

PHILLIP FUTURES DERIVATIVES INFORMATION SHEET

1. What is Futures?

Futures is a financial or commodity contract where the price is derived from its underlying asset.

Trading Futures is where a buyer and seller of a financial or commodity contract come together and agree on a price today, for delivery or settlement of the contract in the future.

At Phillip Futures, we offer a variety of Futures products¹ from more than 24 global exchanges, which include but are not limited to the following:

- Financial (Stock Indices, Interest Rates, Currencies)
- Metal Commodities
- Agricultural Commodities
- Energy Commodities

2. Key Features of Futures

Underlying Asset

Futures are derivative products where the underlying products are the actual assets bought or sold through the respective exchanges and the prices track closely to that of the underlying. For example: the underlying asset of Gold Futures is physical gold itself and its price tracks closely but not necessarily similar to the price of Spot Gold.

Market Transparency

Futures contracts are generally exchange-traded. Phillip Futures' strong ties with the respective Futures exchanges provide clearing and settlement procedures for facilitation of trade flows and regulate trading operations and activities to ensure transparency in the market.

Leverage

Futures contracts are leveraged to enable trading on margin. The amount of initial margin required to place a new trade is only a small percentage of the total contract value. As leveraging provides customers with the ability to utilise a small amount of capital to control a large amount of assets, customers need to be aware of the risk of leverage trading.

Short Position

Holding a short position or "shorting" refers to selling the contract first and buying it back at a later date, which is permitted in Futures trading. Holding short positions offers flexibility in trading opportunities, even when markets face a decline.

Contract Size

Phillip Futures offers both standardised regular and mini size contracts. Mini size contracts have lower margin requirements, enabling you to utilise a smaller amount of capital to trade. Do take note that not all Futures contracts will be available in mini size².

¹ For more information on our product offerings, please contact our Marketing Helpdesk at (65) 6538 0500 or email futures@phillip.com.sg for enquiry.

² For more information on the contract sizes available for each product, contact our Marketing Helpdesk at (65) 6538 0500 or email futures@phillip.com.sg for enquiry.

Contract Types

Generally, Futures contracts can be categorised into two types:

- a) Cash-settled: Upon expiry, the seller of the financial instrument does not deliver the actual product to the buyer. Instead, the associated cash position is transferred.
- b) Physically-delivered: In a Physically-delivered contract, the actual underlying asset of the contract will be delivered on the specified delivery date, as opposed to being traded out with offsetting contracts. Delivery is possible if Buyer's open positions are not closed by First Notice Day (FND)³.

Last Trading Day/ Expiry Date

Every Futures contract has an expiry date, also known as last trading day (LTD)⁴. This is the date when buyers and sellers have to close their open positions. Customers should take note of the expiry dates for the following types of Futures contracts:

- a) Cash-settled: No actual physical delivery of products. Buyers and Sellers are able to close their positions by last trading day itself.
- b) Physically-delivered: Delivery is possible if Buyer's open positions are not closed by First Notice Day (FND)⁵. Sellers on the other hand, can close their open positions by last trading day. Phillip Futures will not accept or take delivery of physically-delivered products⁶ and reserves the right to force-liquidate⁷ all Buyers' or Sellers' open positions at least one business day prior to FND and Last Trading Day (LTD). Please note that some contracts will be liquidated earlier. To find out more on the LTD/FND of any products, you may contact our Dealing Desk at (65) 6535 1155.

Closing Positions

Futures contracts are traded on an intra-day "First In, First Out" basis⁸. This means that for an intra-day trade, a customer's first position bought or sold will be the first to be liquidated.

Example: Glenn bought 2 contracts of December MSCI Singapore Index on 2 different days.

Day 1 purchase price: 306.5

Day 2 purchase price: 306.0

Before the end of the main trading session of Day 2, he proceeds to close one contract at the price of 306.3. In this scenario, Glenn will make a profit of 3 ticks (0.3) as the contract bought on Day 2 is the first contract to be closed out instead of the contract bought on Day 1.

3. Key Risks of Futures Trading

Trading of Derivatives contracts and other investment products, which are leveraged, can carry a high level of risk, and may not be suitable for all investors. It is more suitable for customers with medium to high risk profile. It is important you understand the possible risks involved in trading Derivatives, which include but are not limited to the following:

³ If FND falls on a holiday or weekend, it will be brought forward one working day. For more information on FND, visit www.phillipfutures.com.sg > Support > FAQs > Margin Trading & Important Trading Dates.

⁴ If LTD falls on a holiday or weekend, it will be brought forward one working day. Respective contracts have different expiry dates. Details can be found in website of respective exchanges or you may contact our Marketing Helpdesk at (65) 6538 0500 for enquiry.

⁵ Phillip Futures requires Buyers to close their open positions one day prior to FND. If FND falls on a holiday or weekend, it will be brought forward one working day. For more information on FND, visit www.phillipfutures.com.sg > Support > FAQs > Margin Trading & Important Trading Dates or contact our Marketing Helpdesk at (65) 6538 0500 for enquiry.

⁶ Phillip Futures will only do physical deliveries for specific contracts. Please contact our Marketing Helpdesk at (65) 6538 0500 for enquiry.

⁷ Phillip Futures will not bear any losses resulting from the force-liquidation.

⁸ Close out can be done in First In, First Out (FIFO) basis, please contact our Marketing Helpdesk at (65) 6538 0500 for enquiry.

Leverage Risk

As Futures are traded on margin, any gains or losses in leveraged Futures trading can be amplified. A relatively small market movement will have a proportionately larger impact on your equity balance. If the market moves against the customer's position or if margin levels are increased, you may be called upon to pay additional funds on short notice in order to maintain your position.

Liquidity Risk

Futures contracts are traded through exchanges, which will be subjected to the availability of buy and sell prices and volumes. Some Futures contracts have lower liquidity than others, hence making it difficult for customers to close their positions at a favourable price level or within a favourable time frame. Liquidity may also be lower when it comes to holidays and during off-peak trading hours. Hence, it is important that customers seek clarification and gain understanding on the nature of contracts they want to trade.

Regulatory Limits

Trade commissions, central banks or exchanges may play a part in reviewing trading limits and regulations which to a certain extent have an impact on trading. The purpose of such review is to prevent overheating of trading activities in the market. Such limits may include but not limited to the following:

- a) Adjustment of initial margin level: An increment in the margin level of a contract would have customers shelling out more capital in order to place a new trade and to maintain existing positions. This could affect the demand for the particular contract due to the higher cost;
- b) Review of customer's position limit: A decrease in the maximum number of contracts an individual customer can trade would result in him having to trade fewer contracts.

Limiting Losses

When trading Futures contracts, customers can place certain orders (e.g. "stop", "stop-limit"). While these orders could limit losses to certain amounts in most instances, it may not be effective when market conditions make it difficult or impossible to execute such orders. Nonetheless, you are advised to place a stop-limit order to protect yourself from further losses.

Take note that certain exchanges may not provide the "stop" order function. As such, if they want to set such an order, they could instead place a "synthetic stop" order. A "synthetic stop" order that is placed on the front end application will be held at a designated order management server and until the appropriate trigger conditions are met, the server will release the order to the destination exchange. A "synthetic stop" or "stop" order is not a guaranteed filled stop, and may depend on the specific exchange, market condition and exchange limits.

Volatility

The markets for the underlying assets can be volatile at times. Products such as Interest Rate and Currency Futures are largely influenced by policies set by the corresponding foreign central banks; Stock Index Futures are largely affected by the performance of respective stock markets; and nature factors play a major part in affecting Commodity Futures.

Due to the positive correlation between the two, the prices of Futures contracts are similarly affected. To mitigate the volatility factor, respective exchanges impose daily price limits on some of their products. When these limits are hit, a cooling period will be imposed and trading is halted for a specified time period.

Negative Contract Price Risk

When trading Futures, there are instances where a contract may settle at a negative price. A Futures contract with a physical commodity as the underlying asset may settle at a negative price when the supply of the commodity faces physical constraints, in distribution or storage, to such an extent that some suppliers are prepared to pay others to physically take away the commodity. Futures contracts across other asset classes may also settle at negative prices for any number of reasons. Hence, you may sustain a total loss of the funds that you have deposited to establish or maintain your positions and may incur additional losses beyond these amounts.

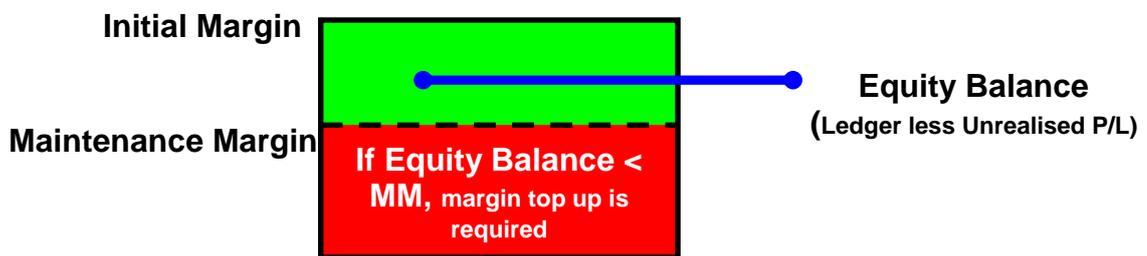
4. Margin Requirements⁹

The margin levels for different contracts are generally set by the respective exchanges. This is typically about 2% to 20% of the full contract value. By trading on margin, you are able to leverage on the full contract value.

Minimum Margin

There are two levels of minimum margin:

- a) Initial Margin (IM)¹⁰: A good faith deposit required in the customer's account to initiate a new position
- b) Maintenance Margin (MM)¹¹: The minimum amount of Equity Balance that must be maintained in the customer's account in order to hold the positions



Margin Call

A Margin Call occurs when your Equity Balance (ledger Balance +/- unrealised Profit/Losses) falls below the Maintenance Margin (MM) level.

When your account is on Margin Call:

- You will be notified to top up sufficient funds to return the equity balance to the Initial Margin level.
- The margin call notification will be made by an SMS notification and/or email registered with Phillip Futures.
- Please ensure that your contact details are updated to avoid any miscommunication.

While we do our best to notify you of margin calls, in the event you are not notified, Phillip Futures reserves the right to liquidate any position(s) without prior notice.

⁹ For margin requirements of respective products, log in to <https://myaccount.phillipfutures.com.sg> or contact our Marketing Helpdesk at (65) 6538 0500 for enquiry.

¹⁰ Phillip Futures reserves the right to amend initial margin requirements from time to time. Log in to <https://myaccount.phillipfutures.com.sg> for updates or contact our Marketing Helpdesk at (65) 6538 0500 for enquiry.

¹¹ Phillip Futures reserves the right to amend maintenance margin requirements from time to time. Log in to <https://myaccount.phillipfutures.com.sg> for updates or contact our Marketing Helpdesk at (65) 6538 0500 for enquiry.

Low Equity Policy

Your account will be considered to have low equity when the account's equity balance is less than 50%* of the initial margin of all open positions held in the account.

While not legally obligated, we will do our best to notify you of the low equity status. To address the low equity, you will have to top up your account with funds or liquidate your positions before the account's equity balance reaches 20%* of the initial margin.

After you have topped up your account, you must notify us via email and send us the proof of transaction. If we are not notified or have not received any proof of transaction by email, we reserve the right to liquidate your positions partially or in full, without prior notice, when your equity balance falls below **20%* of initial margin**.

In the event that your positions are liquidated and/or when a stop loss is placed on your behalf, your trading system will be temporarily disabled to prevent duplication of trades.

While liquidation is carried out on a best-efforts basis, it is dependent on prevailing market conditions and market prices. Due to the risks associated with margin/leveraged trading; there may be a deficit in your account after the liquidation.

You are encouraged to practise good risk management by taking proactive steps to cope with volatile market conditions and uncertainties.

*Phillip Futures reserves the right to amend the low equity and stop loss threshold in accordance to the risk profile of the account. You will be informed of any changes to your account's low equity threshold.

5. Settlement Price

Daily Settlement Price (DSP)

Any open positions at the end of the trading day are marked to market based on the Daily Settlement Price set by the respective exchanges, to determine the unrealised profit or loss.

Final Settlement Price (FSP)

On the last trading day of a cash-settled Futures contract, the respective exchange will determine a Final Settlement Price. Any open positions have to be closed and matched against the price to determine a profit or loss.

6. Settlement Currency

All Futures contracts will be initiated and settled in the respective traded currencies. Phillip Futures does not provide auto conversion¹² from traded currencies to SGD and vice versa. You can submit currency conversion requests to Phillip Futures using these methods:

- a) Client Portal: Log in to <https://myaccount.phillipfutures.com.sg> > E-SERVICES > Currency Conversion¹³
- b) Call-in service: Phillip Futures Forex Dealing Desk at (65) 6536 7200 or your Account Executive

¹² There will be situations when Phillip Futures will do an auto-conversion of the deficit amount to maintain a positive account balance. Please refer to Phillip Futures' Currency Conversion Policy for more information.

¹³ Phillip Futures proposes no additional fees or charges for currency conversion done on Client Portal.

7. Profit and Loss

To calculate the potential profit or loss of a trade, customers may refer to the minimum tick value¹⁴ of one contract – cash value of the minimum price movement.

Example: A customer bought one contract of October 2011 MSCI Singapore Index Futures at 310.0 point and subsequently sold it off at 310.5. Given that 0.1 point movement = SGD20 cash value:

$$\begin{aligned}\text{Profit/Loss} &= (\text{Selling price} - \text{Buying price}) / \text{minimum tick value} \times \text{Cash value} \\ &= (310.5 - 310.0) / 0.1 \times \text{SGD}20 = \text{SGD}100 \text{ Profit}\end{aligned}$$

Unrealised profit and loss are marked to market at the end of every trading day based on the Daily Settlement Price (DSP). If the matching of the entry price against the DSP results in a loss beyond the margin deposited, a deficit will ensue. Thereafter, customers will be called upon to either liquidate their positions or to top up additional funds on short notice to maintain their positions.

8. Placing Orders

Trade orders can be placed using the following methods:

- a) Self-execution via trading platform
- b) Call-in service: Phillip Futures Dealing Desk at (65) 6535 1155 or through your Account Executive

¹⁴ Different Futures contracts have different minimum tick values. To find out the minimum tick value for respective contracts, visit the respective exchange website or contact our Marketing Helpdesk at (65) 6538 0500 or email futures@phillip.com.sg for enquiry.

OTHER IMPORTANT INFORMATION

1. Fees and Charges

Commission Rates

For enquiry on the respective rates, contact our Marketing Helpdesk at (65) 6538 0500 or refer to our latest commission list.

Multi-Currency Account Charges¹⁵

Based on customers' funds in excess of those utilised towards the required margin (margin excess), a credit balance in some currency accounts will accrue a competitive interest¹⁶. Similarly, a deficit in any currency will incur a debit interest.

The latest interest rates can be obtained on Client Portal (<https://myaccount.phillipfutures.com.sg>) under Trading Information.

Or you can contact our Marketing Desk at (65) 6538 0500 or email futures@phillip.com.sg for details on the interest rates for respective currencies. Please note that rates will change from time to time. Phillip Futures will not do any currency conversion to cover the deficit without the customer's consent or instructions. An exception is made when customers' accounts are in danger of going into over loss due to exchange rate fluctuations. Phillip Futures reserves the right to do an auto-conversion of the deficit amount to maintain a positive account balance.

2. Funds Transfer Methods

Deposit or Top up¹⁷

For customers who wish to deposit or top up their Phillip Futures account, they may do so through the following methods:

- 1) PayNow (SGD only)
- 2) Internet Bank Transfer / Fast and Secure Transfer (FAST)
- 3) DBS/POSB Bill Payment (SGD only)
- 4) eNETS¹⁸ (SGD only)
- 5) Telegraphic Transfer¹⁹
- 6) Internal Transfer within PhillipCapital Group

Please note that only selected currencies may apply for some transfer methods. For more information on transfer methods, contact our Marketing Helpdesk at 6538 0500 or your Account Executive.

¹⁵ Not applicable to MT5

¹⁶ Not all positive currency balances will be accrued interest. Log in to <https://myaccount.phillipfutures.com.sg> to check the interest-earning currencies. Credit and Debit Interest are not applicable to MT5 account.

¹⁷ Phillip Futures only accepts deposits made from bank accounts bearing the account holder's name. Supporting document(s) may be required to ascertain the source of funds.

¹⁸ Available on Client Portal. Log in to <https://myaccount.phillipfutures.com.sg> to make funds transfer via eNETS.

¹⁹ Funds received via telegraphic transfer will be charged a USD10 processing fee.

Withdrawal²⁰

For customers who wish to withdraw funds from their Phillip Futures account, they may do so through the following 2 methods:

Online: Log in to <https://myaccount.phillipfutures.com.sg> > E-SERVICES > Fund Withdrawal.

Physical form²¹: Customers may download and fill up the physical form at www.phillipfutures.com.sg > Support > Forms & Downloads, and send it back to us via email at futures@phillip.com.sg or fax to (65) 6536 7367.

3. Phillip Futures' Currency Conversion Policy²²

Phillip Futures does not generally perform currency conversion to cover the deficits in your account without your consent or instruction. An exception is made when we deem that your account is in danger of going into over loss after being evaluated*.

At such circumstances, the following action may take place:

- (1) We will attempt to contact you by phone to seek your instructions to convert the deficit for you. If you wish to convert the deficit by yourself, or top up the account, please do so by 4pm on the day of our contact.

We will proceed with the conversion if you do not complete the conversion or top up your account by 4pm;

- (2) In the event we are not able to contact you by phone, we will email you to inform of your deficit and the actions that you need to take by 4pm on the same day.

We will proceed with the conversion if you do not complete the conversion or top up your account by 4pm.

An illustration as shown below:

	Actual Account Status	Account Status Based on 3% Movement in Exchange Rate
SGD	50,000	50,000
USD	-36,000	-36,000
Exchange Rate to SGD	1.3700	1.4111
Total Net Equity in SGD Based	50,000 – (36,000 X 1.3700) = 50,000 – 49,320 = 680	50,000 – (36,000 X 1.4111) = 50,000 – 50,799.60 = -799.60
		<i>Under such circumstances, Phillip Futures will contact you for necessary actions.</i>

²⁰ Phillip Futures proposes no additional fees or charges through the abovementioned methods. However please take note for Telegraphic Transfer, banks' remittance charges are applicable and will be borne by customers.

²¹ Not applicable to customer who applied for account online, fund withdrawal request has to be submitted through Client Portal.

²² Not applicable to MT5.

Note:

*The evaluation is based on the assumption that the daily exchange rate moved **3%** against your account. This percentage is taken by Phillip Futures as a benchmark for the daily exchange rate movement. It may be changed based on Phillip Futures' discretion.

Please note that Phillip Futures reserves the right to do an auto-conversion of the deficit amount to maintain a positive account balance.

Disclaimer

This handout is provided to you for general information only and does not constitute a recommendation or an offer or solicitation for the purchase or sale of any investment. It does not have any regard to your specific investment objectives, financial situation and any of your particular needs. Accordingly, no warranty whatsoever is given and no liability whatsoever is accepted for any loss arising whether directly or indirectly as a result of you acting based on this information.

Investments in Derivatives carry risks, including but not limited to market, liquidity, credit, interest rate, derivative, counterparty, foreign exchange risks and political risks. There can be no assurance that investment objectives will be achieved and past performance figures as well as any projection or forecast used in this handout, are not necessarily indicative of future or likely performance of the mentioned investment product. The value of investments, and the income accruing, may fall as well as rise and investors may not get back their original principal amount invested.

Any opinion or view herein is made on a general basis and is subject to change without notice. The information provided in this handout may contain optimistic statements regarding future events or future financial performance of countries, markets or companies. You must make your own financial assessment of the relevance, accuracy and adequacy of the information provided in this handout. The information in this handout may be provided by, obtained or compiled from public and/or third party sources ("the information") which Phillip Futures Pte. Ltd. ("PFPL") has no reason to believe are unreliable. PFPL does not warrant the accuracy and completeness of the information used in this presentation/handout.

You may wish to obtain advice from a qualified financial adviser, pursuant to a separate engagement, before opening a futures trading account. In the event that you choose not to obtain advice from a qualified financial adviser, you should assess and consider whether such an account is suitable for you before proceeding to invest and we do not offer any advice in this regard unless mandated to do so by way of a separate engagement. This handout is exclusively for informational purposes and shall not be transmitted or disclosed to any other person nor is it to be relied upon by any other person for whatever purpose. This handout must be viewed in conjunction with the oral presentation provided by financial adviser representatives.

PFPL is a member of the PhillipCapital Group of Companies. The PhillipCapital Group of Companies, their affiliates and/or their officers, directors and employees may own or have positions in any shares, units and other investments mentioned herein or any investment related thereto and may from time to time add to or dispose of any such investment. Any member of the PhillipCapital Group of Companies may have acted upon or used the information, analyses and opinions herein before they have been published.