PHILLIP NOVA 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 Position[1]
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.

[1] This is only applicable to MT5.

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 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 Nova, or another firm, if Phillip Nova 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 Requirements [2]

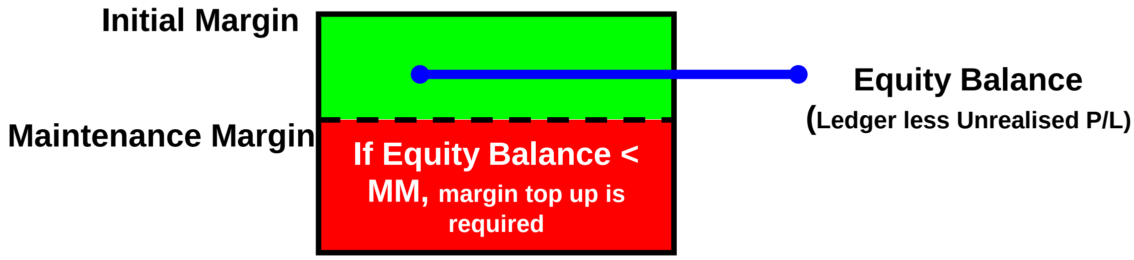
The margins for different Spot Forex/Precious Metal contracts are set according to regulatory requirements and will vary for different classes of customers. By trading on margin, you are able to leverage on the full contract value. Margin required for Spot Forex/Precious Metals contracts are in USD.

Minimum Margin

There are two levels of minimum margin:

a) Initial Margin (IM)[3]: A good faith deposit required in the customer's account to initiate a new position

b) Maintenance Margin (MM)[4]: 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)[5]

Phillip Nova 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 Call[6]

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

[2] For margin requirements of respective products, log in to https://myaccount.phillipnova.com.sg or contact our Client Service Desk at (65) 6538 0500 for enquiry.

[3] Phillip Nova reserves the right to amend initial margin requirements from time to time. Log in to https://myaccount.phillipnova.com.sg for updates or contact our Client Service Desk at (65) 6538 0500 for enquiry.

[4] Phillip Nova reserves the right to amend maintenance margin requirements from time to time. Log in to https://myaccount.phillipnova.com.sg for updates or contact our Client Service Desk at (65) 6538 0500 for enquiry.

[5] This is applicable to MT5 only.

[6] For margin requirements of respective products, log in to https://myaccount.phillipnova.com.sg or contact our Client Service Desk at (65) 6538 0500 for enquiry. Margin call process is not applicable to MT5.

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 Nova.
- 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 Nova reserves the right to liquidate any position(s) without prior notice.

Low Equity Policy[7]
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 Nova 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 Currency[8]

All Spot Forex/Precious Metal contracts will be initiated and settled in the respective traded currencies. Phillip Nova does not provide auto conversion[9] from traded currencies to SGD and vice versa.

[7] For margin requirements of respective products, log in https://myaccount.phillipnova.com.sg or contact our Client Service Desk at (65) 6538 0500 for enquiry. Low Equity Policy is not applicable to MT5.
[8] Phillip Nova 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.
[9] There will be situations when Phillip Nova will do an auto-conversion of the deficit amount to maintain a positive account balance. Please refer to Phillip Nova's Currency Conversion Policy for more information.

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

a) Client Portal: Log in to https://myaccount.phillipnova.com.sg > Currency Conversion[10]
b) Call-in service: Phillip Nova Forex Dealing Desk at (65) 6536 7200 or customer's Account Executive.

6. Profit and Loss

To calculate the potential profit or loss of a trade, customers may refer to the minimum tick value[11] 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 Nova 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.

[10] Phillip Nova proposes no additional fees or charges for currency conversion done on Client Portal. This is not applicable to MT5 account.
[11] Different Spot Forex contracts have different minimum tick values. To find out the minimum tick value for respective contracts, log in to https://myaccount.phillipnova.com.sg or contact our Client Service Desk at (65) 6538 0500 for enquiry.

9. Long-Only Over-The-Counter Options

9.1. Overview

Phillip Nova 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 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 Nova 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 Nova 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 11)

<u>Margin</u>
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.

<u>Short Position</u>
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.

<u>Option Swap/Interest</u>
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.

<u>Expiration Date & Time</u>
The expiration date is the day whereby the option contract would either be **exercised/assigned or expire worthless**. As Phillip Nova 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 Nova reserves the rights to determine the settlement price within +/- 5 pips from prevailing market prices at 2pm (GMT +8) expiration time.

<u>Closing Positions</u>
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

<u>Premium Risk</u>
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.

<u>Liquidity Risk</u>
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.

<u>Pricing Error Risks</u>
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 Nova 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 Nova 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 Nova's 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 Nova 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)	Premium will be charged upfront (directly deducted from Ledger)
	Bullion: charged in USD	
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	*At expiration*: In-The-Money Options: Exercised - Vanillas: Customer takes Spot Position at Strike Price Out-of-The-Money Options: Expire worthless
Low Equity Policies	*Accounts with Low Equity*: 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.	*Option Exercise on Low Equity*: 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 NOVA 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 outrights, 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[12] is 2[13] 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

[12] Delivery date is also known as Value Date or Settlement Date.

[13] 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 NDFF	16.00 - 16.30 (SGT)
USD/Indonesia Rupiah	Reuters JISDOR Bloomberg NDFF	11.00 - 11.30 (SGT)
USD/Renminbi	Reuters CNYFIX Bloomberg NDFF	9.15 - 9.30 (SGT)
USD/Korean Won	Reuters KRWFIX=KTFC Bloomberg NDFF	14.00 - 14.30 (SGT)
USD/Taiwan Dollar	Reuters TWDFIX=TPFI Bloomberg NDFF	11.00 - 11.30 (SGT)
USD/Philippine Peso	Reuters PHPFIX=PDSP Bloomberg NDFF	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 contract[14], 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 Nova 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.

[14] 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 Nova, or another firm, if Phillip Nova acts as your broker to effect a transaction with such firm) may be acting as counterparty to the transaction.

4. Margin Requirements[15]

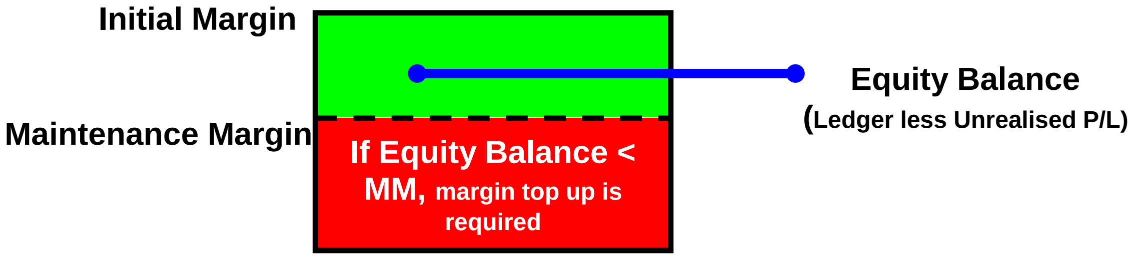
The margin requirements for Deliverable Forward contracts are similar to Spot Forex contracts. The margin levels for different Non Deliverable Forward contracts are stipulated in the Contract Specifications Sheet[16]. By trading on margin, you are able to leverage on the full contract value. Margin required for DF and NDF are in USD.

Minimum Margin

There are two levels of minimum margin:

a) Initial Margin (IM)[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



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 Nova.
- Please ensure that your contact details are updated to avoid any miscommunication.

[15] For margin requirements of respective products, log in to https://myaccount.phillipnova.com.sg or contact our Client Service Desk at (65) 6538 0500 for enquiry.

[16] For the latest NDF Contract Specifications Sheet, contact our Client Service Desk at (65) 6538 0500 or email nova@phillip.com.sg for enquiry.

[17] Phillip Nova reserves the right to amend initial margin requirements from time to time. Log in to https://myaccount.phillipnova.com.sg for updates or contact our Client Service Desk at (65) 6538 0500 for enquiry.

[18] Phillip Nova reserves the right to amend maintenance margin requirements from time to time. Log in to https://myaccount.phillipnova.com.sg for updates or contact our Client Service Desk 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 Nova 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 Nova 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 Nova 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.

Profit/Loss = (Selling price – Buying price) X Contract size = (62.00 – 61.80) X 100,000
= 0.20 X 100,000 = 20,000 (INR)

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)

Profit/Loss = 20,000 (INR) / 62.50 = USD320 (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

Profit/Loss = ((Fixing rate – Buying price) X Contract size) / Fixing Rate
= ((62.50 – 61.80) X 100,000) / 62.50
= (0.70 X 100,000 = 70,000 (INR)) / 62.50 = USD 1,120

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 Charges[19]

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 interest[20]. Similarly, a deficit in any currency will incur a debit interest.

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

Or you can contact our Client Service Desk at (65) 6538 0500 or email nova@phillip.com.sg for details on the interest rates for respective currencies. Please note that rates will change from time to time. Phillip Nova 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 Nova 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 up[21]

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

1) PayNow – SGD only
2) Fast and Secure Transfer (FAST) – SGD only
3) DBS/POSB Bill Payment – SGD only
4) eNETS[22] – SGD only
5) Credit/Debit Card[23] – SGD/USD
6) Telegraphic Transfer[24]
7) 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 (65) 6538 0500 or your Account Executive.

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[19] Not applicable to MT5

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

[21] Phillip Nova 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.

[22] Available on Client Portal. Log in to https://myaccount.phillipnova.com.sg to make funds transfer via eNETS.

[23] Available on Client Portal. Log in to https://myaccount.phillipnova.com.sg to make funds transfer via Credit/Debit Card. Applicable to Singapore, Malaysia and Indonesia issued cards. Admin fees apply, refer to www.phillipnova.com.sg for details.

[24] Funds received via telegraphic transfer will be charged a USD10 processing fee.

Withdrawal[25]
For customers who wish to withdraw funds from their Phillip Nova account, they may do so through the following 2 methods:

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

Physical form[26]: Customers may download and fill up the physical form at www.phillipnova.com.sg > Support > Forms & Downloads, and send it back to us via email at nova@phillip.com.sg or fax to (65) 6536 7367.

3. Phillip Nova's Currency Conversion Policy[27]

Phillip Nova 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
		Under such circumstances, Phillip Nova will contact you for necessary actions.

[25] Phillip Nova 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.
[26] Not applicable to customer who applied for account online, fund withdrawal request has to be submitted through Client Portal.
[27] 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 Nova as a benchmark for the daily exchange rate movement. It may be changed based on Phillip Nova's discretion.

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

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