroking.my@cgsi.com.

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