

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 Client Service team 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 Client Service team 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 First In, First Out (FIFO) basis⁸, as illustrated in the example below:

Glenn bought 1 contract of December MSCI Singapore Index (SiMSCI) at 306.5 on Monday. On Tuesday, he bought 1 contract of December. Within the same day on Tuesday, he sold 1 December SiMSCI at 306.3. This trade of selling 1 SiMSCI at 306.3 will be squared with Monday's long SiMSCI at 306.5 based on FIFO basis.

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 Client Service team 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 Client Service team at (65) 6538 0500 for enquiry.

⁶ Phillip Futures will only do physical deliveries for specific contracts. Please contact our Client Service team 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 on intraday First In, First Out basis, please contact our Client Service team 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.

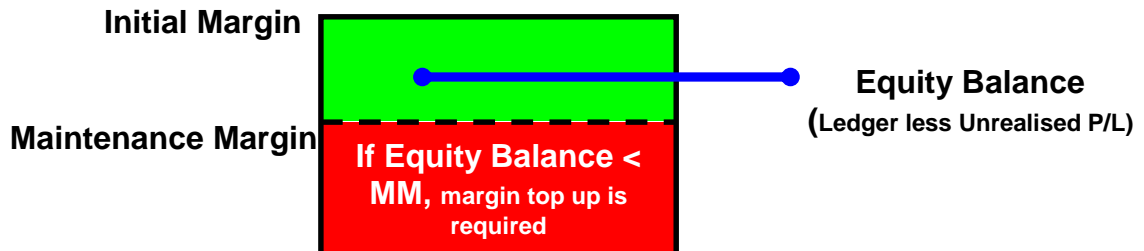
4. Margin Requirements⁹

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.

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

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.

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:

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.

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

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

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

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 Client Service team at (65) 6538 0500 or email futures@phillip.com.sg for enquiry.

PHILLIP FUTURES FOREX/PRECIOUS METAL PRODUCT INFORMATION SHEET

1. What are Spot Forex and Precious Metals?

Spot Forex

Spot Margin Foreign Exchange (Forex/FOREX) is an agreement entered into to buy one currency with another (by selling) at an agreed rate. Settlement is within 2 business days except for USDCAD which settles in 1 business day.

The main objective is to achieve profits, which is to have currency appreciation for the currency bought, and currency depreciation for the currency sold.

Spot Precious Metals

Spot Precious Metal contract is an agreement entered to buy either Gold, Silver, Platinum or Palladium through selling of a major currency (e.g. USD or EUR) at an agreed rate or vice versa. Settlement is within 2 business days and purely on cash basis.

2. Key Features of Spot Forex/ Precious Metals

Underlying Asset

For Spot Forex, the underlying asset is the actual currency bought or sold from the respective country. For Precious Metals, the Gold, Silver, Platinum or Palladium bought or sold is the underlying asset.

Leverage

Spot Forex/Precious Metal 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 Spot Forex/Precious Metal trading. Holding short positions offers flexibility in trading opportunities, even when markets face a decline.

Hedged Position¹⁵

Holding opposite (i.e. long and short) positions of the same currency pair simultaneously without closing out each other is referred to as a “Hedge”. The ability to hold hedged positions offer opportunities to take advantage of differences in directional view across the short and long term.

Spot Forex and Precious Metal Swap/Interest

As every Spot Forex trade involves borrowing one currency to buy another, interest rollover charges will be incurred. Interest may be gained or lost when holding an overnight position. The difference in interest rates between the currency pair you are trading is defined as swap.

As every Spot Precious Metal trade involves borrowing a funding currency to pay for Gold/Silver/Platinum/Palladium, or borrowing Gold/Silver/Platinum/Palladium to pay for the funding currency, the differential between Precious Metal lease rate and the funding currency interest

¹⁵ This is only applicable to MT5.

rate that you trade in would be defined as swap/rollover interest. Interest may be gained or lost when holding an overnight position.

As long as you have an existing open position, daily interest adjustments will be calculated from the original Value date to the next calendar Value date till the contract position is closed. The calculation of interest adjustment is inclusive of Saturday and Sunday if the value date crosses over the weekend. The value date for Spot Gold/Silver/Platinum/Palladium is 2 business days from the date of trade execution (T+2).

All swaps and interest will be reflected in the daily statements you receive.

Example:

You have an existing open position on Monday overnight till Tuesday. The original value date is Wednesday (T+2) and the next value date is Thursday. The calculation of your daily interest adjustment will be based on 1 day of interest (Wednesday – Thursday).

You have an existing open position on Wednesday overnight till Thursday. The original value date is Friday (T+2) and the next value date is the following Monday. The calculation of your daily interest adjustment will be based on 3 days of interest (Friday – Monday).

Value Date/ Expiry Date

Value date, commonly known as the expiry date, is the date where the contracted agreement is due for settlement. The value date for Spot Forex/Precious Metals are usually 2 business days from the date of entering the trade, with the exception of USDCAD having only 1 business day from the date of trade entry. There is no difference in the value date for long or short positions.

Rollover

Rollover is the extension of value date, so that the contract can be held indefinitely for as long as the investor wishes, instead of settling the contract at 2 business days from the date of entering the trade. This rollover process is transparent and the Forex desk will perform the rollover on a free of charge basis.

However, swap will be involved in the rollover process and swap will either be credited to or debited from the customer's account during this rollover.

It is advantageous to enter into trades that are earning swap points. However, please note that the main profits will be derived from the currency movements itself.

Closing Positions

Spot Forex/Precious Metals contracts are closed out on a First In, First Out (FIFO) basis, as illustrated in the example below:

The investor bought 100K of EURUSD at 1.3320 on Monday. On Tuesday, he bought 100K EURUSD at 1.3310. Within the same day on Tuesday, he sold 100K of EURUSD at 1.3312. This trade of selling 100K EURUSD at 1.3312 will be squared off with Monday's long EURUSD at 1.3320 based on FIFO basis.

On Phillip MT5, Spot Forex/Precious Metal contracts can be closed individually or closed by a hedged position, as illustrated in the example below:

- a. Close by Hedged Positions
The investor went long (buy) 100K of EURUSD at 1.3320. Subsequently, he went short (sold) 50K EURUSD at 1.3310. However, both positions remain open until the investor specifies to close the short 50K position against the long 100K position. The result is an outstanding 50K EURUSD (Long) position.
- b. Individually closed out positions
In a similar fashion, another investor went long (buy) 100K of EURUSD at 1.3320 and subsequently went short (sold) 50K EURUSD. He/she selects specifically to close off the 50K EURUSD position. The result is still an outstanding 100K EURUSD (Long) position.

3. Key Risks of Spot Forex/Precious Metal Trading

Trading of Spot Forex/Precious Metal 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 Spot Forex/Precious Metals, which include but are not limited to the following:

Leverage Risk

As Spot Forex/Precious Metals are traded on margin, any gains or losses in leveraged Forex/Precious Metal trading can be amplified. A relatively small market movement will have a proportionately larger impact on your equity balance. If the market moves against your 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

Spot Forex/Precious Metals are traded on an over-the-counter (OTC) basis, which is subject to the availability of buy and sell prices and volume. It should be noted that some currency pairs, especially crosses, have lower liquidity than other currency pairs, which results in possibly wider spreads, and thinner volume. When liquidity is thin, working orders of the currency pair may not be filled at the exact specified price, and slippages can be expected. Liquidity may be less when it comes to holidays and during early Asian hours. Hence, it is important that customers seek clarification and gain understanding on the nature of contracts they want to trade.

Counterparty Risk

Spot Forex/Precious Metals are an over-the-counter (OTC) leveraged product traded on an off-exchange basis. However, spot Forex trading is regulated by the Monetary Authority of Singapore (MAS), and is maintained in high integrity in accordance to MAS regulations. The firm with which customers conduct their transactions (which may be Phillip Futures, or another firm, if Phillip Futures acts as your broker to effect a transaction with such firm) may be acting as counterparty to the transaction.

Limiting Losses

When trading Spot Forex/Precious Metal contracts, customers can place certain orders (e.g. "stop", "stop-limit", "trailing stop"). 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 or trailing stop order to protect yourself from further losses.

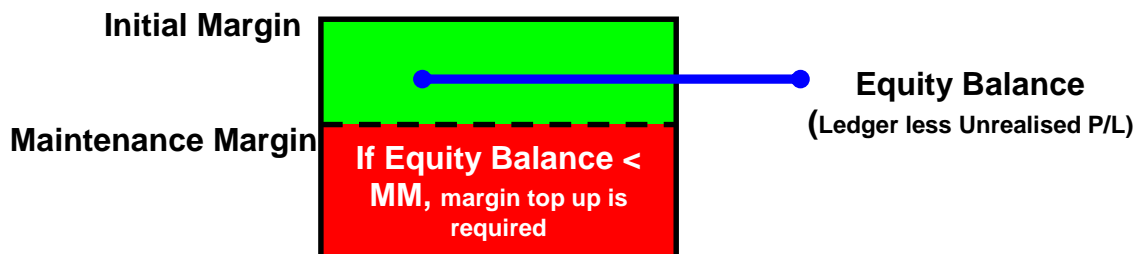
4. Margin Requirements¹⁶

The margins for different Spot Forex/Precious Metal contracts are set according to regulatory requirements and will vary for different classes of customers. By trading on margin, you are able to leverage on the full contract value. Margin required for Spot Forex/Precious Metals contracts are in USD.

Minimum Margin

There are two levels of minimum margin:

- a) Initial Margin (IM)¹⁷: A good faith deposit required in the customer's account to initiate a new position
- b) Maintenance Margin (MM)¹⁸: The minimum amount of Equity Balance that must be maintained in the customer's account in order to hold the positions



Force-liquidation Margin (FM)¹⁹

Phillip Futures reserves the right to liquidate your positions without prior notice when the Equity Balance falls below the stipulated *force-selling* margin level (also known as the Close-Out Level). For Phillip MT5 system, you will be receiving a notification should your account be in margin deficit. You are required to reduce your position(s) or top up your funds immediately to bring your margin level back above initial margin level requirements. It is your responsibility to monitor the equity balance in your account to avoid the risk of your account meeting the Close-Out Level which will result in the automatic liquidation of your position(s) at market prices.

Margin Call²⁰

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.

¹⁶ For margin requirements of respective products, log in to <https://myaccount.phillipfutures.com.sg> or contact our Client Service team at (65) 6538 0500 for enquiry.

¹⁷ 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 Client Service team at (65) 6538 0500 for enquiry.

¹⁸ 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 Client Service team at (65) 6538 0500 for enquiry.

¹⁹ This is applicable to MT5 only.

²⁰ For margin requirements of respective products, log in to <https://myaccount.phillipfutures.com.sg> or contact our Client Service team at (65) 6538 0500 for enquiry. Margin call process is not applicable to MT5.

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.

Low Equity Policy²¹

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 Currency²²

All Spot Forex/Precious Metal contracts will be initiated and settled in the respective traded currencies. Phillip Futures does not provide auto conversion²³ from traded currencies to SGD and vice versa.

Customers can submit currency conversion requests to Phillip Futures using the following methods:

- a) Client Portal: Log in to <https://myaccount.phillipfutures.com.sg> > Currency Conversion²⁴
- b) Call-in service: Phillip Futures Forex Dealing Desk at (65) 6536 7200 or customer's Account Executive.

²¹ For margin requirements of respective products, log in <https://myaccount.phillipfutures.com.sg> or contact our Client Service team at (65) 6538 0500 for enquiry. Low Equity Policy is not applicable to MT5.

²² Phillip Futures proposes no additional fees or charges for currency conversion done on FX Invest. For customers who are using MT5, the realised profits and losses will be converted to USD when the position is closed.

²³ 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.

²⁴ Phillip Futures proposes no additional fees or charges for currency conversion done on Client Portal. This is not applicable to MT5 account.

6. Profit and Loss

To calculate the potential profit or loss of a trade, customers may refer to the minimum tick value²⁵ of one contract – cash value of the minimum price movement.

It is important to understand how to calculate the profit and loss, which is best illustrated using an example.

Example: A customer Longs (buys) 100,000 USDJPY at 77.03 and subsequently squares off the position at 77.48.

Profit/Loss = Selling price – Buying price X Contract size = 77.48 – 77.03 X 100,000
= 0.45 X 100,000 = 45,000 (JPY)

Note that the profit and loss is always in the reference currency (the 2nd currency being quoted), except for MT5, the profit and loss will be automatically converted to USD.

7. Placing Orders

Trade orders can be placed using the following methods:

- a) Self-execution via Trading Platforms
- b) Call-in service (regular sized contracts only): Phillip Futures Dealing Desk at (65) 6536 7200 or through your Account Executive

8. Order Filling

All orders are filled based on the Bid/Offer Price of the Spot Forex/Precious Metal contract. Investors who want to Buy (Long) a contract can submit a Buy order based on the current Offer Price, or queue at specific Offer Price. The order would be executed once the desired Offer Price is triggered.

Conversely, a customer can also submit a Sell (Short) Spot Forex/Precious Metal order based on the current Bid Price, or queue at specific Bid Price. The order would be executed once the desired Bid Price is triggered.

Technically there is no last done price for Forex as it is not exchange traded, and there is no central body to keep track of the last traded price.

9. Long-Only Over-The-Counter Options

9.1. Overview

Phillip Futures offers Long-Only Option contracts for both Foreign Exchange (“FX”) and Bullion (i.e. Gold and Silver). An option is a contract that grants the buyer the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified price (known as the “Strike Price”) on a specified date (known as the “Expiration Date”). In the context of FX and Bullion options, the strike price may

²⁵ Different Spot Forex contracts have different minimum tick values. To find out the minimum tick value for respective contracts, log in to <https://myaccount.phillipfutures.com.sg> or contact our Client Service team at (65) 6538 0500 for enquiry.

be set by reference to the exchange rate of a pair of currency and spot price of gold/silver, respectively. The buyer of an option will pay an option premium to the seller.

All long-only OTC options offered by Phillip Futures are European Style whereby the option may be exercised only at 2pm Singapore Time (GMT +8) on expiration date.

9.2. What is a Long-Only Option?

Phillip Futures offers customers liquidity to buy and sell option contracts. However, customers may only sell an option for liquidation purposes. That is, if the customer has already own a contract and wish to sell another with the same Strike Price for the same Expiration Date to close out his option position.

For buying options, an option premium would be debited through the customer's trading account. For selling options, the option premium received would be credited to customer's trading account. These transactions will take place immediately upon entering of contract.

9.3. Key Features of Long-Only OTC Option

(Please refer to attached Summary on Option Contract Specifications at page 17)

Margin

There are no margin requirements for all Long-Only OTC option contracts, as the option premium is deducted upfront from the customer's account balance and the maximum loss on long options will be the premiums paid.

Short Position

Holding a short position or "shorting" refers to selling the contract first and buying it back at a later date, which is NOT permitted for long-only OTC option trading.

Option Swap/Interest

As these option contracts are traded to an expiration date, there will be no daily rollover required and therefore, no interest may be gained or lost when holding an overnight position.

Expiration Date & Time

The expiration date is the day whereby the option contract would either be **exercised/assigned or expire worthless**. As Phillip Futures offer "Tokyo-Cut" option only, it means that this would be determined at 2pm Singapore Time on expiration date.

Out-of-The-Money (OTM) Option at Expiration Date

Out of the money (OTM) is a term used to describe a call option with a strike price that is higher than the market price of the underlying Spot contract, or a put option with a strike price that is lower than the market price of the underlying Spot contract. OTM option contracts will expire (or lapse) worthless at expiration.

In-The-Money (ITM) Option at Expiration Date

In the money (ITM) means that a call option's strike price is below the market price of the underlying Spot contract or that the strike price of a put option is above the market price of the underlying Spot contract. ITM option contracts at expiration are worthy to exercise since

- Exercising the Call option would mean buying the underlying Spot contract below market price at 2pm (GMT +8) expiration time
- Exercising the Put option would mean selling the underlying Spot contract above the market price at 2pm (GMT +8) expiration time

For Options that are "In-The-Money" but the customer does not have sufficient margin to hold the underlying contract at expiration, the option will be exercised with the resulting underlying contract **Cash Settled**. For all cash settlement, Phillip Futures reserves the rights to determine the settlement price within +/- 5 pips from prevailing market prices at 2pm (GMT +8) expiration time.

Closing Positions

You can close an existing Long option position before the expiration date by entering a trade of the exact contract on the opposite side. That is, selling the option contract.

For all open Long option positions held until expiry, the contracts will either be exercised or expire worthless. Both operations will entail the automatic close-out of the option contract.

9.4. Key Risks of Option Trading

Premium Risk

As option premium is paid upfront for the option contract, the maximum that a customer stands to lose on this product is the option premium paid.

Liquidity Risk

Long-only OTC Option is traded on an over-the-counter (OTC) basis, which is subject to the availability of buy and sell prices and volume. Option traders may experience insufficient depth of market liquidity and a wide bid-offer spread when underlying spot rates are volatile or closed due to holidays or closure of trading hours. Hence, it is important that customers seek clarification and gain understanding on the nature of contracts they intend to trade.

Pricing Error Risks

Due to frictional errors from market makers, Option pricing may also be subjected to having a stale price traded off the current fair values. Phillip Futures reserves the right to amend the executed price in option contracts to the price deemed to be fair by Liquidity Providers should there be a "price discrepancy" situation.

9.5. Margin Requirements

As there are no margin requirements for Long-Only OTC options, this section serves to clarify on liquidation policies when combined with other assets in customer's portfolio.

Force-liquidation Margin (FM)

Phillip Futures reserves the right to liquidate customer's portfolio of contracts without prior notice when the Equity Balance falls below force-selling margin of 20%. In relation to Phillip Futures' low

equity policies, long-only OTC option contracts will be treated as Zero value, regardless of any positive market valuations that could be discerned from market prices at that point of determination.

Accordingly, all OTC option contracts would therefore not be subjected to force-selling.

9.6 Equity excess arising from Long-only OTC Option Profits

Any positive market valuations for Option contract will be ignored and will be disallowed for withdrawals. Any positive market valuations would also be disregarded as part of Customer's account equity balance.

9.7. Premium Settlement Currency

For **FX option premiums**, premiums would be charged on the Base currency of the FX pair. Therefore, option quotation could be provided in terms of full Base currency premium amount or percentage of Base currency.

Example #1: A GBP put USD call, strike at 1.2200, with 3-month expiration, for a notional amount of 1mio GBP/USD could be quoted as either **GBP12,025** or equivalently **1.2025%** of **GBP** currency. (Current underlying spot at 1.2480)

For **Bullion option premiums**, premiums would be charged on US Dollars. Therefore, option quotations could only be provided as full USD premium amount based on the notional troy ounces of the Bullion option.

Example #2: A XAU call USD put, strike at 1280, with 1-month expiration, for a notional amount of 1000 troy ounces of XAU/USD could be quoted as **USD5,000**. (Current underlying spot at 1225)

9.8. Profit and Loss

It is important to understand how to calculate the profit and loss, which is best illustrated using an example. For this purpose, we continue on from example #1 in the prior section.

Example: A customer long a GBP put USD call, strike at 1.22 with 3 months to expiration for a notional amount of 1mio GBP/USD. The current spot for GBPUSD is at 1.2480. The customer paid GBP12,025 for this option on the trade date the option contract is initiated.

When the position is squared off before expiration date

One month after the trade date, the customer would be left with a contract that has 2 months to expiration. The option price is affected by several parameters, including current underlying Spot price and the prevailing implied volatility in the market.

Upon checking with Phillip Futures that for the exact same option contract, the customer chooses to liquidate the option contract by selling the option for GBP20,000. On the trade day that the option contract is liquidated,

Profit/Loss = (Selling premium received – Buying premium paid upfront) = 20,000 – 12,025 (**GBP**)

When the position is held till expiration date

On expiration date at 2pm Singapore Time, the prevailing Spot price of GBP/USD will be observed to determine if this option contract is ITM (exercised) or OTM (expired).

If GBP/USD Spot price at 2pm is 1.2500, the option expires with zero value.

Profit/Loss = - Premium paid upfront = - **12,025 (GBP)**

If GBP/USD Spot price at 2pm is 1.1870, the option would be exercised. The option contract would be replaced with a Spot GBP/USD short physical position at 1.2200.

Unrealised Profit/Loss (for short Spot position) = (Selling price – Current market price) x Notional Amount = (1.2200 – 1.1870) x 1,000,000 = Term Currency **33,000 (USD)**

Realised Profit/Loss = - Premium paid upfront = - **12,025 (GBP)**

SUMMARY ON LONG-ONLY OVER THE COUNTER (OTC) OPTION CONTRACT SPECIFICATIONS

Categories	Details	Clarifications
Product	Long Only Option	Can Buy, Can Sell, Cannot Go Short
Type of Options	Vanilla Call, Vanilla Put, Straddle, Strangle	
Style of Option	European Style	Exercise only at Expiration Date
Cut of Option	Tokyo Cut	Expiration time is always 2pm Singapore Time (GMT +8)
Option Premium	FX: charged in Base Currency (%Base) Bullion: charged in USD	Premium will be charged upfront (directly deducted from Ledger)
Currency Pairs	FX: All Major Currencies & SGD Vanilla Options Bullion: XAU/USD & XAGUSD Vanilla Options	
Initial Margins	Zero	No margin required as Maximum Loss is Premium
Delta Exchange	Spot Delta Exchange Available	Can choose to trade as "Live" (i.e. No spot hedge)
Tenors Available	1 day to 3 months	
Mode	Call-in; Manual Quotations	
Minimum Size	Vanillas: 1 lot on Notional	1 lot refers to a regular lot size, i.e. FX: 100k ; Gold: 100oz; Silver 5000oz
Commissions	Board rate applies	No commission will be charged on Exercise/Expiry Commission will be charged on Physical position when assigned
Settlement	Vanillas: Physical Only	<u>At expiration:</u> In-The-Money Options: Exercised - Vanillas: Customer takes Spot Position at Strike Price Out-of-The-Money Options: Expire worthless
Low Equity Policies	<u>Accounts with Low Equity:</u> Option Contract will be treated as Zero Value even when the customer's portfolio Equity Balance falls below force-selling margin of 20%. Option Contract, however, would not be force liquidated.	<u>Option Exercise on Low Equity:</u> For Options that are "In-The-Money" but the customer does not have suffice margins to hold the physical spot position, the contract would be Cash Settled. For all cash settlement, the settlement price would be within +/- 5 pips from the Spot market prices at 2pm.
Daily Mark-To-Market Pricing	Currently unavailable	Daily Statement will reflect Zero valuation for Option contracts. Any positive market valuations for Option contract will be ignored and will be disallowed for withdrawals nor regarded as part of Customer's account equity balance

PHILLIP FUTURES FORWARDS INFORMATION SHEET

1. What is a Deliverable Forward (DF) and a Non Deliverable Forward (NDF)?

Deliverable Forward (DF)

Deliverable Forwards (DFs) also known as forward FX contracts or outright, are binding contracts in the foreign exchange market that lock in the exchange rate for the purchase or sale of a currency on a future date for hedging purpose. It effectively allows you to buy or sell a foreign currency at today's market price, while delaying the settlement of the contract to a preferred future date.

To compensate for the delayed settlement of the FX trade, the price of the forward is calculated by adjusting the forward points to compensate for the interest rate differential between the two currencies in question with the passage of time. DFs can be tailored to a particular amount and delivery period, unlike standardised currency futures.

Non Deliverable Forward (NDF)

Non Deliverable Forwards (NDFs) are similar to forward foreign exchange contracts, except that they do not require physical delivery of the non-convertible currency. NDFs are cash-settled currency forwards providing an offshore mechanism to hedge currencies previously considered not possible to be hedged due to emerging markets' illiquid markets, regulatory or settlement constraints.

NDF is an efficient method of managing FX exposures for non-convertible currencies since there is no actual exchange of principal funds. A (notional) principal amount, forward exchange rate and forward date are all agreed at the contract's inception.

There will be no physical transfer of the principle amount in the transaction and the deal is agreed on the basis that net settlement on maturity will be made in USD to reflect any differential between the agreed forward rate and the prevailing spot rate on the agreed forward date. On maturity, contracts are settled against a fixing rate.

2. Key Features of Deliverable Forward (DF) and Non Deliverable Forward (NDF)

Key Differences

Spot Forex	DF	NDF
1. Actual exchange of principal funds	1. Actual exchange of principal funds	1. No actual exchange of principal funds
2. Deliverable market offshore	2. Deliverable market offshore	2. Not deliverable market offshore
3. Delivery date ²⁶ is 2 ²⁷ days from trade date	3. Delivery date as specified in contract	3. Delivery date as specified in contract
4. Profits and Losses are in term currency	4. Profits and Losses are in term currency	4. Profits and Losses are in USD
5. Standard initial margins required	5. Standard initial margins required	5. Higher initial margins required

²⁶ Delivery date is also known as Value Date or Settlement Date.

²⁷ For spot forex, settlement is within 2 business days from trade date except for USDCAD which settles in 1 business day.

Leverage

Deliverable Forward and Non Deliverable Forward contracts are leveraged to enable trading on margin. The amount of initial margin required to place a new trade is 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 involved.

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 Deliverable Forward and Non Deliverable Forward trading. Holding short positions offers flexibility in trading opportunities, even when markets face a decline.

Deliverable Forward and Non Deliverable Forward Swap/Interest

As every Deliverable Forward or Non Deliverable Forward trade is traded on a forward rate, the rate would be an “all-in rate” inclusive of interest rate differences between currency pairs. There will be no daily rollover required and therefore, no interest may be gained or lost when holding an overnight position.

Value Date/Fixing Date

A Deliverable Forward contract is an agreement to buy or to sell a Forex contract at a specified future date known as the Forward Date. When present day approaches the future, the Deliverable Forward contract will become a Spot Forex contract when the Forward date is equal to the Spot Date. The party agreeing to buy the underlying Spot Forex contract in the future assumes a long position, and the party agreeing to sell the Spot Forex contract in the future assumes a short position.

For Non Deliverable Forward, as these contracts are cash-settled, there is a need for an agreed fixing date and time. The fixing date is the day whereby the difference between the prevailing market spot rate (please see Table 1) and the agreed exchange rate is calculated. The value date is the date where the difference is paid or received in USD. The fixing date is usually 2 business days before the value date. Note that for USDPHP, the fixing date is 1 business day before the value date.

Table 1: Determination of prevailing market spot rate

Reference Page (Published Sources)		Fixing and Published Time
USD/Indian Rupee	Reuters RBIB Bloomberg NDF	16.00 - 16.30 (SGT)
USD/Indonesia Rupiah	Reuters JISDOR Bloomberg NDF	11.00 - 11.30 (SGT)
USD/Renminbi	Reuters CNYFIX Bloomberg NDF	9.15 - 9.30 (SGT)
USD/Korean Won	Reuters KRWFIX=KTFC Bloomberg NDF	14.00 - 14.30 (SGT)
USD/Taiwan Dollar	Reuters TWDFIX=TPFI Bloomberg NDF	11.00 - 11.30 (SGT)
USD/Philippine Peso	Reuters PHPFIX=PDSP Bloomberg NDF	11.30 - 12.00 (SGT)

The prevailing market spot rate on fixing date is determined by a daily-posted rate (usually posted to a specific Reuters or Bloomberg screen), referred to as the “fixing rate”. The fixing rate is generally based on the spot rate traded for the currency onshore during the pre-determined time of fixing.

Closing Positions

Similar to Spot Forex/Precious Metal contract, Deliverable and Non Deliverable Forwards are closed out on a First In, First Out (FIFO) basis.

For Deliverable Forward (DF) position, you can only close the position by entering a trade of the exact contract on the opposite side. When the DF becomes a Spot Forex contract²⁸, you can close the position by entering a Spot trade on the opposite side.

For Non Deliverable Forward (NDF) position, you can close an existing NDF position before the fixing date by entering a trade of the exact contract on the opposite side. For all open NDF positions held until expiry, the contracts will be automatically closed out at the fixing rate during fixing.

3. Key Risks of Deliverable Forward and Non Deliverable Forward Trading

Trading of Deliverable Forward (DF)/Non Deliverable Forward (NDF) 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 DF/NDF, which include but are not limited to the following:

Leverage Risk

As Deliverable Forward and Non Deliverable Forward are traded on margin, any gains or losses in leveraged trading can be amplified. A relatively small market movement will have a proportionately larger impact on your equity balance. If the market moves against your 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 (also known as a “margin call”).

Liquidity Risk

Deliverable Forward and Non Deliverable Forward are traded on an over-the-counter (OTC) basis, which are subject to the availability of buy and sell prices and volume. DF and NDF traders may experience insufficient depth of market liquidity and a wide bid-offer spread when onshore spot rates are volatile or closed due to holidays or closure of trading hours. Hence, it is important that customers seek clarification and gain understanding on the nature of contracts they intend to trade.

Additional Risks

Due to frictional errors from market makers, Deliverable Forward and Non Deliverable Forward are also subjected to having a stale price traded off the current fair values. Phillip Futures reserves the rights to amend the executed price in DF or NDF to the price deemed to be fair by Liquidity Providers if there is a “price discrepancy” situation.

Additionally, due to the nature of fixing at expiry for NDFs, these contracts have an additional risk concerning the spot rate at which the contract settles when used as a hedging instrument. This rate is often a rate posted by onshore authorities or offshore organisations and there is no guarantee that NDF parties will actually be able to convert onshore currency at that rate.

²⁸ If you hold the Deliverable Forward until maturity, it will become a Spot Forex contract 2 business days before the value date, except for USDCAD which will be 1 business day.

Counterparty Risk

Deliverable Forward and Non Deliverable Forward are over-the-Counter (OTC) leveraged products traded on an off-exchange basis. The firm with which customers conduct their transactions (which may be Phillip Futures, or another firm, if Phillip Futures acts as your broker to effect a transaction with such firm) may be acting as counterparty to the transaction.

4. Margin Requirements²⁹

The margin requirements for Deliverable Forward contracts are similar to Spot Forex contracts. The margin levels for different Non Deliverable Forward contracts are stipulated in the Contract Specifications Sheet³⁰. By trading on margin, you are able to leverage on the full contract value. Margin required for DF and NDF are in USD.

Minimum Margin

There are two levels of minimum margin:

- a) Initial Margin (IM)³¹: A good faith deposit required in the customer's account to initiate a new position
- b) Maintenance Margin (MM)³²: 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.

²⁹ For margin requirements of respective products, log in to <https://myaccount.phillipfutures.com.sg> or contact our Client Service team at (65) 6538 0500 for enquiry.

³⁰ For the latest NDF Contract Specifications Sheet, contact our Client Service team at (65) 6538 0500 or email futures@phillip.com.sg for enquiry.

³¹ 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 Client Service team at (65) 6538 0500 for enquiry.

³² 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 Client Service team 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. Excess Equity Arising from Deliverable Forward and Non Deliverable Forward Profits

Initial margins for both Deliverable Forward and Non Deliverable Forward are returned when the positions are closed to facilitate your continued trading.

Deliverable Forward (DF)

Any unrealised profits made on DF positions will be included in margins available for trading. However, any profits made on DF closed-out positions will not be allowed to be withdrawn till the expiry (i.e. value date) of the contracts because the profits would not have reach delivery before its expiry.

Non Deliverable Forward (NDF)

Any unrealised profits made on NDF positions will not be included in margins available for trading due to Singapore regulatory requirements. However, after the fixing date when the contract is settled and the profits are converted to USD, the profits can then be used as margin for trading. Consequentially, any profits made on NDF closed-out positions will not be allowed to be withdrawn till the expiry (i.e. value date) of the contracts because the exact USD profits cannot be realised without the fixing rate.

6. Settlement Currency

All Deliverable Forward contracts will be initiated and settled in the respective traded currencies. Phillip Futures does not provide auto conversion from traded currencies to SGD and vice versa.

All Non Deliverable Forward contracts would be settled in USD. Profits will neither be made in the controlled term currencies, nor will customer hold actual balances in the controlled currencies, and therefore it cannot be converted.

The customer's statement shows balances in the restricted reference currency as an indication of profits or losses in the reference currency based on the settlement rate. These balances are for indication and does not imply that the customer actually have balances in the restricted currency. Positive balances in the reference currency will be converted to USD only upon fixing and that amount can be withdrawn after the value date.

7. Illustration of NDF Profit and Loss Calculation

Exact profits or losses are calculated in USD on the fixing rate during expiry. Positions are automatically closed out if held till expiry (i.e. value date) and settled in USD terms.

It is important to understand how to calculate the profit and loss. Below example illustrates how the profit and loss is calculated.

Example:

When position is squared off before fixing date

A customer longs (buys) 100,000 USD/INR NDF for value date 20 January, fixing date 18 January, at 61.80 and subsequently squares off the same NDF contract at 62.00 before expiry.

$$\begin{aligned} \text{Profit/Loss} &= (\text{Selling price} - \text{Buying price}) \times \text{Contract size} = (62.00 - 61.80) \times 100,000 \\ &= 0.20 \times 100,000 = 20,000 \text{ (INR)} \end{aligned}$$

As this is non-deliverable, this profit in Indian Rupee cannot be settled in Indian Rupee. Instead, it needs to wait for the fixing date, in this case 18 January, when the fixing rate is published before the profit can be settled in USD. Take for example on 18 January, the fixing rate published is 62.50.

Fixing Rate = 62.50 (available on 18 January)

$$\text{Profit/Loss} = 20,000 \text{ (INR)} / 62.50 = \text{USD}320 \text{ (settled on the 20 January)}$$

When position is held till fixing date

A customer longs (buys) 100,000 USD/INR NDF for value date 20 January, fixing date 18 January, at 61.80 and holds till expiry. Take for example on 18 January, the fixing rate published is 62.50.

Fixing Rate = 62.50

$$\begin{aligned} \text{Profit/Loss} &= ((\text{Fixing rate} - \text{Buying price}) \times \text{Contract size}) / \text{Fixing Rate} \\ &= ((62.50 - 61.80) \times 100,000) / 62.50 \\ &= (0.70 \times 100,000 = 70,000 \text{ (INR)}) / 62.50 = \text{USD } 1,120 \end{aligned}$$

PHILLIP FUTURES CONTRACT FOR DIFFERENCE INFORMATION SHEET

1. What is a Contract for Difference (CFD)?

Contract for Difference (CFD)

CFD is an agreement between two parties to settle the difference between the opening and closing prices of the contract multiplied by the number of units of the underlying asset specified in the CFD. CFDs allow customers to participate in the price movement of an underlying product without actually owning the asset, such as shares, indices, commodities, currencies and treasuries.

Phillip Futures offers the following types of CFDs:

- Global Indices CFD
- Commodities CFD
- Share CFD
- Cryptocurrencies CFD

How is the CFD quoted?

CFD prices are derived from prices of the reference instrument quoted in the underlying exchange, market or liquidity provider. Therefore, CFD prices will only be available if the underlying exchange or market is open or if there is sufficient liquidity.

2. Key Features of CFD

Leverage

CFD 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. This allows customers to take a position on the underlying asset without actually having to buy and sell the underlying asset itself. Holding short positions offers flexibility in trading opportunities, even when markets face a decline.

Customers can short CFD on single shares and not be subjected to the T+2 days’ contra period or the need to engage in SBL³³. However, the risk of shares recall remains.

Please note that for Cryptocurrencies CFDs, you will be able to go both long and/or short on Bitcoin and Ethereum. However, you will only be able to go long on Ripple and Litecoin. Sell side orders for Ripple and Litecoin are accepted for liquidation only.³⁴

Phillip Futures reserves the right to limit your ability to go long or short for any CFD instruments.

³³ Securities Borrowing and Lending (SBL) facility allows customers to short the market by borrowing shares.

³⁴ Please refer to our full [contract specifications](#) for the most updated details

Hedged Position³⁵

Holding opposite (i.e. long and short) positions of the same CFD contract simultaneously without closing out each other is referred to as a “Hedge”. The ability to hold hedged positions offers opportunities to take advantage of differences in directional view across the short and long term.

No Expiry Date

CFD contracts have no expiry dates. This means that you can keep CFD positions open as long as you wish, subject to the meeting of margin requirements, and there is no need to manually roll over the positions. It is important to note that CFD prices can be impacted when underlying contracts roll over in the futures market, as the underlying asset tends to experience greater market volatility during a rollover.

CFD Holding Cost

At the end of each trading day, open positions in your account will be subjected to a charge called a 'holding cost'. The holding cost can be positive or negative depending on the direction of your position and the applicable holding rate. The applicable holding rate differs across various underlying assets, and is a function of:

- Financing costs (based on benchmark rates)
- Interest Rate differentials
- Cost of Carry adjustments
- Dividends adjustments
- Mark ups

Closing Positions

For a CFD position, you can only close the position by entering a trade of the same contract on the opposite side.

On MT5, CFD contracts can be closed individually or closed by a hedged position, as illustrated in the example below:

a. **Close by Hedged Positions**

The investor went long (buy) 2 DBS-SGX CFD at SGD19.16. Subsequently, he went short (sold) 1 DBS-SGX CFD at SGD20.55. However, both positions remain open until the investor specifies to close the short 1 position against the long 2 positions. The result is an outstanding 1 DBS-SGX CFD (Long) position.

b. **Individually closed out positions**

In a similar fashion, another investor went long (buy) 2 DBS-SGX CFD at SGD19.16. He/she specifically selects the position to *close* by selling 1 DBS-SGX CFD. The result is still an outstanding 1 DBS-SGX CFD (Long) position.

3. Key Risks of CFD Trading

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

³⁵ This is only applicable to MT5.

Leverage Risk

As CFDs are traded on margin, gains and losses can be amplified. A relatively small market movement will have a proportionately larger impact on your equity balance. If the market moves against your 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 (also known as a margin call³⁶).

Liquidity Risk and Risk of Trading Suspension

CFDs are traded on an over-the-counter (OTC) basis, which are subject to the availability of buy and sell prices and volume. CFD traders may experience insufficient depth of market liquidity and a wide bid-offer spread when the underlying markets are experiencing volatility, off peak trading or are closed. As such, Phillip Futures does not offer CFD trading when the exchange for the underlying market is closed. As slippages can be expected when liquidity is thin, working orders may not be filled at the exact specified price. Hence, it is important that customers seek clarification and gain understanding on the nature of contracts they intend to trade.

Additionally, there may be instances where CFD trading is temporarily suspended for reasons such as:

- Severe market volatility in the underlying market where spreads are unfavourable
- Underlying market hits the limit up, or limit down, bands and trading is suspended
- Trading halts on the underlying, as announced by the associated exchange
- Negative pricing experienced on the underlying asset

Even where trading is suspended on the MT5 trading platform, liquidation may still happen to customer's CFD positions should the Equity Balance fall below the stipulated *force-selling* margin level (also known as the Close Out Level).

Counterparty Risk

CFD is an over-the-counter (OTC) leveraged product traded on an off-exchange basis. However, CFD trading is regulated by the Monetary Authority of Singapore (MAS), and is maintained in high integrity in accordance to MAS regulations. The firm with which customers conduct their transactions (which may be Phillip Futures, or another firm, if Phillip Futures acts as your broker to effect a transaction with such firm) may be acting as counterparty to the transaction.

Additional Risks

Due to pricing errors from market makers, CFDs are subjected to having a stale price traded off the current fair values. In a "price discrepancy" situation, Phillip Futures reserves the right to amend the executed price in CFD to the price deemed to be fair by liquidity providers.

Market Volatility

Financial markets may fluctuate rapidly and the prices of our products will reflect this. Gapping is a risk that arises as a result of market volatility. Gapping occurs when the prices of our products suddenly shift from one price to another, as a consequence of market volatility. You may not be able to place an order or the platform may not be able to execute an order between the two price levels. This could result in stop orders being executed at unfavourable prices, either higher or lower than you may have anticipated, depending on the direction of your trade. Customers can limit the risk and impact of market volatility by applying an order boundary (i.e. stop-limit orders).

Risk of Shares Recall

To enable the customer to take a short CFD position, there may be a need to borrow the shares of the underlying to conduct a short hedge. Lenders of the shares have the right to recall anytime. In the

³⁶ Please note that margin call is not applicable to MT5. MT5 will auto liquidate the positions when equity balance falls below the stipulated force-selling margin level (also known as the Close-out Level)

event of a recall, the shares may have to be returned at short notice and the CFD provider might no longer be able to maintain the short hedge. This may result in Phillip Futures force closing³⁷ your short Share CFD positions immediately or at a short notice. In addition, where working short Share CFD orders have been accepted, Phillip Futures will be entitled to disregard or cancel those orders without liability as a result of such action.

Regulatory changes prohibiting short selling and share borrowing in specific shares or in the entire underlying market may also result in the broker force closing customers' short positions in CFD.

Weekend Gap Risk on Cryptocurrencies

Major cryptocurrencies trade 24 hours including weekends. However, Cryptocurrency CFDs offered by Phillip Futures are not tradable on weekends and have specific trading hours. This may result in wide price gaps when the market opens after weekends that experienced market volatility.

4. Cryptocurrencies CFDs and Blockchain

As opposed to traditional fiat currencies, cryptocurrencies are a form of digital currency secured by cryptography, allowing individuals to transmit them in a virtual setting, anytime and anywhere. Cryptocurrencies are decentralised with no overarching regulatory body.

The Bitcoin, launched in 2009, was the first cryptocurrency. Other examples of cryptocurrencies are Ethereum, Litecoin, Ripple and etc.

A blockchain is a database that functions as a decentralised virtual ledger, existing on a network of many computers. Data is arranged chronologically in blocks and each block's metadata contains information linking it to the previous one. As such, once data has been stored, any modifications or deletions will be almost impossible.

5. What are hard forks in cryptocurrencies and how are they handled

A fork is when software is modified or updated creating a divergence in the cryptocurrency's blockchain. When software is updated to be backward compatible, it is called a soft fork. The updated software can still work and interact with older versions.

A hard fork on the other hand, fundamentally changes the software, making it not backward compatible. Blocks running the new software will not be recognized and work with users running the older software, essentially splitting a single cryptocurrency into two.

In the event of a hard fork of a cryptocurrency, we will generally follow the blockchain that has majority consensus of users and apply it to the basis for its price. Phillip Futures reserves the right to determine the cryptocurrency unit which has the majority consensus behind it.

If the hard fork results in a viable second cryptocurrency, we reserve the right to create an equivalent position on your account or make a cash adjustment to represent this value. This is done at our discretion and we will have no obligation to not do so.

If, within a reasonable time frame, the second cryptocurrency does not become tradable, we may void positions that was previously created at zero value on your account.

³⁷ This is uncommon, but may happen if the underlying Stock becomes hard to borrow due to corporate events such as take overs and other merger and acquisition activities.

Hard forks may cause substantial volatility in prices and Phillip Futures reserves the right, in its sole and absolute discretion to suspend trading in accordance to our Terms and Conditions and/or Customer Trading Agreement.

6. Key Risks of Cryptocurrencies CFD Trading

There are a number of risks involved in trading CFDs. Customers are advised to understand the nature and risks involved in margin and CFD trading before trading.

The price of our cryptocurrency CFDs are made available to us by the exchanges and liquidity providers who we trade with. Please note that Phillip Futures reserves the right, in its sole and absolute discretion to suspend trading in accordance to our Terms and Conditions and/or Customer Trading Agreement.

In addition to the key risks of trading CFDs stated in Section 3 above, trading CFDs on cryptocurrencies entail additional risks that include but are not limited to:

Lack of legislative protection by MAS

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.

Extreme volatility

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 risks and price slippages

Cryptocurrencies is a relatively new asset class and regulations, or a lack thereof, may have an impact on liquidity which in turn may result in unwanted price slippages. This is exacerbated in times of market volatility.

Possible failure of cryptocurrency exchanges may also increase illiquidity.

Cybersecurity risks

Being a virtual, decentralised currency with no overarching regulatory body, cryptocurrency intermediaries are vulnerable to security breaches and market manipulations. Technical glitches on cryptocurrency intermediaries may happen as well. Such scenarios may cause disruption to trading and may cause substantial volatility in prices.

Hard forks

A hard fork changes the software, making it not backward compatible. Blocks running the new software will not be recognised and work with users running the older software, essentially splitting a single cryptocurrency into two. Hard forks may cause substantial volatility in prices.

Phillip Futures will endeavour to inform you of any hard forks but it is ultimately your responsibility to be aware of them.

7. Margin Requirements³⁸

The transacting of CFD contracts is subjected at all times to initial margin and maintenance margin requirements established by Phillip Futures. Phillip Futures reserves the right to amend the margin requirements without notice to you. The margin requirements³⁹ for different CFD contracts established may be (and likely will be) higher than the corresponding minimum requirements under Applicable Laws or applicable rules/directives/regulations/requirements of relevant correspondent brokers or applicable Market(s). By trading on margin, you are able to leverage on the full contract value. Margin required for CFDs are in US Dollars.

Force-liquidation Margin (FM)⁴⁰

Phillip Futures reserves the right to liquidate your CFD positions without prior notice when the Equity Balance falls below the stipulated *force-selling* margin level (also known as the Close-out Level). For Phillip MT5 system, you will be receiving a notification should your account be in margin deficit. You are required to reduce your position(s) or top up your funds immediately to bring your margin level back above initial margin level requirements. It is your responsibility to monitor the equity balance in your account to avoid the risk of your account meeting the Close-out Level which will result in the automatic liquidation of your position(s) at market prices.

8. Settlement Currency

All CFD contracts are settled in US Dollar. Should the CFD's referenced underlying asset be denominated in currencies other than the US Dollar, the trading platform will automatically convert any realised profits or losses, holding costs, commissions, and (if any) derived cash adjustments from resolutions on corporate actions into US Dollar, based on the prevailing market conversion rate. Should the profits or losses be *unrealised*, the customer's statement will show balances in these various currencies for indication only.

9. Illustration of CFD Profit and Loss Calculation

Please see the examples below to understand how profit and loss of a CFD contract is calculated.

Profit and Loss (Commodity)

You *bought* 1 CFD (contract size of 100 barrels) of UKOIL at USD70 per barrel, and

- a) sold 1 UKOIL CFD at USD73 subsequently. You will gain a profit of USD300. This can be calculated as $(USD73 - USD70) \times 100 \text{ barrels} = USD300$
- b) sold 1 UKOIL CFD at USD65 subsequently. You will incur a loss of USD500. This can be calculated as $(USD65 - USD70) \times 100 \text{ barrels} = - USD500$

Profit and Loss (Indices)

You *sold* 1 CFD (contract size of 1 index share) of US30 at USD25,000, and

- a) bought 1 US30 CFD at USD24,000 subsequently. You will gain a profit of USD1,000. This can be calculated as $(USD25,000 - USD24,000) \times 1 \text{ CFD} = USD1,000$

³⁸ For margin requirements of respective products, log in to <https://myaccount.phillipfutures.com.sg> or contact our Client Service team at (65) 6538 0500 for enquiry.

³⁹ 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 Client Service team at (65) 6538 0500 for enquiry.

⁴⁰ This is applicable to MT5 only.

- b) bought 1 US30 CFD at USD25,100. You will incur a loss of USD100. This can be calculated as $(USD25,000 - USD25,100) \times 1 \text{ CFD} = - USD100$

Profit and Loss (Shares)

You *bought* 1 CFD (contract size of 1000 shares) of DBS-SGX at SGD19.16, and

- a) sold 1 DBS-SGX CFD at SGD20.55 subsequently. You will gain a profit of SGD1390⁴¹. This can be calculated as $(SGD20.55 - SGD19.16) \times 1000 \text{ shares} = SGD1390$
- b) sold 1 DBS-SGX CFD at SGD18.17 subsequently. You will incur a loss of SGD990. This can be calculated as $(SGD18.17 - SGD19.16) \times 1000 \text{ shares} = - SGD990$
- c) in the worst case scenario, the price of DBS-SGX CFD falls to zero and the underlying stock is delisted. You will incur a loss of the full contract value of SGD19,160. This can be calculated as $(SGD19.16 - SGD0) \times 1000 \text{ shares} = - SGD19,160$. You may also be liable for additional charges, costs and fees incurred.

Profit and Loss (Cryptocurrencies)

You *sold* 1 CFD (contract size of 1 coin) of BITCOIN at USD11,000, and

- a) bought 1 BITCOIN CFD at USD10,000 subsequently. You will gain a profit of USD1,000. This can be calculated as $(USD11,000 - USD10,000) \times 1 \text{ CFD} = USD1,000$
- b) bought 1 BITCOIN CFD at USD11,500. You will incur a loss of USD500. This can be calculated as $(USD11,000 - USD11,500) \times 1 \text{ CFD} = - USD500$

Holding Costs

If you hold your positions in CFDs to the next trading day, there is a holding cost which is levied as a daily accumulated charge. This charge is reflected under the "Swap" field in your trading platform. Do note that for *Buy* positions, the applicable holding cost would be displayed as "*Long Swap*" rate, and for *Sell* positions, the applicable holding cost would be "*Short Swap*" rate.

As the holding cost is a derivation of financing/carry costs, interest rate differentials and dividends adjustment, there may be instances where further adjustments are required to be levied upon the positions carried over from the previous trading day. These adjustments will be imposed as cash balance adjustments that could either debit the account, or credit more equity into the account.

Example of CFD Holding Cost Calculation

With swap rate for UKOIL and US30 as follows:

Symbol	Long Swap (in points)	Short Swap (in points)	Pricing Precision (decimal for 1 point)
UKOIL	22.88	-61.68	0.001
US30	-237.39	-120.21	0.01

⁴¹ Please note that profit and losses derived in currencies other than US dollars will be auto-converted into US dollars upon realization on the MT5 platform. The prevailing market conversion rates will apply.

You *bought* 1 CFD of UKOIL (contract size of 100 barrels) and you held this position to the next day. The holding cost for carrying this *buy* position will be calculated as:

- Holding Value = (Applicable swap rate in points x Pricing Precision) x Contract Size
= (22.88 x 0.001) x 100 barrels = USD2.29 (receive)

Do note that positive number in this above example means that you will receive USD2.29.

You *sold* 1 CFD of US30 (contract size of 1 index share) and you held this position to the next day. The holding cost for carrying this *sell* position will be calculated as:

- Holding Value = (Applicable swap rate in points x Pricing Precision) x Contract Size
= (-120.21 x 0.01) x 1 CFD = - USD1.20 (pay)

Do note that negative number in this above example means that you will pay USD1.20.

Basis Adjustment

Basis refers to the difference between the price of the spot asset and its underlying futures.

Price basis adjustment occurs when the opening price of a spot CFD contract is adjusted according to the price fluctuations on the calendar spreads of its underlying futures. This is to allow a smoother price continuation as spot CFD prices take reference from its related underlying futures contracts and futures have fixed expiry dates.

The adjusted basis on the price of the CFD contract will be debited and credited to your account based on the net positions held overnight. The purpose of this is to negate the impact on any trading profit and loss that arise due to the price adjustment of the CFD contract.

Should the price basis adjustment be positive, long positions will be debited the corresponding value as the inflation on price should not be considered as an actual trading profit. Conversely, short positions will be credited.

Should the price basis adjustment be negative, long positions will be credited the corresponding value as the fall in price should not be considered as an actual trading loss. Conversely, short positions will be debited.

Basis adjustment applies to selected CFDs only and can occur at different frequencies. Please refer to the contract specifications for more details.

Please note that basis adjustment for certain contracts (especially commodities CFD) could be wider than usual on rollover dates. Basis adjustment for commodities related products will occur on the following day of initiating your position.

Example of basis adjustment on UKOIL

The price basis adjustment of UKOIL is \$0.01 per barrel. In other words, the price of UKOIL was adjusted \$0.01 higher the next day at the open.

- 1) You bought 100 barrels of UKOIL and held them overnight.

- Basis adjustment amount = (price basis adjustment) x (contract size)
= USD 0.01 x 100 barrels = USD 1 (pay)

You will pay USD 1 to negate any trading profit due to the price basis adjustment.

2) You sold 100 barrels of UKOIL and held them overnight.

- Basis adjustment amount = (price basis adjustment) x (contract size)
= USD 0.01 x 100 barrels = USD 1 (receive)

You will receive USD 1 to negate any trading loss due to the price basis adjustment.

10. Impact of Corporate Actions

A corporate action is an event that brings about a material change to the underlying stock, or an event that is initiated by a firm that has an impact on its shareholders. Dividends, rights issue, warrants, bonus issue, stock splits, stock delisting or suspension are corporate actions that apply to Share CFD.

Dividends

A dividend adjustment will apply to CFD on Equities for positions held to the ex-dividend date of its underlying shares. Where applicable, this adjustment will be calculated based on the weight of the stock in the index. For single shares, local taxation⁴² rules applicable are accounted for.

Dividend adjustments are presented as a component of the aforementioned holding costs. The amount applicable is computed, along with financing charges, into the “swap” field of the MT5 trading platform.

Example of Dividends inclusion in Holding Rate

For example, the underlying share of DBS Group Holdings announced a final dividend of 33 cents per share. On ex-dividend date, customers holding DBS-SGX share CFD will incur a holding rate presented as follows. A positive rate indicates that customer will receive, while a negative rate indicates that customer will pay.

Symbol	Currency	Pricing Precision	1 day Financing Charges for Long Position	1 day Financing Charges for Short Position	Dividends for Long Position	Dividends for Short Position	Swap Long in Points	Swap Short in Points
DBS-SGX	SGD	0.01	-0.0017	-0.0009	0.33	-0.33	32.83	-33.09

You *bought* 1 CFD (contract size of 1000 shares) of DBS-SGX, and you held this position to the next day, which is the ex-dividend date. The holding cost for carrying this *buy* position will be calculated as:

- Holding Value = (Applicable swap rate in points x Pricing Precision) x Contract Size
= (32.83 x 0.01) x 1000 share = SGD328.3 (receive)

⁴² Withholding tax is a levy deducted from dividends in most underlying markets. The withholding tax deduction does not apply to short positions. Tax relief applicable will be dependent on the entitlement of Phillip Futures, and not tax treaty that Individuals may enjoy. Example, for CFD on US Shares, the withholding tax rate for all customers will be 30% whether they are based in Singapore or otherwise.

You *sold* 1 CFD (contract size of 1000 shares) of DBS-SGX, and you held this position to the next day, which is the ex-dividend date. The holding cost for carrying this *sell* position will be calculated as:

- Holding Value = (Applicable swap rate in points x Pricing Precision) x Contract Size
= (-33.09 x 0.01) x 1000 share = - SGD330.9 (pay)

Dividend adjustments are denominated in the respective instrument's settlement currencies⁴³.

Rights Issue

Trading of rights, when issued, is not facilitated. Customers, who are eligible for the rights⁴⁴, will not be able to sell or exercise the rights. Appropriate cash adjustments will apply when the underlying shares undergo rights issue, only for customers with long positions. To do this, rights received will automatically be subscribed on ex-right date, on condition that the rights are In-The-Money⁴⁵. Phillip Futures will at its sole and absolute discretion trade out the new positions from the rights subscription upon receiving the underlying shares when the market is open, or where liquidity in the market is permissible, whichever is deemed more appropriate by Phillip Futures in light of the circumstances.

The amount of cash adjustment applicable will be as follows:

- Cash adjustment amount = (Price where new positions sold – Subscription Price) x No. of shares held x US Dollar conversion rate

Customers who do not wish to be subjected to this discretionary action should liquidate their positions before ex-right date. Short positions will have to be liquidated one day before ex-right date. Customer shall indemnify Phillip Futures and Phillip Futures shall not be liable for any loss arising from or in connection with Phillip Futures' or the Customer's action or inaction in relation to such corporate action resolution.

Warrants

Trading of warrants, when issued, is not facilitated. Customers will not be able to sell or exercise the warrants. Appropriate cash adjustments will apply when the underlying shares undergo warrants issue (i.e. warrants rights issue or bonus warrants), only for customers with long positions. This process is similar to the rights issue procedure.

Customers who do not wish to be subjected to this discretionary action should liquidate their positions before ex-warrant date. Short positions will have to be liquidated one day before ex-warrant date. Customer shall indemnify Phillip Futures and Phillip Futures shall not be liable for any losses arising from or in connection with Phillip Futures' or the Customer's action or inaction in relation to such corporate action resolution.

Bonus Issue (Stock Dividend)

There will be no new CFD quantity allocated on exercise date, and no change to the original CFD position. Similar to rights issue, Phillip Futures will at its sole and absolute discretion trade out the new positions from the bonus issue upon receiving the underlying shares when the market is open, or where liquidity in the market is permissible, whichever is deemed more appropriate by Phillip Futures in light of the circumstances. Appropriate cash adjustments will apply where customers holding long

⁴³ Please note that profit and losses derived in currencies other than US dollars will be auto-converted into US dollars upon realization on the MT5 platform. The prevailing market conversion rates will apply.

⁴⁴ This includes renounceable rights and non-renounceable rights.

⁴⁵ In-The-Money is an expression that refers to where current market price is above the subscription price (also known as strike price) of the right, and the right possesses intrinsic value. Conversely, where the right is Out-of-the-Money or At-The-Money, the right will be allowed to expire worthless.

positions will receive positive cash adjustments, while customers holding short positions will incur negative cash adjustments.

There is no requirement that short positions will have to be liquidated one day before exercise date. However, customers who do not wish to be subjected to this discretionary action should liquidate their positions before exercise date. Customer shall indemnify Phillip Futures and Phillip Futures shall not be liable for any losses arising from or in connection with Phillip Futures' or the Customer's action or inaction in relation to such corporate action resolution.

Stock Split (Reverse Stock Split)

Stock splits usually take place when the value of a company's stock is getting too high. The share price will fall by a pre-determined percentage and holders will gain the same percentage of shares. To account for this, the current Share CFD position will be closed and re-booked at Zero Profit and Loss. All orders related to the CFD on the underlying Share will be cancelled. The settlement rate and associate margins required will also be adjusted for the stock split.

Example on Share CFD stock split

You *bought* 1 CFD (contract size of 1000 shares) of DBS-SGX at SGD19.16 and DBS Group Holdings announced a stock split of 2 for 1. You held this position to split day date. This means that, for every 1 share you hold, you will be issued 2.

The original buy position of 1 CFD on DBS-SGX at SGD19.16 will be closed at SGD19.16. The new position will be re-booked at Zero Profit and Loss, so you will now hold 2 CFD on DBS-SGX at the reduced price of SGD9.58. Note that the overall contract value remains the same.

Suspension

Whenever a stock suspends, Phillip Futures will conduct an internal review and decide whether it is likely to trade again. If the news surrounding the company is negative, customers with open share CFD on the underlying stock will be notified that the margin requirement may be raised substantially after internal review. There will be no trading allowed for the share CFD during the suspension period. The margin requirement could remain at elevated levels until there is further news in the underlying market.

Delist

As soon as a company announces it is delisting, the stock status will first need to be reviewed by Phillip Futures. For open share CFD positions on a stock that delists, the position will be closed at a level of zero. All orders related to the CFD on the underlying Share will be cancelled. Phillip Futures, on best effort basis, will seek returns to shareholders, a process which may take years. Any return found will be credited back to customer's account.

Other Corporate Actions not considered by Phillip Futures

Notwithstanding the foregoing, Phillip Futures reserves the right to close all open positions and working orders relating to CFDs of the underlying security before the ex-date for any corporate action not mentioned above.

In the event there is a combination of Corporate Actions ("CA-Cum All"), where it includes corporate actions other than the above mentioned, customers may not be able to enjoy the entitlement and may be required to close off all open positions before the ex-date.

11. 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) 6536 7200 or through your Account Executive. Applicable administrative charges could apply.

12. Order Filling

All orders are matched based on the bid/offer price of the CFD contract. Investors who want to buy a contract can submit a buy order based on the current offer price, or queue at a specific price. The order would be executed once the instrument's offer price matches the specified buy price level. The result of the order fill will be dependent on the liquidity at that point in time.

Conversely, a customer can also submit a sell order based on the current bid price, or queue at a specific price. The order would be executed once the instrument's bid price matches the specified sell price level.

Technically there is no last done price for CFD as it is not exchange traded, and there is no central body to keep track of the last traded price.

PHILLIP FUTURES STOCKS AND EXCHANGE TRADED FUND (ETF) SHARES INFORMATION SHEET

1. What is a Stock?

A stock is a security that represents ownership equity in the issuing corporation. Stocks are listed and transacted on stock exchanges such as the Singapore Exchange, Hong Kong Exchange and New York Stock Exchange.

2. What is an Exchange Traded Fund (ETF)?

An ETF is a basket of securities that are listed and traded on a stock exchange. ETFs usually aim to track or replicate the performance of an underlying index, sector or asset.

Passive ETFs vs Active ETFs

Passive ETFs

Passive ETFs track their reference index which can be a broad-based market index or an index for a specific sector. Traditionally, Passive ETFs do not seek to beat the market so they usually have lower fees as compared to active ETFs. To replicate its reference index, passive ETFs may purchase all or a representative sample of the securities making up the index. As compared to Active ETFs, Passive ETFs tend to have a lower expense ratio because lesser fund managers are required and with less trading activities, lower brokerage fees are incurred.

Active ETFs

Active ETFs are ETFs that are actively managed by its fund managers. Even though actively managed ETFs may have an underlying benchmark index, the percentage exposure to a specific security making up the ETF are based on the fund manager's discretion. Hence Active ETFs can potentially outperform the market, providing greater returns, but on the flipside they may also underperform the benchmark index too.

ETFs vs Mutual Funds

Both ETFs and mutual funds are professionally managed and both enjoy the benefit of being diversified and thus are less risky compared to investing in individual stocks or bonds.

	ETFs	Mutual Funds
Transacting method	Bought on an exchange like a stock.	Bought directly from a fund company.
Minimum investment	As small as 1 share.	Mutual funds may require a minimum investment which could vary between USD100 to USD5,000.
Trading costs	Regardless of the performance, investors must pay brokerage, annual fees, management fees and other expenses.	Regardless of the performance, investors must pay the sales charges, annual fees, management fees and other expenses.

Price transparency	Prices are determined by market forces and can fluctuate throughout the trading session.	Mutual funds value their NAV (net asset value) once a day. Purchasing or selling shares of a mutual fund will be executed at the next available NAV which is calculated after the close of the respective market.
Position transparency	A quarterly disclosure of holdings is required by the Securities and Exchange Commission (SEC). However, most funds disclose their public holdings daily.	A quarterly disclosure of holdings is required by the SEC.
Dividend pay-outs	Yes	Yes

Types of ETFs

- a) **Equity ETFs**
Equity ETFs track an index by holding a portfolio of equities or stocks similar to its reference index. Equity ETFs can allow exposure to an entire stock market, geographic regions or even specific sectors.
- b) **Bonds/Fixed Income ETFs**
Bonds and fixed income are generally less liquid and are not actively traded in the secondary market. Bonds and fixed income ETFs give investors exposure to corporate to government bonds and are typically less volatile than equity ETFs.
- c) **Commodity ETFs**
Commodity ETFs often use futures or other derivatives to offer exposure to commodities such as gold, silver and oil. Commodity ETFs may incur higher expenses due to the need to constantly roll over the underlying Futures.
- d) **Currency ETFs**
Currency ETFs tracks specific foreign currencies or a basket of currencies through cash deposits, money market securities and derivatives such as Forward currency contracts and swaps.
- e) **Inverse ETFs**
Inverse ETFs, designed to profit from a decline in value from a correlating benchmark, are constructed using various derivatives such as Futures. Inverse ETFs can therefore be used as a hedge for an investment portfolio. Theoretically, shorting an asset contains unlimited risks but the maximum loss on an inverse ETF will be the amount paid for the ETF.

Inverse ETFs are traditionally not long term investments as the underlying derivatives are typically sold and bought back daily. As a result of daily adjustment and more frequent monitoring, higher management fees are often incurred. Moreover, markets typically have an upside bias over the long term, reducing its viability over the long run.
- f) **Leveraged ETFs**
Leverage ETFs uses derivatives and debt to amplify movements of its reference index, either positively or negatively.

Understanding ETF Families

The most popular ETF families include iShares, Vanguard and SPDRs (S&P Depository Receipts). These brands are owned by mutual fund companies. For example, iShares ETFs are marketed and managed by BlackRock, while SPDR ETFs are managed by State Street Global Advisors.

An ETF family can offer funds in various asset classes. For example, iShares Core U.S. Aggregate Bond ETF offer exposure to investment grade U.S bonds. iShares Core S&P 500 ETF tracks the S&P 500 index, offering exposure to large cap U.S equities. And iShares Gold Trust was designed to track the spot price of gold on the London bullion market.

3. Key Risks of Stocks Trading

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

Equity Risks

Equity Price Risks refers to the risk of losses because of adverse movements on the prices of securities. The market price of a stock moves as a result of supply and demand factors. If demand on a stock outpaces its supply, with all other factors remaining the same, the price of the stock is expected to increase. Vice versa, if the supply is greater than the demand, we expect the price of the stock to fall. A stock price can fall to zero. In other words, the stock loses its entire value and shareholders will lose their entire investment.

Concentration Risks

Concentration Risks refers to the potential for loss arising from concentration in a single stock, sector and/or geographical region. For example, if a portfolio only consists of stocks in the tourism sector, it could be excessively exposed in the event of a health pandemic that will negatively impact the price of stocks in the tourism sector.

Liquidity Risks

Liquidity Risks arises when investing into stocks with low traded volume. Liquidity refers to how easily a stock can be bought or sold in the market. Investors may find it difficult to sell stocks which have poor liquidity and may end up exiting the position at an unfavourable price.

Foreign Exchange Risks

Foreign Exchange Risks occurs from the change in value of one currency in relation to another. There are several ways foreign exchange volatility can impact total returns. For example, a rising Singapore dollar can negatively impact returns when an investor in Singapore invests in a US dollar denominated stock. However, a rising Singapore dollar also means an investor in Singapore will need to pay less to make the transaction.

Interest Rate Risks

Interest Rate Risks refers to the potential for loss resulting from a change in interest rates of the country where the stock is domiciled. An increase in interest rate may not have a direct impact on the stocks but it could see both consumers and businesses reduce spending. An increase of interest rates may see more investors turn to other asset classes such as fixed-income securities.

4. Key Risks of ETFs Trading

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

Market Risks

While ETFs may be diversified, they are still affected by volatility. It is important to understand the underlying benchmark which the ETF tracks and the associated risks of it.

Tracking Error

The price of an ETF can diverge from the value of the index or the asset it was designed to replicate. Tracking error is the relative risk of the ETF compared to its reference index. High trading costs can negatively impact a fund's performance. Limitations of positions/shares that can be taken may prevent a fund from achieving full replication, thus causing tracking error.

Foreign Exchange Risks

ETFs can provide exposure to international securities and assets which can lead to foreign currency risks.

Liquidity Risks

The primary factor to liquidity risk is if an ETF invests in less liquid securities such as emerging market bonds or small-cap companies, it may impact the market maker's ability to create or redeem units which impacts the liquidity of the portfolio. The secondary factor would be the trading volume on the secondary market as ETFs are traded like stocks. If demand of an ETF outpaces its supply, prices will rise, and vice versa.

5. Extended-Hours Trading Sessions for US Stocks

Extended-hours trading sessions include pre and post-market sessions⁴⁶.

Pre-market trading of US Stocks occurs between 0700 to 0930 Eastern Standard Time (ET), before the regular trading session. Pre-market trading is available for NASDAQ, NYSE and AMEX. Unlike regular trading sessions which represents the best available price consolidated from all trading venues, pre-market trades via an Electronic Communication Networks (ECN). It is also important to note that prices displayed on 2 different systems on the same security may be different if they are on separate ECNs. Orders on separate ECNs will not be matched against each other.

Price movement and trading volume during pre-market trading may be used as an indicator of the strength and direction in the later regular trading session.

Economic indicators, news stories and corporate actions announced before the regular trading session may cause price volatility resulting in price gaps from the prior session's closing price. Therefore, access to the pre-market can better enable traders to manage price risk or take advantage of price volatility.

⁴⁶ Post-market session is currently not available for trading on Phillip Nova.

6. Key Risks of Trading US Stocks During Extended-Hours Sessions

Lower Liquidity

During extended-hours trading, there may be a lower trading volume as compared to regular trading hours. Some stocks may not trade at all during extended-hours trading. Poorer liquidity could also mean wider spreads on the bid and ask prices. Hence, the lack of liquidity could result in inferior prices and a higher possibility of orders being only partially executed or not at all.

Greater Price Volatility

Price volatility may be exacerbated during extended-hours trading. Economic indicators, news and corporate actions may have a greater impact on prices.

Price uncertainty

Trades executed during extended-hours trading may not reflect the actual price of the same security during regular trading hours.

7. Impact of Corporate Actions

A Corporate Action is an event that brings about a material change to the underlying stock, or an event that is initiated by a firm that has an impact on its shareholders.

Cash Dividends

A Cash Dividend is cash payment to shareholders by the company from profits or retained earnings. The frequency and amount will depend on the company's performance. If you hold a Security to its Ex-dividend date, you will be entitled to the cash dividends after Payment date.

Bonus Issue

A Bonus Issue is an issuance of bonus shares by a company to entitled shareholders. If you hold a Security to its Ex-bonus date, you will be entitled to the bonus issue after Payment date.

Shares Consolidation

A Shares Consolidation, or a Reverse Stock Split, reduces the number of shares held by existing shareholders. The share price will increase proportionally. If you hold a Security to its effective date of consolidation, your positions and average traded price will be adjusted to reflect the consolidation. Adjustments for exchanges operating in the Asian time zone will be made after the close of trading, one trading day prior to effective date of consolidation. Adjustments for AMEX, NASDAQ and NYSE will be made before the commencement of trading on the effective date of consolidation.

Following a consolidation, if the adjustments have been made before the commencement of trading of the share, the "Unrealised P&L (Non-Leveraged)" indicator may reflect a reduced amount on Phillip Nova. This is a result of the mark to market of the adjusted average traded price against the pre-consolidation share price. This will not have an impact on the account balance as the unrealised Profit and Loss (P&L) for Securities will not be added or removed from it.

Stock Split

A Stock Split increases the number of shares held by existing shareholders. The share price will be divided proportionally.

If you hold a Security to its effective date of the split, your positions and average traded price will be adjusted to reflect the split. Adjustments for exchanges operating in the Asian time zone will be made after the close of trading, one trading day prior to effective date of the split. Adjustments for AMEX, NASDAQ and NYSE will be made before the commencement of trading on effective date of the split.

Following a split, after adjustments have been made but before the commencement of trading of the share, the “Unrealised P&L (Non-Leveraged)” indicator may reflect an inflated amount on Phillip Nova. This is a result of the mark to market of the adjusted average traded price against the pre-consolidation share price. This will not have an impact on the account balance as the unrealised P&L for Securities will not be added or removed from it.

Rights Issue

A Rights Issue is an offering to existing shareholders by a company to purchase additional shares/warrants in proportion to their existing holdings, usually at a subscription price which is discounted relative to the current market price.

If the rights are renounceable, they may be tradable for a short period of time.

Shareholders will be allowed to exercise the rights. Rights that are unexercised by the deadline stipulated by Phillip Futures, shall be deemed to have lapsed.

Phillip Futures reserves the right to enable trading of renounceable rights.

8. Example of Profit and Loss Calculation for Stocks and ETFs

Please see the examples below to understand how profit and loss for stocks/ETFs contracts are calculated.

Stocks (Profit Illustration)

S/N	Description	Calculation
A	Purchase 500 shares of Company ABC at SGD30.00 each	Equity required: $500 \times \text{SGD}30.00 = \text{SGD}15,000$
B	Commission following purchase of Company ABC shares	Commission payable: $\text{SGD}15,000 \times 0.05\% = \text{SGD}7.50$
C	Sale of 300 shares of Company ABC at SGD32.00	Profit: $300 \times (\text{SGD}32.00 - \text{SGD}30.00) = \text{SGD}600$
D	Commission following sale of 300 Company ABC shares	Commission payable: $300 \times \text{SGD}32.00 \times 0.05\% = \text{SGD}4.80$
E	Sale of 200 shares of Company ABC at SGD33.00	Profit: $200 \times (\text{SGD}33.00 - \text{SGD}30.00) = \text{SGD}600$
F	Commission on sale of 200 Company ABC shares	Commission payable: $200 \times \text{SGD}33.00 \times 0.05\% = \text{SGD}3.30$
G	Net Profit	$C + E - B - D - F = \text{SGD}600 + \text{SGD}600 - \text{SGD}7.50 - \text{SGD}4.80 - \text{SGD}3.30 = \text{SGD}1,184.40$

Stocks (Loss Illustration)

S/N	Description	Calculation
A	Purchase 500 shares of Company ABC at SGD30.00	Equity required: $500 \times \text{SGD}30.00 = \text{SGD}15,000$
B	Commission on purchase of Company ABC shares	Commission payable: $\text{SGD}15,000 \times 0.05\% = \text{SGD}7.50$
C	Sale of 500 shares on Company ABC at SGD 28.50	Loss: $500 \times (\text{SGD}30.00 - \text{SGD}28.50) = \text{SGD}750$

D	Commission on sale of Company ABC shares	Commission payable: $500 \times \text{SGD}28.50 \times 0.05\% = \text{SGD}7.13$
E	Net Loss	$B + C + D = \text{SGD}7.50 + \text{SGD}750 + \text{SGD}7.13 = \text{SGD}764.63$

ETF (Profit Illustration)

S/N	Description	Calculation
A	Purchase 500 shares on XYZ ETF at USD50.00	Equity required: $500 \times \text{USD}50.00 = \text{USD}25,000$
B	Commission on purchase of XYZ ETF shares	Commission payable: $\text{USD}25,000 \times 0.05\% = \text{USD}12.50$
C	Sale of 500 shares on XYZ ETF at USD55.00	Profit: $500 \times (\text{USD}55.00 - \text{USD}50.00) = \text{USD}2,500$
D	Commission on sale of XYZ ETF shares	Commission payable: $500 \times \text{USD}55.00 \times 0.05\% = \text{USD}13.75$
E	Net Profit	$C - B - D = \text{USD}2,500 - \text{USD}12.50 - \text{USD}13.75 = \text{USD}2,473.75$

ETF (Loss Illustration)

S/N	Description	Calculation
A	Purchase 500 shares on XYZ ETF at USD50.00	Equity required: $500 \times \text{USD}50.00 = \text{USD}25,000$
B	Commission on purchase of XYZ ETF shares	Commission payable: $\text{USD}25,000 \times 0.05\% = \text{USD}12.50$
C	Sale of 300 shares on XYZ ETF at USD48.00	Loss: $300 \times (\text{USD}50.00 - \text{USD}48.00) = \text{USD}600$
D	Commission on sale of 300 XYZ ETF shares	Commission payable: $300 \times \text{USD}48.00 \times 0.05\% = \text{USD}7.20$
E	Sale of 200 shares on XYZ ETF at USD46.00	Loss: $200 \times (\text{SGD } 50.00 - \text{USD}46.00) = \text{USD}800$
F	Commission on sale of 300 XYZ ETF shares	Commission payable: $200 \times \text{USD}46.00 \times 0.05\% = \text{USD}4.60$
G	Net Loss	$B + C + D + E + F = \text{USD}12.50 + \text{USD}600 + \text{USD}7.20 + \text{USD}800 + \text{USD}4.60 = \text{USD}1,424.30$

9. Placing Orders

Trade orders can be placed using the following methods:

- a) Self-execution via Phillip Nova trading platform
- b) Call-in service: Phillip Futures Dealing Desk at (65) 6535 1155 or through your Account Manager. Applicable administrative charges may apply.

OTHER IMPORTANT INFORMATION

1. Fees and Charges

Commission Rates

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

Multi-Currency Account Charges⁴⁷

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 interest⁴⁸. 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 Client Service team 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 up⁴⁹

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) eNETS⁵⁰ (SGD only)
- 5) Telegraphic Transfer⁵¹
- 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 Client Service team at 6538 0500 or your Account Executive.

⁴⁷ Not applicable to MT5

⁴⁸ 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.

⁴⁹ 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.

⁵⁰ Available on Client Portal. Log in to <https://myaccount.phillipfutures.com.sg> to make funds transfer via eNETS.

⁵¹ Funds received via telegraphic transfer will be charged a USD10 processing fee.

Withdrawal⁵²

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

Client Portal: Log in to <https://myaccount.phillipfutures.com.sg> > Fund Withdrawal.

Physical form⁵³: 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 Policy⁵⁴

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>

⁵² 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.

⁵³ Not applicable to customer who applied for account online, fund withdrawal request has to be submitted through Client Portal.

⁵⁴ 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.

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