PHILLIP FUTURES SDN BHD
(362533-U)

DISCLOSURE DOCUMENT

CONTRACTS FOR DIFFERENCE
("CFD")

First Issued: [28 June 2019]

Revised: [28 September 2020]

RESPONSIBILITY STATEMENT

The directors of Phillip Futures Sdn Bhd ("Phillip Futures") have seen and approved this disclosure documents. They collectively and individually accept full responsibility for the accuracy of the information. Having made all reasonable inquiries, they confirm to the best of their knowledge and belief, there are no false or misleading statements, or omission of other facts which would make any statement in the disclosure document false or misleading.

STATEMENT OF DISCLAIMER

A copy of this Disclosure Document for Contracts for Difference ("CFD") has been registered with the Securities Commission Malaysia.

The registration of this disclosure document should not be taken to indicate that the Securities Commission Malaysia recommends the CFD or assumes responsibility for the correctness of any statement made or opinion or report expressed in this disclosure document. The Securities Commission Malaysia has not, in any way, considered the merits of the CFD being offered for investment.

The Securities Commission Malaysia is not liable for any non-disclosure on the part of Phillip Futures and takes no responsibility for the contents in this disclosure document, makes no representation as to the accuracy or completeness of this disclosure document, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents in this disclosure document.

INVESTORS SHOULD RELY ON THEIR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT THEIR PROFESSIONAL ADVISERS IMMEDIATELY.

RISK DISCLOSURE NOTICE

Before trading with Phillip Futures, client must carefully consider whether trading of CFD is appropriate for them in the light of client's circumstances and financial position.

Client should be aware that CFD is a margin trading and it is a high risk geared investment strategy. Phillip Futures do not consider it suitable for many members of the public.

Client should not deal in CFD unless client understands the nature of the contract that the client is entering into and the extent of client's exposure to risk from that contract.

CFD involve different levels of exposure to risk and, in deciding whether to trade in such instruments, client should understand how CFD work and the risk involved in trading CFD as stated in this Disclosure Document.

LIST OF REVISION

Revision Series	Revision Date	Effective Date of Revision
1st Revision	28 September 2020	28 September 2020

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Phillip Futures Sdn Bhd (Company Registration No. 362533-U) ("Phillip Futures") was incorporated in Malaysia on 7 October 1995 under Companies Act 1965 with a paid up capital of RM20,000,000.00 and is a holder of Capital Markets Services Licence to carry out business of dealing in derivatives.

Phillip Futures is also a Trading Participant of Bursa Malaysia Derivatives Bhd and General Clearing Participants of Bursa Malaysia Derivatives Clearing Berhad. Phillip Futures is essentially part of the PhillipCapital Group of companies, providing a comprehensive range of financial services to retail and institutional customers. Today PhillipCapital Group is firmly established in the financial hubs of 15 countries, with offices in Singapore, Malaysia, Cambodia, Indonesia, Vietnam, Thailand, Hong Kong, China, Japan, India, United Arab Emirates, United Kingdom, France, Turkey, Australia, and United States of America. The group has more than 40 years of experience in equities, futures and fund management.

Phillip Futures is the first futures broking company in Malaysia to provide online trading on local and foreign Specified Exchanges. Leveraging from Singapore office, Phillip Futures strives to provide a more integrated and comprehensive range of quality services that will meet the changing needs of clients.

The Board of Directors of Phillip Futures is responsible for overseeing the activities of the company and the Board is responsible for determining the company's mission and objective, providing adequate resources, managing resources efficiently and monitoring the company's programmes and services. The Board of Directors currently consists of three members who have more than 20 years of experience in the capital markets covering derivatives broking, financial planning and financial platform development. In addition to that, Phillip Futures is led by a strong management team that oversees the day-to-day operation and management of Phillip Futures.

(i)   DATIN HAJJAH NONA BINTI SALLEH
CHAIRPERSON

Datin Hajjah Nona Binti Salleh, is the Chairperson for Phillip Futures Sdn Bhd and Phillip Mutual Berhad, Executive Chairperson of Phillip Capital Management Sdn Bhd, a Director of Phillip Wealth Planner Sdn Bhd, as well as other Malaysian companies under the PhillipCapital Group. She started her investment career in Aseambankers in 1992 where she gained exposure in the management of Shariah and semi-Shariah portfolios. Over the past 28 years, she has accumulated experience through her involvement in the investment management and strategy of her clients' investment portfolios, including the Employees Provident Fund (EPF), Lembaga Tabung Haji, Koperasi Jaya Diri, Double Growth Fund and Emerging Growth Fund (BHLB Unit Trusts) as well as Maybank Dana Yakin.

Prior to re-joining the PhillipGroup in 2001 to head its Malaysian operation, she has held several key positions in investment management and research, including the positions of Associate Investment Director of BHLB Asset Management, a subsidiary of Ban Hin Lee Bank (now merged under CIMB group) and Chief Investment Officer at Maybank Investment Management Sdn Bhd, a subsidiary of Malayan Banking Berhad. Datin Nona is a graduate of the London School of Economics, University of London and she holds the Investment Management Certificate (IIMR), UK.

(ii) MR ANDY LIM SAY KIAT
DIRECTOR

Mr Andy Lim Say Kiat is the Director of Phillip Futures Sdn Bhd, the Chief Executive Officer/ Managing Director of Phillip Mutual Bhd. Prior to this he held the position as Executive Director of Phillip Wealth Planner Sdn Bhd, a leading financial planning company in Malaysia and before that, heading the group's fund management arm, Phillip Capital Management Sdn Bhd. Mr Andy Lim started his career as a Dealer in the international commodities market before joining PhillipCapital's Malaysian derivatives operation as a Futures Dealer representative in 1998. He has over 20 years of experience in the capital markets covering fund management, derivatives broking, financial planning, research, financial platform development, distribution and marketing. He is currently the Group Managing Director of PhillipCapital Malaysia and is a board member in most of its key subsidiary companies.

Mr Andy Lim was a member of the Executive Committee of the Association of Financial Advisers of Malaysia from 2013 to 2015. He holds a Bachelor of Science in Economics and Management (Honours) from the London School of Economics, University of London and is a member of the Financial Planning Association of Malaysia (FPAM) and a Chartered Financial Analyst (CFA) charter holder since 2006.

(iii) MR LAM CHOON JIN
EXECUTIVE DIRECTOR

Mr Lam Choon Jin has more than 37 years of working experience and has about 19 years of experience with the group. He held the position of Executive Director, Dealing in Phillip Futures from 2011 to 2016 and had since been promoted to the position of Executive Director of Phillip Futures. Mr Lam Choon Jin is currently overseeing Phillip Futures including all existing branches and trading kiosk in Malaysia. He will ensure that the respective departments in Phillip Futures are in compliance with the latest regulatory requirements and operating efficiently. Prior to this, Mr Lam Choon Jin was the Dealing Manager in Phillip Futures Pte Ltd (Singapore). Throughout the years, Phillip Futures has been benefiting from the technology of highly sophisticated front-end, risk management and back office system from Phillip Futures Singapore office. With the technology adoption, Mr Lam Choon Jin was the key person to ensure smooth transfer of knowledge to the local staff and dealers, enabling Phillip Futures to absorb the technical skills in an efficient manner. Mr Lam Choon Jin has been handling foreign institutions and individual investors while working in Singapore.

The key management team of Phillip Futures consists of the following members:

(i) **MR LAM CHOON JIN**
EXECUTIVE DIRECTOR

As per above

(ii) **MR TAN SEK WEI**
MANAGER, DEALING

Mr Tan Sek Wei has more than 9 years of experience in derivatives market. He started his career at Phillip Futures as a Dealer in 2011. He left Phillip Futures in 2015 and became a Commodities Trader. He re-joined Phillip Futures in 2017 as an Assistant Manager. Currently, he is overseeing all matters related to dealing and handling Institutional Clients as well as Professional Traders. He holds a Capital Market Representative License (eCMSRL/B7852/2017).

(iii) **MS DIANA CHUA WEN HUANG**
HEAD, LEGAL, COMPLIANCE AND RISK MANAGEMENT

Ms Diana Chua has more than 9 years of legal and compliance experience in the financial service and capital market industry. She started her career with Phillip Futures in 2017 and her main responsibility is to conduct regular compliance reviews of the company's operations to ensure compliance with legal, regulatory, internal policies and requirements.

Prior to joining Phillip Futures, she was a Senior Manager in Rockwills Trustee Berhad. She was assigned to advise the clients in legal and compliance aspects related to financial planning. With her valuable experience in legal and compliance, she was subsequently transferred to Rockwills Trustee Ltd in Singapore to assist in the development of the policies and procedures of the company. She holds a Bachelor of Laws (Honours) from University of London.

(iv) **PN NORLAILAWATI ABU BAKAR**
MANAGER, OPERATIONS

Norlailawati Abu Bakar has more than 12 years of working experience mainly in the industry of stockbroking and share financing. She is currently the Manager of Operations, Phillip Futures. She is overseeing the operation of the company to ensure that the day-to-day processes of the company are complied with the latest rules, regulations and guidelines set by the relevant authorities. She is also responsible on monitoring the client's risk to ensure that any risk arising from the processes is minimised. Prior to joining Phillip Futures, she was an Assistant Vice President of Operations, Kenanga Investment Bank Berhad where she was responsible for the operation and processing of Corporate Financing (Secured Financing over Quoted Shares). She holds a Bachelor of Accountancy (Hons) from Universiti Teknologi MARA.

RELATED PARTY TRANSACTION AND CONFLICT OF INTEREST

There is a policy set up by Phillip Futures to monitor related party transactions and conflict of interest situation that may arise within Phillip Futures and other PhillipCapital Group of companies in Malaysia including any transaction by the staff of Phillip Futures.

Phillip Futures will maintain high standards of integrity and fair dealing in the best interest of the client. The employees of Phillip Futures and other PhillipCapital Group of companies in Malaysia are not allowed to trade in derivatives products.

Phillip Futures also have in place policies and procedures to deal with any conflict of interest situation that may arise.

2. RISK MANAGEMENT

2.1 THE RISK MANAGEMENT INFRASTRUCTURE

The Board of Directors ("Board") is the highest authority in Risk Management structure of Phillip Futures. The Board takes cognisance of its overall responsibility in establishing a sound risk management and internal control system as well as reviewing its adequacy and effectiveness across the company.

The Board is assisted by the Internal Audit, Compliance & Risk Management Committee (IACRM) and Audit Committee (AC). Concurrently, both committees will also give their recommendation on all matters with regard to risk, control and compliance level towards regulators' requirements. The Management team is overall responsible for implementing and adapting the approved policies into the business process.

Under the umbrella of Risk Management and with the direction of the Board, a comprehensive plan has been established to ensure the continuity of critical business functions and essential services upon business disruption or cyber-attack. A Business Continuity Management Policy which encompasses Business Continuity Plan (BCP), Disaster Recovery Plan and Cyber Incident Response Plan are in place which subject to periodically review.

2.2 RISK APPETITE

The risk appetite is a critical component of a robust risk management framework which is driven by both top-down Board leadership and bottom-up involvement of management at all levels. The risk appetite enables the Board and Senior Management to communicate, understand and assess the types and levels of risk that the company is willing to accept in pursuit of its business objectives.

2.3 INTERNAL CONTROL PROCEDURES

In line with the above, Phillip Futures' internal control procedures cover the following elements:

1. Regular management and operation meetings are conducted by senior management which comprises the Director and divisional heads to report on the risk monitoring.

2. Board meetings are held at least once in a quarter with a formal agenda on matters for discussion. The Board is kept updated on the Group's activities, regulatory and operational matters and business performance on a timely and regular basis.

2.4 AUDIT PROCEDURES

The Group's audit team performs audit exercise in order to assess the management control framework implemented as well as the operational procedures.

The audit team applies risk-based approach and exercise professional judgement in determining the quantity and quality of evidence.

The team will perform a preliminary review to gather info on the business units / entities and assess the risk unique to them through:

1. Identifying the strategic objective of the department/entity under audit
2. Identifying the core and critical processes
3. Identifying the key risk of core processes and assessing the risk rating of this process.
4. Identifying possible control framework/risk mitigation

During audit fieldwork, which is a systematic process of objectively gathering evidence on the activity under review, the evidence is evaluated with reference to the audit objective.

This systematic process of gathering evidence may result in audit findings of material control or other weaknesses and other matters of significance requiring management attention. The audit team uses a variety of tools and techniques to gather and analyze the information.

The fieldwork concentrates on transaction testing and informal communications. Various techniques including random sampling method are used during the fieldwork phase. The audit is also done by checking to the pre-existing manuals, performing interviews with key personnel, reviewing financial activity, observing the unit procedures and vouching to documents to gather evidence.

Audit findings raised during the fieldwork are communicated to the respective departments for their responses. Exit discussions on the audit findings with the HODs will be conducted during the end of the fieldwork.

The written report will be prepared by the auditors in charge and reviewed/issued by the Head, Internal Audit Department following the conclusion of each audit and will be distributed as appropriate. The audit report will be presented to the Board of Directors' meeting for deliberation.

CONTRACTS FOR DIFFERENCE ("CFD")

3. PRODUCT FEATURES

Contract for Difference ("CFD") is a contract made between two parties (a buyer and a seller) to settle the difference between the opening and closing prices.

CFD allows clients to participate in the price movement of an underlying instrument without owning the asset.

Phillip Futures will offer CFD whereby the underlying instruments are:

(i) shares listed on the Main Board of Bursa Malaysia ("Malaysian Shares CFD");

(ii) shares listed on a securities exchange outside Malaysia ("Foreign Shares CFD"); and

(iii) indices where constituents of the index are listed on a securities exchange outside Malaysia ("World Indices CFD")

Clients can invest in Malaysian Shares CFD via 'Direct Market Access' ("DMA") model. DMA allows clients to have a direct access to the market. When a client placed an order to Phillip Futures, a corresponding order will be sent to the Exchange and when an order is filled on the actual Exchange, the client's trading platform will be updated accordingly. Hence clients can participate in the order book and liquidity of Bursa Malaysia.

Clients invest Foreign Shares CFD and World Indices CFD via 'CFD' model whereby client do not participate in the order book and liquidity of the respective exchanges. CFD order is filled by the counterparty based on bid/ask price.

For CFD, the client can trade both 'Long' and 'Short'. The term of 'Long' means buying a CFD in the expectation that the underlying instrument will increase in value. The term of 'Short' means selling a CFD with the expectation that the underlying instrument will decrease in value.

Currently, CFD can only be offered exclusively to 'Sophisticated Investor' who falls within any of the categories of investors set out in Part 1 of Schedule 6 and 7 of Capital Markets and Services Act 2007 ("CMSA 2007").

3.1 KEY FEATURES OF CFD

i. DERIVATIVE PRODUCTS

CFD is a leveraged derivatives product and the prices track the instruments closely.

ii. SHORT SELLING

CFD allows clients to trade both 'Long' and 'Short' exposures.

iii. PORTFOLIO DIVERSIFICATION

By offering CFD listed in Bursa Malaysia, 'NYSE' and 'Nasdaq', investors can enjoy diversification across various markets and instruments in their portfolio.

iv. LEVERAGE

CFD is a leveraged product and the client can trade the CFD products by putting up a small percentage of minimum 'Initial Margin' as low as 5% of the full contract value is required to trade the CFD contract. This small percentage of deposit is known as the required margin or 'Initial Margin'.

For example, if the required 'Initial Margin' is 10% and the client wants to buy 1,000 units of shares of ABC Company at RM2.00 per share, the client's required 'Initial Margin' is RM200.00 to trade CFD of ABC Company.

The example is illustrated as below:

Full Contract Value
1,000 units of ABC Company shares x RM2.00 per share = RM2,000.00
Initial Margin of CFD
1,000 units of ABC Company shares x RM2.00 per share x 10% of margin requirement = RM200.00

As a small fraction of the 'Initial Margin' is required, the position will have the same gain or loss as if it had been paid the full value of the underlying instruments. If the client's 'Initial Margin' is exactly 10% of the full CFD contract value, a market movement of 10% of the underlying instrument against the client's position may deplete the whole 'Initial Margin' and client might lose more than their 'Initial Margin'.

Hence, to prevent from such situation to occur, the client must maintain sufficient fund to keep the position.

v. SCENARIO ANALYSIS

Mr A decides to take a 'Long' position on CFD for Shares XYZ. He logins his CFD trading platform and places an order to buy 4,000 units of XYZ CFD at RM5.00. As XYZ Company is an index component, the required margin (or 'Initial Margin') is 10%.

Although the total contract value RM20, 000.00 (RM5.00 x 4,000 units of shares), the 'Initial Margin' required is only RM2, 000.00, which is 10% of the total contract value.

The impact of market movement affecting Mr A's profit/loss (excluding commission and 'Financial Charge') is tabulated as below:

Rise/Fall	Market Movement	Price of the underlying share (RM)	Profit/Loss RM)
Rise	10%	5.50	2,000.00

Rise	5%	5.25	1,000.00
Rise	2%	5.10	400.00
Unchanged	0%	5.00	0
Drops	2%	4.90	-400.00
Drops	5%	4.75	-1,000.00
Drops	10%	4.50	-2,000.00

Based on table above, when market rises at the rate of 2% from RM5.00 to RM5.10, Mr A will be having a profit of RM400.00.

The calculation is illustrated as below:

(Closing Share Price – Opening Share Price) x No. of shares

= (RM5.10 – RM5.00) x 4,000 units of XYZ CFD = RM400.00

The similar situation applies when market drops at the rate of 2% from RM5.00 to RM4.90, Mr A will suffer a loss amounting to RM400.00.

The calculation is illustrated as below:

(Closing Price – Opening Price) x No. of shares

= (RM4.90 – RM5.00) x 4,000 units of XYZ CFD = -RM400.00

If the market drops at the rate of 10% from RM5.00 to RM4.50, Mr A would have lost all his 'Initial Margin' of RM2, 000.00.

The calculation is illustrated as below:

(Closing Price – Opening Price) x No. of shares

= (RM4.50 – RM5.00) x 4,000 units of XYZ CFD = -RM2,000.00

3.2 TYPE OF CFD PRODUCTS OFFERED BY PHILLIP FUTURES

Phillip Futures will offer CFD whereby the underlying instruments are either shares listed on Bursa Malaysia or a securities exchange outside Malaysia or indices where constituents of the index are listed on a securities exchange outside Malaysia.

For an updated list of CFD product offered by Phillip Futures and related information, please visit Phillip Futures website at www.phillipfutures.com.my.

3.3 TENOR OF ISSUE

All CFD offered by Phillip Futures have a contract period of thirty (30) calendar days. The CFD contracts that are not closed out within thirty (30) calendar days will be automatically renewed based on market closing price of the underlying instrument on the thirtieth (30th) calendar day.

The CFD trading positions will be re-established at that same market closing price. The unrealised profit and losses, and 'Finance Charges' will be realised during the roll-over. There is no roll-over commission charged to clients.

Please refer to the working examples of calculations and scenarios mentioned in Section 11 CFD Working Examples.

3.4 SETTLEMENT AND SETTLEMENT CURRENCIES

All CFD are settled in cash and not by delivery of the underlying instruments and it shall neither carry any voting rights nor embedded options for the conversion into the underlying instruments.

All CFD will be settled in the respective traded currencies.

4. MARGINS

To commence trading of CFD, the client needs to deposit an 'Initial Margin' and the 'Initial Margin' will be a percentage of the total value of the underlying instrument.

For example, if the client buys a CFD over ABC Company shares, the client needs to deposit an 'Initial Margin' equals to 10% of the current ABC share price. The client is also required to pay the 'Maintenance Margin' to maintain the initial margin level due to the price fluctuation of the underlying instrument.

Below is the minimum 'Initial Margin' and 'Maintenance Margin' charged by Phillip Futures to trade CFD:

CFD Contracts	Minimum Initial Margin	Minimum Maintenance Margin
Malaysian Shares CFD	Minimum 10% for index shares;	Minimum 10% for index shares;
	Minimum 20% for non-index shares	Minimum 20% for non-index shares
Foreign Shares CFD	Minimum 10% for index shares;	Minimum 10% for index shares;
	Minimum 20% for non-index shares	Minimum 20% for non-index shares
World Indices CFD	Minimum 5%	Minimum 5%

Note: Phillip Futures reserves the right to vary the required margin for the CFD and limit each client's trading limit due to market volatility without prior notice.

Please refer to Section 11 CFD Working Examples for margin calculations.

4.1 MARGIN CALL, EQUITY BALANCE AND MAINTENANCE MARGIN

A margin call amount is equivalent to the difference between the 'Initial Margin' and the 'Equity Balance'. If the 'Equity Balance' is less than the 'Maintenance Margin' of the portfolio, the client will have one 'Business Day' (up till 4.30pm on the first day) to meet this margin call.

If at any time during 'Margin Call', an account deteriorates and may be at risk of negative equity, Phillip Futures may at their discretion to cut back or close all positions to bring the account out of 'Margin Call'.

5. IMPACT OF CORPORATE EXERCISE

The clients are not entitled to the ownership of the underlying instruments. There are various corporate exercises on the underlying shares which will affect the share price, and in turn will affect the CFD price and/or positions of the underlying instruments. The client's trading position will be adjusted to a new reference price in accordance to the types of corporate exercises.

Below are the types of corporate exercises:

5.1 DIVIDENDS

In the event an underlying company declares a dividend, a dividend adjustment will be applied to client's CFD position on the ex-dividend date of its quoted underlying shares.

A dividend adjustment will be applied to Equities CFD on the ex-dividend date of its underlying shares. A dividend adjustment will be applied for selected World Indices CFD after the ex-dividend date of its underlying component stock.

The dividends will be credited to client's account that have outstanding 'Long' CFD positions, or debited from client's account that have outstanding 'Short' positions and the outstanding CFD position of client will be determined based on the closure of the market trading session stipulated by Bursa Malaysia Securities Bhd.

EXAMPLE OF DIVIDEND ADJUSTMENTS CREDITED TO CLIENT'S ACCOUNT

Mr A has an outstanding XYZ CFD 'Long' position of 10,000 units as of ex-date 19 June 2020.
Below are the dividend details:

XYZ ex-dividend date = 19 June 2019

Dividend entitlement = 12 sen per unit

XYZ payment date = 30 July 2019

19 June 2019	30 July 2019
Ex-dividend date	Payment date & CFD adjustment

Dividend adjustment credited to Mr A's account

= Dividend per unit x units of CFD held at ex-dividend date

= RM0.12 x 10,000 units of CFD

= RM1,200.00 (excluding any other charges)

EXAMPLE OF DIVIDEND ADJUSTMENTS DEBITED TO CLIENT'S ACCOUNT

Mr A has an outstanding XYZ CFD 'Short' position of 8,000 units as of ex-date 7 June 2019.
Below are the dividend details:

XYZ ex-dividend date = 7 June 2019

Dividend entitlement = 5 sen per unit

XYZ payment date = 19 July 2019

19 June 2019	30 July 2019
Ex-dividend date	Payment date & CFD adjustment

Dividend adjustment debited from Mr A's account

= Dividend per unit x units of CFD held at ex-dividend date

= RM0.05 x 8,000 units of CFD

= RM400.00 (excluding any other charges)

5.2 BONUS, SHARES SPLITS, AND REVERSE SPLITS

In the event the underlying company declares 'Bonus Shares', 'Shares Splits' and 'Reverse Splits', the additional quantity of shares will be credited on the exercise date for 'Short' positions and on payable date for 'Long' positions. The shares price will also be adjusted accordingly to reflect the current shares price.

EXAMPLE OF 'BONUS SHARES' AND ADJUSTMENTS TO CLIENT'S ACCOUNT

Mr A has an outstanding XYZ CFD position of 8,000 units at RM2.00 per unit as of 7 June 2019. XYZ announced a bonus share of 1 unit of share for each existing 1 unit of share. Below are the bonus details:

Bonus share of 1 unit of free share for each existing 1 unit of share

XYZ ex-date = 7 June 2019

XYZ entitlement date = 10 June 2019

7 June 2019	10 June 2019
Ex-bonus date	Entitlement date & CFD adjustment

XYZ CFD Quantity adjustment to Mr A's account

= 8,000 units x 2 (1 unit of share for 1 existing unit of share)

= 16,000 units (additional 8,000 units will be credited into Mr A's account)

XYZ CFD Share price adjustment to Mr A's account

= RM2.00 ÷ 2 (1 unit of share for 1 existing unit of share)

= RM1.00 (RM1.00 per unit will be debited from Mr A's account and his new XYZ CFD open position price will be RM1.00)

EXAMPLE OF 'SHARE SPLIT' AND ADJUSTMENTS TO CLIENT'S ACCOUNT

Mr A has an outstanding XYZ CFD position of 10,000 units at RM5.00 per unit as of ex-date 7 June 2019. Below are the 'Share Split' details:

2 for 1 'Share Split'
XYZ ex-date = 7 June 2019
XYZ entitlement date = 10 June 2019

7 June 2019	10 June 2019
Ex- date	Entitlement date & CFD adjustment

XYZ CFD Quantity adjustment to Mr A's account

= 10,000 units x 2 (2 for 1 'Share Split')

= 20,000 units (additional 10,000 units will be credited into Mr A's account)

XYZ CFD Share price adjustment to Mr A's account

= RM5.00 ÷ 2 (2 for 1 'Share Split')

= RM2.50 (Mr A's new XYZ CFD open position price will be RM2.50)

EXAMPLE OF 'REVERSE SPLIT' AND ADJUSTMENTS TO CLIENT'S ACCOUNT

Mr A has an outstanding XYZ CFD position of 9,000 units at RM5.00 per unit as of 7 June 2019. Below are the 'Reverse Split' details:

10 for 1 'Reverse Split'
XYZ ex-date = 7 June 2019
XYZ entitlement date = 10 June 2019

7 June 2019	10 June 2019
Ex- date	Entitlement date & CFD adjustment

XYZ CFD Quantity adjustment to Mr A's account

= 9,000 units ÷ 10 (10 for 1 'Reverse Split')

= 900 units (8,100 units will be deducted from Mr A's account)

XYZ CFD Share price adjustment to Mr A's account

= RM5.00 x 10 (10 for 1 'Reverse Split')

= RM50.00 (Mr A's new XYZ CFD open position price will be RM50.00)

RIGHTS ISSUE

When the underlying shares has a 'Rights Issue' on exercise, Phillip Futures will notify the clients within a reasonable time and the clients must liquidate all the 'Long' CFD positions of the affected

CFD contract one (1) market day before the ex-date. Phillip Futures shall at their discretion close all positions in the event of non-action by the client on the trading account.

Note: Notwithstanding the foregoing, Phillip Futures reserves the right to close all open positions relating to the underlying shares before the ex-date for any corporate action not mentioned above and in the event that the client fails to close the open positions.

6. KEY RISK

The Client should be aware of the following risks when considering whether to trade in CFD.

Clients can take some measures to mitigate risks, but some risks are inevitable and clients are advised to fully understand the nature of risks before trading CFD. The client may lose all of the initial investment due to (but not limited to) the following key risks as described below:

6.1 LEVERAGE RISK

The 'Gearing' or 'Leverage' in CFD means that the clients only have to put in a fraction of the market value of the underlying instrument but the clients are entitled to the same gains or losses as if the clients had paid the full contract value.

As CFD are leveraged products traded on margin, the risk of any gain or loss in leveraged CFD trading can be amplified.

This leverage effect can work against the client as well as work for the client. It also means that a relatively small market movement can lead to a proportionately big impact in the value of the clients' account. If the market moves against the client's position, the client may be called upon on short notice to pay additional funds in order to maintain the client's position.

6.2 COUNTERPARTY RISK (NO CENTRAL CLEARING)

CFD is an 'Over-The-Counter' leveraged product traded on an off-exchange basis. Off-Exchange transactions are typically less regulated and are subjected to a separate regulatory regime.

When the client trades the CFD contract, it is issued by the counterparty and there is no central clearing to guarantee the trade in between. The client will be relying on the counterparty creditworthiness. This is the nature of over-the-counter products.

Counterparty is the company or person on the other side of the financial transaction. As a CFD provider, Phillip Futures is acting as counterparty to the client's transaction.

Counterparty risk arises when the CFD provider fails to meet a due payment obligation under a CFD. For example, client of a 'Long' CFD position has made a profit and the gain is supposed to be credited to his account. However the counterparty, the CFD provider, does not have the funds to credit the gains to the clients.

The same counterparty risk could occur to clients who made gains on a CFD 'Short' position.
A client who is a holder of 'Long' CFD contract should note that they have no recourse to the underlying shares as they have no ownership to the underlying shares.

6.3 LIQUIDITY RISK

As CFD are traded on an 'Over-The-Counter' basis and does not have a secondary market, they are subject to the availability of buy and sell prices and volume.

Some CFD have lower liquidity or illiquid than others, which makes them more difficult to trade at the market prices.
If the clients try to sell their CFD, the clients may not be able to find a buyer, or the sale price could be much lower than the amount they invested.

Illiquid market conditions may cause the 'Bid/Ask' spreads to widen. 'Bid/Ask' spreads are the amount by which the 'Ask' price exceeds the 'Bid' price. When this spread widen, trade may be filled at inferior prices as there is no interest in the market in between.

When this happens, the CFD may not be filled within a reasonable time (if at all) or may be traded at a price which may not reflect its "fair" value. For example, the client may be required to sell lower than the 'Bid' price or buy higher than the 'Ask' price of the CFD, which may incur losses as a result.

When there is not enough volume in the market of the underlying instrument, the client may not be able to trade into the asset or orders may be filled at a drastically inferior price, even if the client has an open position. At times, the position may be left open as the client is unable to close it due to illiquid underlying market conditions.

Phillip Futures cannot and does not warrant that there is an active trading market at all times, and the price that Phillip Futures secures for the client will at any time be the best price available to the client. When there are not enough trades being made in the market for an underlying instrument, the CFD contract will also be illiquid. Additional margins may be called upon or the position may be closed at unfavourable prices.

6.4 CURRENCY RISK

The profit or loss in transactions in foreign currency-denominated contracts will be affected by the fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

6.5 ORDER TYPE RISK

When trading CFD, clients can place order types that incorporate features that enable them to limit losses (e.g. 'Limit Orders' and 'Stop Limit Orders'). While these orders limit losses in most instances, the orders may not be effective when market conditions make it difficult or impossible to execute such orders without incurring substantial losses due to slippage or non-execution. Nonetheless, the client is advised to place a 'Stop Limit Order' to avoid further losses.

For a definition of different order types, please refer to Section 10.0 (Electronic Trading Platform).

6.6 ELECTRONIC/ONLINE TRADING PLATFORM RISK

The client should be aware that there are a number of risks associated with using Internet-based trading platform. These risks include the failure of any software to perform in the manner

expected, disruptions to access to telecommunications systems (or other service interruption), errors in software, delays in data transmission, malicious security breaches and errors or inaccuracies in data entry.

Phillip Futures may introduce additional trading platforms for clients from time to time and each Online Trading Platform has its own terms, conditions and requirements. The client is advised to read and understand those terms as set out in the Phillip Futures Online Trading Platform and product information guide.
The terms and conditions and the product information guide are available at Phillip Futures website at www.phillipfutures.com.my.

6.7 MARKET RISK

Fluctuations in the underlying market can occur rapidly and can adversely affect the value of a CFD. Clients should also be aware that the price, value or level of an underlying market may depend on a number of factors such as interest rates, demand, supply, actions of issuers or governments, suspension of underlying instruments from trading and other factors.

Unexpected new information in the fundamentals of the underlying securities can result in quick changes in market value. The markets may fluctuate drastically, and may have negative effect on the trade.

An open position may experience drastic opposite price movements and under some circumstances even become worthless. An inherent risk of trading/investing in CFD is that losses may be incurred, rather than profits made, as a result of buying and selling such products.

In some circumstances the value of the CFD may move independently of these factors. It is important that clients monitor their open positions closely.

6.8 MARKET RISK (GAP RISK)

The underlying instrument may at times experience 'Market Gap'. A gap is a break between prices with no trading occurring in between. The mechanics of trading during these events mean that client cannot make trades when desired or that the trades will not be filled at the prices expected (see Execution Risk below).

6.9 EXECUTION RISK (STOP LOSS ORDERS)

The placing of certain orders (e.g. 'Stop Limit Orders') which are intended to limit losses to certain amounts may not be effective because the market conditions may make it impossible to execute such orders (e.g. 'Market Gap'). At times, it is also difficult or impossible to liquidate a position without incurring substantial losses. Such conditions may cause a maximum loss in the investment, or may cause a deficit in the account. Phillip Futures does not guarantee a 'Stop Limit Order' for a CFD trade.

6.10 MARGIN CALL (RISK OF INADEQUATE MARGIN)

If changes in the market has a negative effect on the client's positions, and also because the clients are highly leverage, Phillip Futures may call the client for margin deficit in a short notice to cover the adverse change of the market and to keep the positions open. Phillip Futures

reserves the right to force close the position if such margin deficit is not met, and may liquidate the trade at a loss.

The client may be also called upon on short notice to pay additional funds to maintain position if the margin levels are increased.

6.11 WARNING ON THE SEGREGATED CLIENT'S FUNDS AMOUNT MAY NOT PROVIDE FULL PROTECTION

Client should be aware that by investing in CFD, there is no guarantee of any income distribution, capital appreciation and protection.

However, all the monies and property deposited with Phillip Futures by the client or received by Phillip Futures for or on behalf of the client will be segregated and paid into the client's segregated account.

6.12 HOLDING AND FINANCE CHARGES

'Finance Charges' are inherent in all the 'Longs' and 'Shorts' of CFD open positions. These holding costs are applied to the open positions of the account on a daily basis and will be realised at the thirty (30) day expiry. Thereafter, the charges will continue on the renewed open positions.

'Finance Charges' may still apply even if clients have the intention to liquidate the open positions, but due to market conditions, were unable to close out the positions.

6.14 SUSPENSION OR RESTRICTION OF TRADING

Market disruption such as (but not limited to) Suspension of Trading, Delisting of Underlying or any breakdown or failure of transmission can occur. Under such situation, the CFD trades can be refused and orders may be cancelled. Open positions will be affected as it may be force closed or terminated at a price by which the counterparty determines. Clients may be prohibited from entering new positions.

6.15 NO FIRST PRIORITY TO COLLATERAL REALISATION PROCEEDS

When trading in CFD, the clients are relying on the Phillip Futures to accept and process the trades, make payments owed to the clients while the trades are open, credit any proceeds and pay the money out of the clients' CFD trading account.

If Phillip Futures gets into financial difficulties, they may fail to meet some or all of their obligations to you.

6.16 UNLISTED STRUCTURED INVESTMENT PRODUCT NOT PROTECTED DEPOSIT

Investment in CFD involves risks. This is not an unlisted structured investment product which involves derivatives, and is not equivalent to nor should it be treated as a time deposit.
CFD is not a protected deposit for the purposes of the Deposit Protection Scheme.

6.17 TRADING IN CFD ARE NOT THE SAME AS REFERENCE ASSETS

When the client buys a CFD, the client does not own the underlying instrument itself. The clients enter into an agreement between themselves and the counterparty to trade the difference in the value of the underlying instrument between now and when the clients close the position. A reference asset is an underlying instrument used in credit derivatives and can be assets such as bonds or debt-backed securities. Hence, CFD is not a reference asset.

6.18 SHARES RECALL RISK

The lender of any particular shares may recall his/her shares at any given notice and as such, clients with Shares CFD 'Short' positions will have to liquidate the position immediately.

7. FEES AND COMMISSION

Before the client trades, client should obtain a clear explanation of all commissions, fees and other charges for which the client will be liable. These fees and charges will affect client net profit (if any) or increase the loss.

7.1 ACCOUNT OPENING AND CLOSURE FEES

There is no additional fee for opening or closing CFD account with Phillip Futures.

7.2 PLATFORM FEES

There is no additional fee for using Phillip Futures Online Trading Platform.

7.3 COMMISSION RATES

Market	Currency	Commission	Minimum Commission Rates
Malaysian Shares CFD	MYR	0.5% of the shares value	RM60.00
Foreign Shares CFD	USD	0.5% of the shares value	USD15.00
World Indices CFD	USD	USD10.00 for each CFD contract	N/A

Note: These rates are subject to changes. Please refer to www.phillipfutures.com.my for latest commission rates. Commission rates are payable at the time of order execution.

7.4 FINANCE CHARGES

Market	Long Finance Charges (per annum)	Short Finance Charges (per annum)	Remarks
Malaysian Shares CFD	5.5% of the shares value	From 4% of the shares value or minimum charges of RM450	Based on the contract value of the entire position marked to the closing price of the day
Foreign Shares CFD	5.5% of the shares value	From 4% of the share value	Based on the contract value of the entire position marked to the closing price of the day
World Indices CFD	5.5% of contract value	5.5% of contract value	Based on the contract value of the entire position marked to the closing price of the day

Note: These financial charges are subject to changes. 'Finance charges' are calculated daily based on 100% mark-to-market contract value. 'Financial charges' will be realized on the 30th day rollover.

7.5 SALES AND SERVICES TAX (SST)

All commission paid is subject to 6% SST. Please refer to Section 12 CFD Working Examples for the examples of Commission Rates, SST and 'Finance Charges' calculations.

7.6 CURRENCY DEFICITS AND CURRENCY CONVERSION CHARGES

There will be auto conversion shall the currency deficit amount be greater than the currency deficit threshold below:

Foreign Currency	Currency Deficit Threshold
USD	(USD500.00)

Note: The management may change the above threshold as and when it deemed fit.

Currency deficit in MYR will not be covered by automatic currency conversion. Interest rate will be charged on any currency deficit as follows:

Foreign Currency	Interest Rate (% per annum)
USD	5.50

Note: The management may change the above interest rate as and when it deemed fit.

There will be Administrative Charges of RM15.00 and Bank Charges of USD4.00 for currency conversions.

7.7 MODE OF PAYMENT

Client can deposit fund to Phillip Futures via the following method:

Mode	Details
Cheque	Cheques should be crossed and made payable to **"Phillip Futures Sdn Bhd - CFD"**. Please state the CFD trading account number, name and contact number on the reverse of the cheque and specify that the payment is meant for the CFD trading account.
Internal Funds Transfer	For the existing clients of Phillip Futures, they can initiate online funds transfer from futures trading account to CFD trading account through Phillip Futures Dealing Desk.
Telegraphic Transfer ("TT")	Please specify CFD trading account number and name along with the telegraphic transfer. Kindly inform Phillip Futures Dealing Desk after the TT transfer that the TT amount is meant for CFD trading account. Clients are liable to pay for all telegraphic transfer charges. Below are the bank account details: Bank: **Malayan Banking Berhad** Account Name: **Phillip Futures Sdn Bhd - CFD** Account No: **514012111172** Bank: **Malayan Banking Berhad** Account Name: **Phillip Futures Sdn Bhd - CFD** Account No: **714011030847 (Foreign Currency Account)**
Online Transfer	Please specify CFD trading account number and name along with the telegraphic transfer. Kindly inform Phillip Futures Dealing Desk after the TT transfer that the TT amount is meant for CFD trading account. Clients are liable to pay for all telegraphic transfer charges. Below are the bank account details: Bank: **Malayan Banking Berhad** Account Name: **Phillip Futures Sdn Bhd - CFD** Account No: **514012111172** Bank: **Malayan Banking Berhad** Account Name: **Phillip Futures Sdn Bhd - CFD** Account No: **714011030847 (Foreign Currency Account)**

Note: Phillip Futures is strictly prohibiting the acceptance of cash payment from walk-in clients or cash payment from clients for fund in for their initial investment/investment.

7.8 FUNDS WITHDRAWAL

The lower of the previous day's day-end margin excess and the margin excess at the time of processing, will be the maximum amount available for withdrawal. The withdrawal request will be rejected if the submitted withdrawal amount is greater than the margin excess at the time of processing.

Clients are reminded to exercise due caution that withdrawal of funds might result in a 'Margin Call'. Withdrawals, whether by way of electronic transfer or cheque, will only be made out in the name of the account held with Phillip Futures.

8. TREATMENT OF CLIENT'S MONIES

All the monies and properties deposited with Phillip Futures by the client or received by Phillip Futures for or on behalf of the client will be segregated and paid into the client's segregated account for the purpose of CFD.

Phillip Futures may invest such money and property in accordance with Section 118 of Capital Market and Services Act 2007 ("Act") and the Business Rules of the relevant Exchange to the extent that the Act and those Business Rules apply to such money or property.

Phillip Futures shall be entitled to any interest on money and property segregated and invested by Phillip Futures unless otherwise agreed by the Client in writing.

9. HEDGING ACTIVITY

Phillip Futures maintains and applies a policy to manage its exposure to market risks from client's positions. This includes:

(i)   Under the Direct Market Access ("DMA") pricing model, Phillip Futures will automatically place a corresponding order directly in the underlying equity Market and therefore Phillip Futures does not carry any Market risk from the trade; and

(ii)   Phillip Futures considers financial standing, global presence and internal processes of the underlying companies for managing risk.

9.1 INTRODUCTION OF CFD

For Malaysian Shares CFD, Phillip Futures will offer CFD where the underlying instrument is a share listed on the Main Board of Bursa Malaysia. The underlying company of this CFD offered by Phillip Futures has an average daily market capitalization, excluding treasury shares of at least RM1 billion in the past three months ending on the last market day of the calendar month immediately preceding the date of offer or RM3 billion in the case of newly listed company that does not meet the 3-month market capitalization track record. Besides that, the underlying company must also meet the public shareholding spread requirement at the date of offer.

For underlying instrument where shares are listed on a securities exchange outside Malaysia, Phillip Futures will offer CFD where the underlying company is listed on an exchange in a jurisdiction where the capital market regulator is a signatory of the International Organization of Securities Commission (IOSCO MMoU). The underlying company of this CFD offered by Phillip Futures has an average daily market capitalization equivalent to at least RM3 billion in the past 3 months ending the last market day of the calendar month immediately preceding

date of offer or RM5 billion in the case of newly listed company that does not meet the 3-month market capitalization track record. The underlying company must be in compliance with the listing rules and requirements of its home exchange at the date of offer, and information on the share price, share volume, financial information and price-sensitive information in relation to underlying company must be available to investors.

The World Indices CFD that Phillip Futures offer will meet the following requirements: the constituents of the index are listed on a securities exchange in or outside Malaysia and the index must be broadly based, has a transparent composition, is a recognized benchmark and the information on the composition and performance of the index must be conveniently accessible by investors.

Phillip Futures will assess the shares and indices based on its financial standing and the liquidity. If the financial standing is unsatisfactory and/or the liquidity is low, Phillip Futures may or may not offer the shares for CFD, or may offer the shares with a higher margin.

10. ELECTRONIC TRADING PLATFORM

Each client will be given a unique User ID to access to Phillip Futures Online Trading Platform for CFD trading. The Online Trading Platform has built-in technical charting tool for each underlying share offered by Phillip Futures. Apart from basic 'Limit Orders', the Online Trading Platform comes with advance orders such as but not limited to 'Stops Limits Orders' to facilitate clients' risk management objectives.

For more information about the Phillip Futures Online Trading Platform, client can refer to user guide on Phillip Futures website at www.phillipfutures.com.my.

10.1 MODE OF ORDER SUBMISSION

Phillip Futures have the discretion to halt trading at any time. Examples of instances where trading may be halted including (but not limited to):
- Volatile market conditions
- Disruption to IT services
- The trading of the underlying shares has been halted, suspended or delisted.

10.2 ORDER FILL

Clients should note that all orders will be closed on a 'First-In-First-Out' basis. Phillip Futures reserves the right to withdraw any orders in the event of a price error arising from an erroneous price feed.

CFD orders will be filled based on the last traded price of the underlying shares. Clients who want to buy ("Long") a CFD can submit a buy order based on the current 'Ask' price, or queue below the current 'Ask' price.

Conversely, a client can also submit a sell ("Short") CFD order based on the current 'Bid' price, or queue above the current 'Bid' price. The order will be executed based on the last traded price of the underlying shares.

10.3 ORDER TYPES AND QUEUE RESTRICTIONS

There are various types of order to be made by the client to trade CFD. The types of order are as follows:

Limit Order	A limit order is an order to buy or sell a security at a specific price or better. A buy limit order can only be filled at the limit price or lower. A sell limit order can only be filled at the limit price or higher.
Stop Limit Order	An order that combines the features of 'Stop Order' and a 'Limit Order'. Once the 'Stop' price is reached, the 'Stop Limit Order' becomes 'Limit Order' to buy or to sell at a specified price (or better).

The client can place the orders via Phillip Futures Online Trading Platform as well as via a phone call through the Phillip Futures Dealing Desk.

When a CFD order is received through Phillip Futures Online Trading Platform or through phone call, pre-execution checks will be performed on client's trading account. All CFD orders placed with Phillip Futures must fulfil all the risk management checks set by Phillip Futures as part of the risk management policies of Phillip Futures.

'Stop Limit Orders' are synthetic orders that can be used to limit or mitigate potential loss on an open position.

For CFD, 'Stop Limit Orders' are triggered when the last trade price reaches the stop level.

The execution of 'Stop Limit Orders' is subject to sufficient liquidity and may result in 'Slippage' where a client is filled at an inferior price than that originally placed.

In the instance of a 'Market Gap', there may be insufficient liquidity to fill an order between the 'Stop' and 'Limit' price placed. In this instance the 'Stop Limit Order' turns into a 'Limit Order' at the limit price placed which may result in no execution leaving the client exposed to additional losses if the market continues on trend. Therefore, there is no guarantee that a 'Stop Limit Order' will result in an execution at all.

As for 'Limit Orders', orders are filled based on last done price, based on price / time priority (not Bid/Ask prices). Client may close out an existing CFD position by submitting an order based on the opposite trade of an existing CFD position.

11. CFD WORKING EXAMPLES

Mr A is bullish on XYZ component share and decides to buy ("Long") 10,000 units of XYZ CFD at RM2.78. The 'Initial Margin' requirement for XYZ component share is 10%.

Calculation of Full Contract Value and Margin Requirement

XYZ share price: RM2.78
Full Contract Value = Price x Number of shares
10,000 units of XYZ = RM2.78 x 10,000 = RM27,800.00

10% 'Initial Margin' for XYZ share:
Full contract value x 10% = RM27,800.00 x 10% = RM2,780.00

Hence, the client needs to pay the amount of RM2,780.00 to buy 10,000 units of XYZ CFD.

Calculation of Commission Paid on Opening Position

Commission paid = 0.5% of Full Contract Value

Full contract value = RM2.78 x 10,000 units of XYZ =RM27,800.00
Commission paid = 0.5% x RM27,800.00 = RM139.00

Calculation of SST Paid on Opening Position

SST paid = Commission paid x 6%
RM139.00 x 6% = RM8.34

Calculation of Commission paid on Closing Position

XYZ Share had risen to RM2.83 and Mr A decided to close his position. Below are there calculation of Commission and SST paid for closing position:

0.5% of Full Contract Value = Commission paid
0.5% x RM28,300.00 = RM141.50
6% of Commission paid = SST Paid
6% x RM141.50 = RM8.49

Calculation of Financial Charges

Mr A bought 10,000 units of XYZ CFD and closed his position on Day 3.

The long Finance Charges is 5.5% per annum.

The following are the last done prices on the next few days:
Day 1: RM 2.81
Day 2: RM 2.77
Day 3: RM 2.79

Financial Charge = Financial Charge Rate x Closing Price x Quantity / 365

Financial Charge for Day 1:

5.5% x RM2.81 x 10000 / 365 = RM4.23

Financial Charge for Day 2:
5.5% x RM2.77 x 10000 / 365 = RM4.17

Total Financial Charge
= RM4.23 + RM4.17
= RM8.40

As Mr A closed out the trade on Day 3, therefore there will be no financial charge on Day 3.

Calculation of Profit and Loss

Initial deposit of fund = RM3,000.00

(i) Profit Scenario

Mr A bought 10,000 units of XYZ CFD at RM2.78, and the share price closed at RM2.83.

Unrealized Profit = (Closing price – Opening Price) x Quantity
(RM2.83 – RM2.78) x 10,000 units of shares
= RM500 (Excluding commission and other charges)

(ii) Loss Scenario

Mr A bought 10,000 units of XYZ CFD at RM2.78, and the share price closed at RM2.72.

Unrealized Profit = (Closing price – Opening Price) x Quantity
(RM2.72 – RM2.78) x 10,000 units of shares
= -RM600.00 (Excluding commission and other charges)

Calculation of Margin Call

Initial deposit = RM3,000

Mr A bought 10,000 units of XYZ CFD at RM2.78, and the share price closed at RM2.72.

(i)   Opening Commission = 0.5% x RM27800 = RM139.00

(ii)   SST Paid = RM139 x 6% = RM8.34

(iii)   Financial Charge (FC) = Financial Charge Rate x Closing Price x Quantity / 365
                                = 5.5% x RM2.72 x 10000/365
                                = RM4.10

(iv)   Unrealized Profit/Loss = (Closing price – Opening Price) x Quantity
                                = (RM2.72 – RM2.78) x 10000

$$= -RM600$$

(v)   Maintenance Margin   = Quantity x Closing Price x 10%

$$= 10000 \times RM2.72 \times 10\%$$

$$= RM2,720$$

Equity Balance = Cash Deposit - Opening Commission – SST Paid - FC - Unrealized Profit/Loss

$$= RM3,000.00 - RM139.00 - RM8.34 - RM4.10 - RM600.00$$

$$= RM2,248.56$$

Margin Deficit (Amount to top up for margin call) = Maintenance Margin - Equity Balance

$$= RM2,720.00 - RM2,248.56$$

$$= \underline{RM471.44}$$

Calculation of Intraday Margin Call

When prices change drastically, Mr A may face a force-selling call.

Scenario:
Initial deposit = RM3,000.00

Mr. A bought 10,000 units of XYZ CFD at RM2.78, and CFD price fell to RM 2.60.

(i)   Opening Commission = 0.5% x RM27,800.00 = RM139.00

(ii)   SST Paid = RM139 x 6% = RM8.34

(iii)   Financial Charge (FC) = Financial Charge Rate x Closing Price x Quantity / 365

$$= 5.5\% \times RM2.60 \times 10,000/365$$

$$= RM3.92$$

(iv)   Unrealized Profit/Loss = (Closing price – Opening Price) x Quantity

$$= (RM2.60 – RM2.78) \times 10000$$

$$= -RM1800$$

(v)   Maintenance Margin   = Quantity x Closing Price x 10%

$$= 10,000 \times RM2.60 \times 10\%$$

$$= RM2,600.00$$

Equity Balance = Cash Deposit - Opening Commission – SST Paid – Financial Charge - Unrealized Profit/Loss

$$= RM3,000.00 - RM139.00 - RM8.34 – RM3.92 – RM1,800.00$$

$$= RM1,048.74$$

Available balance = 0 (Maintenance Margin > Equity Balance)

Margin Deficit = RM2,600.00 -RM1,048.74

          = -RM1551.26

Equity Balance < 5% of Full Contract Value

As this is an intra-day margin call, Mr A needs to top up the Margin Deficit as soon as possible. If there is further Market movement against the Client (and/or the Client does not top up the Margin Deficit), Phillip Futures reserves the right to force-liquidate without further notice to the Client to bring the account out of margin call.
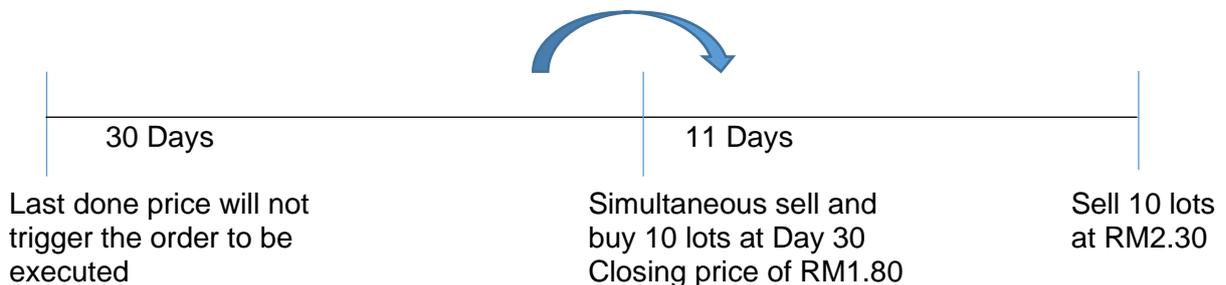

Example of Contract Renewal (Auto rollover on Day 30)

A client bought 10,000 units of XYZ CFD at RM2.00.

The client decided to continue holding the position beyond 30 calendar days, such that an automatic roll-over takes place on Day 30, at the closing price of RM1.80.

The position is closed off 11 days following the roll-over, at price of RM2.30. (Assume daily marked-to-market prices remain constant for first 30 calendar days at RM2.00 and prices remain constant for the next 11 days at the rollover price of RM1.80)

Automatic Roll-over

30 Days	11 Days	
Last done price will not trigger the order to be executed	Simultaneous sell and buy 10 lots at Day 30 Closing price of RM1.80	Sell 10 lots at RM2.30

On 30th Calendar Day (Contract Renewal Date)

Old contract closed:

Realized losses (RM2.00-RM1.80) x 10,000 shares = -RM2,000 will be debited from CFD account.

A new BUY CFD contract based on RM1.80 would be initiated.

There will be no commission charges for the closed contract and a new contract is initiated.

'Finance charges' for the past 30 days will be realized based on daily marked-to-market prices.

11.1 World Indices CFD

For World Indices CFD, the only corporate exercise will be applied to client's CFD position is dividend adjustment. Subsequently, the dividend will be calculated based on the weighting of the stock in the index as well as taxation rules of the respective indices' home country.

Example of Dividends Calculation for World Indices CFD

Dividends for World Indices CFD will be calculated based on the weighting of the stock in the index as well as taxation rules of the respective indices' home country.

For example, P&G is a component stock of the Dow Jones Industrial Average. It is paying dividends of USD0.562 and the weighting is 3.935219%.

The closing price of the Wall Street Index USD1 CFD is USD 13,557.

The closing price of P&G is US$69.47.

No. of shares in 1 contract of Wall Street Index USD1 CFD
= (Index Closing Price x Stock Weightage) ÷ Stock Price
= (USD 13,557 x 0.03935219) ÷ USD 69.47
= 7.68

Gross dividends
= 7.68 x USD 0.562
= USD4.32

Net dividends
= USD4.32 x 70% (tax rate calculated for non-resident 30%)
= USD3.02

Therefore, clients with 'Long' positions will receive net dividends of USD3.00 (rounded to the nearest decimal point) and client with 'Short' positions will have to pay gross dividends of USD4.30 (rounded to the nearest decimal point).

Note: tax rate will be subjected to change from time to time.

11.1.1 World Indices CFD Example

Working Example for 'Long' Position

Mr B is bullish on Wall Street Index CFD and decided to 'Long' 1 contract. Wall Street Index is an index CFD, thus the Initial Margin is 5%. Below are the details of transactions:

Open Price	17900	17900
Closing Price On Day 4	18100	17700
Initial Margin	Price x price per point x minimum margin x Quantity = 17900 x USD1 per point x 5% x 1 contract = USD895	

Profit / (Loss)	(Closing price – Opening Price) x price per point x Quantity = (18,100 – 17,900) x USD 1 x 1 = USD200	(Closing price – Opening Price) x price per point x Quantity = (17,700 – 17,900) x USD 1 x 1 = - USD200
Opening Commission including SST	USD10.00 x 1.06 = USD10.60	
Closing Commission including SST	USD10.00 x 1.06 = USD10.60	
Finance Charge (FC)	Assume that Long Finance Charge is 5.5% per annum. and Mr G closes the position on Day 4 : Day 1 : Price of 17,950 =17,950 x 1 contract x USD 1 x 5.5%/365 = USD2.70 Day 2 : Price of 18,000 18,000 x 1 contract x USD 1 x 5.5%/365 = USD2.71 Day 3 : Price of 18,050 18,050 x 1 contract x USD 1 x 5.5%/365 = USD2.72 Total Finance Charge = USD8.13	
Net Gain / (Loss)	200 – 10.60 – 10.60 – 8.13 =USD170.67	(200) – 10.60 – 10.60 – 8.13 =(USD229.33)
Return on Equity	(170.67 / 895) x 100% = 19.07%	(-229.33 / 895) x100% = -25.62%

Working Example for 'Short' Position

Mr B is bearish on Wall Street Index CFD and decided to short 1 contract. Below are the details of transactions:

Open Price	18100	18100
Closing Price On Day 4	17900	18300
Initial Margin	Price x price per point x minimum margin x Quantity = 18100 x USD 1 per point x 5% x 1 contract = USD905	
Profit / (Loss)	(Opening price – Closing Price) x price per point x Quantity = (18,100 – 17,900) x USD 1 x 1 = USD200	(Opening price – Closing Price) x price per point x Quantity = (18,100 – 18,300) x USD 1 x 1 = (USD200)

Opening Commission including SST	USD10.00 x 1.06 = USD10.60	
Closing Commission including SST	USD10.00 x 1.06 = USD10.60	
Finance Charge (FC)	Assume that Short Finance Charge is 5.5% per annum and Mr B closes the position on Day 4: Day 1: Price of 18,070 18,070 x 1 contract x USD 1 x 5.5%/365 = USD2.72 Day 2: 18,020 18,020 x 1 contract x USD 1 x 5.5%/365 = USD2.72 Day 3: Price of 18,000 18,000 x 1 contract x USD 1 x 5.5%/365 = USD2.71 Total Finance Charge = USD8.15	
Net Gain / (Loss)	200 – 10.60 – 10.60 – 8.15 =USD170.65	(200) – 10.60- 10.60 – 8.15 = (USD229.35)
Return on Equity	(170.65 / 905) x 100% = 18.86%	(229.35 / 905) x 100% = -25.34%

12. ACCOUNT OPENING AND CLOSING

12.1 Account Opening

The client is required to meet the Capital Markets Services Representative's License Holder ("CMSRL") of Phillip Futures to open a CFD Trading Account.

The 'Account Opening Form' will be provided to the client to fill in, by furnishing the client a Disclosure Document ("DD") and Product Highlights Sheet ("PHS"), Client's Acknowledgment Form, Suitability Assessment Form (Individual and Corporate) and Common Reporting Standard ("CRS") Form, either in hardcopy or an electronic version.

The client is also required to provide complete documents to CMSRL together with photocopy of Identity Card or Passport, latest bank statement, utilities bill or other supporting documents requested by Phillip Futures. The CMSRL will conduct a 'Know-Your-Client' check on the client before the client deposits the funds into Phillip Futures CFD segregated account as an initial deposit.

Thereafter, the account will be processed by the Operations Department and the client will receive an email notification to indicate the successful of account opening application. Client has to reply in the same email in order to receive temporary password for the trading platform.

12.2 Dormant Account and Re-activation of Dormant Account

If there is no trading activity within the period of six months, client's access to the trading platform will be removed.

In order to re-activate the account, client will be provided a copy of Disclosure Document ("DD"), Product Highlights Sheet ("PHS"), either in hardcopy or an electronic version. In addition, client has to submit Sophisticated Investor Declaration Form & Client's Acknowledgment Form & Terms and Conditions, Suitability Assessment Form, Common Reporting Standard ("CRS") Form, Change of Personal Particular Form, Dormant Reactivation Form. A hardcopy of Disclosure Document ("DD") and Product Highlights Sheet ("PHS") must be given to a CFD client upon such a request from the client.

12.3 Account Closure

As for account closure, client would need to fill and sign the 'Account Closure Form'. The form can be obtained from our Phillip Futures Dealing Desk and the client can contact Phillip Futures Dealing Desk at 03-2161 2770.

Please take note that the Board of Directors of Phillip Futures and the regulators reserve the rights to instruct to close the trading account of client in the event if there is any suspicious transaction on the client's trading account.

Phillip Futures have the rights to deduct the commission, fees, finance charges and expenses owed to Phillip Futures in relation to the trading of CFD from the 'Equity Balance' of the client. After deducting the commission, fees, 'Finance Charges' and expenses, the net proceeds will be returned to the client upon the closure of account.

13. CONTACT INFORMATION

1. For further information or internal dispute resolution, you may contact us at:

   (a) via phone to   : 03-2161 2770
   (b) via fax to   : 03-2162 1678
   (c) via e-mail to   : phillipfutures@poems.com.my
   (d) via website   : www.phillipfutures.com.my
   (e) via letter to   : B-2-6 Block B, Level 2, Unit 6, Megan Avenue II,
                                            No.12, Jalan Yap Kwan Seng,
                                            50450, Kuala Lumpur

2. If you are dissatisfied with the outcome of the internal dispute resolution process, please refer your dispute to the Securities Industries Dispute Resolution Corporation (SIDREC):

   (a) via phone to   : 03-2282 2280
   (b) via fax to   : 03-2282 3855
   (c) via e-mail to   : info@sidrec.com.my
   (d) via letter to   : Securities Industry Dispute Resolution Center (SIDREC),
                                            Level 9, Tower A,
                                            Menara UOA Bangsar,
                                            No.5, Jalan Bangsar Utama 1,
                                            59000, Kuala Lumpur

3. You can also direct your complaint to the Securities Commission Malaysia even if you have initiated a dispute resolution process with SIDREC. To make a complaint, please contact the SC's Investor Consumer and Investor Office:

   (a) via phone to the Aduan Hotline at   : 03-6204 8999
   (b) via fax to   : 03-6204 8991
   (c) via e-mail to   : aduan@seccom.com.my
   (d) via online complaint form   : available at www.sc.com.my
   (e) via letter to   : Consumer and Investor Office,
                                            Securities Commission Malaysia,
                                            No 3, Persiaran Bukit Kiara,
                                            Bukit Kiara,
                                            50490, Kuala Lumpur

14. GLOSSARY

Ask	Ask price. The lowest price that a seller of a security is willing to accept.
AC	Audit Committee of Phillip Futures
Account Closure Form	A form that client signs to close a trading account with Phillip Futures Sdn Bhd.
Account Opening Form	A form that client signs to open a trading account with Phillip Futures Sdn Bhd.
Bid	Bid price. The highest price that a buyer is willing to pay for a security.
Board	Board of Directors of Phillip Futures
Bonus Share	It is an offer of free additional shares to existing shareholders.
Business Day	A day on which commercial banks settle payments in Kuala Lumpur.
CFD	Contracts for Difference
CMSA	Capital Markets and Services Act 2007
CMSRL	Capital Market Services Representative License holder.
Equity Balance	Calculation of cash balance plus open profit/loss less any outstanding finance or other related fees.
Finance Charge	CFD positions held overnight are subject to finance charge, due to the nature the leverage natural of CFD and not using the full contract value to open a position.
Financial Institutions	If the institution is in Malaysia: licensed bank; licensed investment bank; or licensed Islamic bank; or If the institution is outside Malaysia, any institution that is licensed, registered, approved or authorized by the relevant banking regulator to provide financial services.
First-In-First-Out	It is a valuation method whereby the securities that were initially opened first are closed first.
Gearing	Relative proportions of debt and equity that a client uses to open a position.
IACRM	Phillip Futures Sdn Bhd's Internal Audit, Compliance & Risk Management Department

Initial Margin	The required margin in the CFD account prior to entering any CFD contract.
Long	Buying a CFD with the expectation that the underlying instrument will increase in value.
Limit Order	A limit order is an order to buy or sell a security at a specific price or better. A buy limit order can only be filled at the limit price or lower. A sell limit order can only be filled at the limit price or higher.
Margin Deficit	The amount required to top up the client's CFD account after a Margin Call being the Maintenance Margin less the Equity Balance.
Market Gap	A condition when a security opens at a higher or lower price than it closed the previous day. It refers to the space that it left in the price chart.
Maintenance Margin	The minimum amount of equity balance to be maintained in the client's CFD account.
Over-The-Counter	Securities transactions taking place outside a financial exchange system.
PhillipCapital Group Malaysia	Phillip Capital Management Sdn Bhd, Phillip Mutual Berhad, Phillip Futures Sdn Bhd, Phillip Wealth Planners Sdn Bhd, Phillip Capital Holdings Sdn Bhd, Phillip Research Sdn Bhd, PC Quote (M) Sdn Bhd and FAME Platform Sdn Bhd.
Phillip Futures	Phillip Futures Sdn Bhd
Phillip Futures Disclosure Document	Phillip Futures Disclosure Document for CFD
Reverse Split	A type of corporate action which consolidates the number of existing shares of stock into fewer, proportionally more valuable, shares.
Right Issue	An invitation to existing shareholders to purchase additional new shares in the company at a discount to the market price on a stated a future date.
Share Split	A corporate action in which a company divides its existing shares into multiple shares to boost the liquidity of the shares.
Short	Selling a CFD first with the expectation that the underlying instrument will decrease in value.
Short Selling	Short selling is an investment or trading strategy that speculates on the decline in a stock or other securities price.
Slippage	The difference between the expected price of a trade and the price at which the trade is executed. It can occur at any time but is most

	prevalent during periods of higher volatility when market orders are used.
Sophisticated Investor	Any person who falls within any category of investors set out in Schedule 1 of *Guidelines on Sales Practices of Unlisted Capital Market Products.*
Stop Limit Order	An order that combines the features of 'Stop Order' and a 'Limit Order'. Once the 'Stop' price is reached, the 'Stop Limit Order' becomes 'Limit Order' to buy or to sell at a specified price (or better).