

RISK FACT SHEET

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I/we hereby acknowledge that I/we have received a copy of this Risk Fact Sheet on contracts for differences ("CFDs") and fully understand its content.
Name of customer
*Company Name
*Designation
Signature of customer / *Authorised Signator(ies)
*For corporate customer only

Risk Fact Sheet for CFDs

This Risk Fact Sheet is provided to you in accordance with Notice SFA N04-N[15]. It highlights the common risks of trading in CFDs and complements the trading agreement and associated risk disclosures furnished by PFPL. This Risk Fact Sheet does not disclose all the risks of trading in CFDs. It is important to read the trading agreement 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 trading agreement and associated risk disclosures, please contact PFPL 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 margin¹ in CFDs?

When you enter into a CFD transaction, you need to pay 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 your entire initial investment amount that you have paid as margin to the firm.

Illustration 1

- 1) The firm sets the margin for 1 CFD on Brent Crude Oil (UKOIL) at 20%. You sold 1 contract (equivalent of 1,000 barrels) at the prevailing market price of USD 70 per barrel. The initial margin you will have to put up is USD 14,000. This calculated as $USD\ 70 \times 1,000\ \text{barrels} \times 20\%$.
- 2) The next day, UKOIL rises to USD 73. You will incur a loss of USD 3,000. This is calculated as $(USD\ 70 - USD\ 73) \times 1,000\ \text{barrels}$. The USD 3,000 unrealised loss will be deducted from your initial margin of USD 14,000.
- 3) If UKOIL drops to USD 65, you will gain a profit of USD 5,000. This is calculated as $(USD\ 70 - USD\ 65) \times 1,000\ \text{barrels}$. The USD 5,000 profit will be added to your account as unrealised profit.

Illustration 2

- 1) The firm sets the margin for 1 CFD on Dow Jones Industrial Average Index (US30) at 5%. You bought 1 contract (equivalent of 1 CFD) at the prevailing market price of USD 25,000 per CFD. The initial margin you will have to put up is USD 1,250. This calculated as $USD\ 25,000 \times 1\ \text{CFD} \times 5\%$.
- 2) The next day, US30 rallies to USD 25,100. You will gain a profit of USD 100. This is calculated as $(USD\ 25,100 - USD\ 25,000) \times 1\ \text{CFD}$. The USD 100 profit will be added to your account as unrealised profit.
- 3) In the worst case scenario, the price of US30 falls to zero. You lose the full contract value of USD 25,000. This is calculated as, $(USD\ 0 - USD\ 25,000) \times 1\ \text{CFD}$. You may also be liable for additional charges, costs and fees incurred.

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

If the cash balance in your account is less than the initial margin required to maintain your positions, the firm will issue you a margin call on the next business day. You will have to close your positions or pay the margin shortfall by the 2nd business day after the issue of the margin call. If you fail to meet the margin call, the firm has the right to close out your CFD positions without notifying you to bring your account balance above initial margin level. Therefore, you will need to monitor your account closely to ensure that you deal with any margin calls promptly. Pursuant to Section 6.2 of the Customer Trading Agreement with us, we may liquidate your positions if your total losses exceed more than the margin requirement.

Illustration 3

- 1) Referring to Illustration 1, the price of UKOIL falls to USD 69 from USD 70, and the notional value of the contract is now USD 69,000. The margin requirement to maintain the contract is now USD 13,800. This is calculated as $USD\ 69 \times 1,000\ \text{barrels} \times 20\%$.
- 2) With an unrealized loss of USD 1,000 and margin of USD 14,000, your account balance is now USD 13,000 ($USD\ 14,000 - USD\ 1,000$).

¹ "Margin" means an amount of money, securities, property or other collateral, representing a part of the value of the contract or agreement to be entered into, which is deposited by the buyer or the seller of a transaction in a futures contract, CFDs or spot LFX trading contract to ensure performance of the terms of the transaction in the futures contract, CFDs or spot LFX trading contract.

- 3) The firm issues you a margin call of USD 800 to top up your margin to USD 13,800 (assuming the margin requirement is USD 13,800).
- 4) If you fail to pay the margin call by the 2nd business day after the margin call, the firm can close out your positions at PFPL's discretion and without notice.
- 5) At any time, should UKOIL continues to fall and your account balance reaches or breaches the close-out level, the firm may close out your positions (refer to low equity policy).
- 6) In addition, you may be liable for additional charges, costs and fees incurred.

Q3. How is the CFD quoted?

Our CFD bid-ask prices are derived from prices of the reference instrument quoted in the underlying exchange, market or liquidity provider. Therefore, the CFD prices will only be available if the underlying exchange or market 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?

Your order can be executed at a price that is less favourable than the price quoted on the trading system as stipulated in Section 4.11 of the Customer Trading Agreement and Section 4.11 of the MetaTrader 5 Terms and Conditions. Quotes for prices for dealing in the firm's products are indicative only and not guaranteed. This can happen when there is a change in our quoted price between the time your order is placed and the time your order is received or executed by our system (e.g., delay in the internet transmission of your order, or rapid price fluctuations in the financial markets during that period). In particular, 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.

However, your order will not be executed at a price that is less favourable than your submitted price (e.g. limit orders).

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

PFPL'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 the firm's trading system. This can happen if there is insufficient or unavailable liquidity in the underlying market for the firm to hedge its own risk exposure. In this regard, the firm has the discretion to determine the price of the CFD pursuant to Section 15 of the Customer Trading Agreement with us.

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

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

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

The firm is your contractual counterparty and is obliged according to the terms and conditions of the trading agreement to honour your CFD trades and any profits made. Therefore, if the firm becomes insolvent, you are able to recover your equity balance (Ledger Balance+- Unrealized Profit/Loss +- Unrealized Finance Charge). As for your moneys or other assets that are held in the segregated account, these should be protected from the claims of the firm's creditors. Nonetheless, the recovery and return of your moneys or other assets will take time, as this is subject to due process of the firm's liquidation, including the reconciliation of all its customers' positions and moneys.

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

Under the terms of the trading agreement, the firm can close out your position or void your trade when:

- (i) you are unable to meet the margin calls within the required timeframe (Section 6.2 of the Customer Trading Agreement);
- (ii) there is a trading system failure that result in erroneous prices at which your trades are executed (Section 15 of the Customer Trading Agreement);
- (iii) your account balance reaches or breaches the close-out level at any time (Section 6.2 of the Customer Trading Agreement), etc.

The price at which your CFD is closed out will depend on the available price of the underlying market 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?

Commission: Imposed at a percentage of the traded value of the CFD. All commission charges are subjected to the Goods and Services Tax (GST).

Finance Charge: A financing fee is charged on any CFD positions that are held overnight on a daily basis. Finance charge is set at a percentage of the marked to market value of the CFD.

Illustration 4

If you bought 1 contract of UKOIL (equivalent of 1,000 barrels) and held it overnight, you will incur a daily financing interest. The end of day settlement price is USD 73. Hence, the daily interest charge is calculated as $[(USD\ 73 \times 1,000\ \text{barrels} \times 0.5\%)/365\ \text{days}] = USD\ 1.00$.

Illustration 5

If you sold 5 contracts of US30 (equivalent of 5 CFDs) and held them overnight, you will incur a daily financing interest. The end of day settlement price is USD 25,250. Hence, the daily interest charge is calculated as $[(USD\ 25,250 \times 5\ \text{CFDs} \times 0.5\%)/365\ \text{days}] = USD\ 1.73$.

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 market is unavailable, the firm may allow you to exit your CFD positions at a price determined by the firm (Section 15 of the Customer Trading Agreement). During the period of suspension, holders of CFD 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 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.

Qn 11. Are there additional risks trading in CFDs on Cryptocurrencies?

Cryptocurrencies are not legal tender and are not issued by any government nor backed by any asset or issuer. Cryptocurrencies are currently not subjected to any regulatory requirements or supervisory oversight by the Monetary Authority of Singapore (MAS). Hence, the safeguards afforded under MAS' regulatory framework will not apply to consumers dealing with unregulated products, such as CFDs on Cryptocurrencies.

Cryptocurrencies have little or no intrinsic value, making them hard to value and extremely volatile. Being highly speculative, investing in cryptocurrencies entails high risks as prices are prone to sharp, sudden swings as a result of unanticipated events or changes in market sentiments primarily due to the lack of price transparency. Liquidity may also become limited and price gaps may occur in such circumstances. Cryptocurrency exchanges, where cryptocurrencies are bought and traded, are susceptible to cyber security breaches. In the event of a cyberattack and theft of cryptocurrencies, it may result in drastic, adverse price movements.

Trading into CFDs on cryptocurrencies carry a high level of risk. You may risk losing all your capital or more when investing into cryptocurrencies. You must therefore be fully aware of the risks associated with both CFDs and cryptocurrencies and carefully assess whether an investment in cryptocurrencies is suitable for your investment objectives and risk appetite.

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<i>Account Number</i>	<i>Signature Verified By</i>	<i>Date</i>