

Risk Fact Sheet for Contracts for Differences

1. This Risk Fact Sheet is provided to you in accordance with Notice SFA 04-N15. It highlights the common risks of trading in Contracts for Differences (CFDs) and complements the trading agreement and associated risk disclosures furnished by uSMART Securities (Singapore) Pte Ltd (“uSMART”).
2. This Risk Fact Sheet does not disclose all the risks of trading in CFDs. It is important to read the trading agreement and associated risk disclosures before deciding whether to trade in CFDs. You should also carefully consider whether trading in CFDs is appropriate for you in the light of your experience, objectives, financial resources and other relevant circumstances. If you do not have a copy of the trading agreement and associated risk disclosures, please contact Client Service at support@usmart.sg to request for a copy. You should not trade in CFDs if you do not understand the product or are not comfortable with the accompanying risks.

Q.1 What is my potential loss when I trade on margin in CFDs?

When you enter into a CFD transaction, you need to pay an initial margin, which is based on a percentage of the value of the trade. When you trade in CFDs, you should be prepared to lose more than or all of your initial investment amount and/or collaterals that you have placed as margin with uSMART.

Example 1: FX CFDs

Assume EUR/USD is quoted at 1.00414 / 1.00433 and you buy 1 standard contract at 1.00433.

To open the position, you must have sufficient Buying Power in the trading account to meet the margin requirement. Minimum margin requirement is 5% of the notional position value opened.

1 standard contract = 100,000 units of the first named currency of the pair

Margin requirement = $1.00433 * 100,000 * 1 * 5\% = \text{USD } 5,021.65$

If EUR/USD falls from 1.00433 to 1.00333, you will incur an unrealized loss of $(1.00333 - 1.00433) * 100,000 * 1 = \text{USD } 100$

If EUR/USD falls further to 1.00133, your unrealized loss will become $(1.00133 - 1.00433) * 100,000 * 1 = \text{USD } 300$

You need to ensure that there are sufficient funds in the account to maintain the open position, which in the example, the minimum amount required will be USD (5,021.65 + 300)

If EUR/USD continues to fall, you may get a margin call or face the risk of your positions being automatically closed off. In the case where the account goes into a debit balance, additional charges, costs and fees may also be incurred.

Q.2 What will happen if I do not have enough margin to cover my losses?

You will get a margin call or face risk of your positions being closed off if the margin requirement is higher than the equity maintained in the trading account.

When there is a margin call, you shall:

- (1) Deposit additional fund; or
- (2) Close positions,

until Risk Level is less than 83% as soon as possible.

Your positions will be automatically closed out if:

- (1) Risk Level > 95%; or
- (2) Risk Level remain > 83% after 3pm the next trading day

uSMART reserves the right to close out your positions at any time before 3pm the next trading day if market is volatile, anticipated to be volatile or any other reason to protect uSMART's interest.

Example 2: Margin Call

Referring to Example 1, assume you have funds of USD 5,500 in trading account and with no securities holdings. If EUR/USD continues to fall to 0.99903:

Unrealised loss: $(0.99903 - 1.00433) * 100,000 * 1 = \text{USD } 530$

Margin Requirement = $1.00433 * 100,000 * 1 * 5\% = \text{USD } 5,021.65$

Margin Requirement use to calculate Risk Level ("MR") = $5,021.65 * 0.83 = 4,167.97$

Equity = $5,500 - 530 = \text{USD } 4,970$

MR / Equity = $4167.97 / 4970 = 83.86\%$

Margin Call = $5,021.65 - 4,970 = \text{USD } 51.65$

You will receive a margin call and be required to top up or reduce position until Risk Level < 83%.

Please note that margin requirements are subjected to change. uSMART may close out your positions at any time during a margin call. It is your responsibility to have enough funds in the trading account to cater for margin requirement including any losses of the open positions.

uSMART may notify you via phone, email or app when there is a margin call, however, uSMART is not under any obligation to do so and reserve the right to close out your positions without any margin call notification. Please note that risk level calculation is combined for both Securities and CFD accounts.

Q.3 How is the CFD quoted?

uSMART provides lower (bid) and higher (ask) quotes of CFD products based on the prices in the underlying market and/or own bid and ask prices. Therefore, CFD prices will only be available if there is underlying market or sufficient liquidity.

Q.4 Can my order be executed at a price that is less favourable than the price quoted on the trading system, or the price that I have submitted?

You may place limit or market orders. When the order is a market order, it may be executed at a price less favourable than the price quoted on the trading system due to high volatility or low liquidity in the market. Quotes of CFD products are indicative only and not guaranteed. This can happen when there is a change in our quoted price between the time your order is placed and the time your order is received or executed by our system (e.g., delay in the internet transmission of your order, or rapid price fluctuations in the financial markets during that period). In particular, for stop-loss orders that are triggered for execution at the stop price level that you have indicated, it may be difficult or not possible to liquidate your position at your stop price level, due to rapid price fluctuations or lack of liquidity in the markets. If any of the foregoing events happens, you may incur unexpected losses.

Q.5 Will my order be manually executed? If so, under what circumstances does the firm rely on manual execution?

Your orders placed on uSMART trading system will be executed electronically on an automated basis and does not rely on manual intervention. You can contact uSMART Customer Service at +65-6303 0663 if you encounter technical difficulty placing order.

Q.6 Where are my margins kept and maintained? Can the firm use my margins for its own purposes?

Pursuant to the requirements under Securities and Futures Act, uSMART is required to treat and deal with all moneys received on account of its clients as belonging to the clients. Your moneys must be held in segregated customer trust accounts maintained at approved banks, which must be separate and distinct from uSMART's own moneys. Your moneys are segregated from uSMART's own moneys but may be kept in the same omnibus account with other customers of uSMART. uSMART is not permitted to use your moneys for its own purposes, including for settling its own dealings with its hedge counterparties.

Q.7 What will happen to my margins if uSMART becomes insolvent? Will I be able to get back my moneys or other assets?

uSMART is your contractual counterparty and is obliged according to the Client Agreement to honour your CFDs trades and any profits made. Therefore, if in an unlikely and unfortunate event that uSMART becomes insolvent, you face the risk that uSMART will not be able to honour any profits that you made. As for your moneys or other assets that are held in the segregated account, these should be protected from the claims of uSMART's creditors. Nonetheless, the recovery and return of your moneys or other assets will take time, as this is subject to due process of uSMART's liquidation, which includes the reconciliation of all its clients' positions and moneys.

Q.8 Under what circumstances can uSMART close my position or void my order?

uSMART can close out your positions or void your orders when:

- (1) when customer does not have sufficient equity to meet the margin requirement; or
- (2) by reason of any cause beyond uSMART's control, including but not limited to any force

majeure events as listed in Clause 97 of the Client Agreement.

The price at which your CFD is closed out will depend on the available price of underlying share or asset at that point in time, which may result in a loss to you.

Q.9 What are the commissions, fees and other charges that I have or may have to pay?

The commissions, fees and overnight financing charges that are applicable to CFD transactions depend on the type of underlying asset/product traded. For details of the commission, fees, and overnight financing rates, please refer to uSMART's main website for the commissions, fees and other charges.

Q.10 What happens when trading in the underlying share or asset is suspended or halted? How can I exit my position and will I suffer losses?

In the event which the underlying share or asset is suspended or halted, uSMART will notify you if you have open position on the underlying asset and the margin requirement may be amended to 100% until further news (e.g. resumption of trading or delisting) which uSMART will update accordingly.

During the period of suspension, you will continue to be charged interest if the positions are held overnight.

uSMART may require you to pay up the contract value in full, or close the positions at an appropriate price determined by uSMART. In the worst case, you could lose 100% of the contract value. You may also be liable to pay any additional charges, costs and fee incurred.

ACKNOWLEDGEMENT OF RECEIPT OF THIS RISK DISCLOSURE DOCUMENT

This acknowledges that I/we have received a copy of this Risk Fact Sheet and the Form 13 Risk Disclosure Statement and fully understand its contents.

Name of customer: _____

Designation*: _____

Corporation Name*: _____

Signature of customer: _____

**For corporations only*