

Risk Fact Sheet for Contracts for Difference (CFD)

Prepared on: 01/05/2024

1) This Risk Fact Sheet is provided to you in accordance with Notice N04-N15. It highlights the common risks of trading in Contracts for Differences (CFDs) and complements the Client Agreement ("trading agreement") and associated risk disclosures furnished by Moomoo Financial Singapore Pte. Ltd. ("Moomoo SG").

2) This Risk Fact Sheet does not disclose all the risks of trading in CFDs.

It is important to read the trading agreement and associated risk disclosures before deciding whether to trade in CFDs. You should also carefully consider whether trading in CFDs is appropriate for you in the light of your experience, objectives, financial resources and other relevant circumstances.

If you do not have a copy of the trading agreement and associated risk disclosures, please contact Moomoo SG to request for a copy.

You should not trade in CFDs if you do not understand the product or are not comfortable with the accompanying risks.

Q1. WHAT IS MY POTENTIAL LOSS WHEN I TRADE ON MARGIN IN CFDs?

When you enter into a CFD transaction, you need to deposit an initial margin, which is based on a percentage of the value of the trade.

When you trade on margin, you should be prepared to lose more than or all your initial investment amount that you have deposited as margin to the firm.

Illustration 1

XAU/USD is quoted at 2000.23/2000.51 and you are buying 1 standard lot (100oz) contract at 2000.51.

An amount of fund (known as the initial margin) is required as a deposit to open a position, the initial margin is calculated based on the required minimum margin rate of 20% for XAU/USD.

The initial margin requirement would be $100 \times 2000.51 \times 20\% = \text{USD } 40,010.20$

Due to adverse market information, the price of XAU/USD falls from 2000.51 to 1990.51. As such, you incur a loss of USD 1,000 ($2000.51 - 1990.51 \times 100$).

As market sentiment changes, XAU/USD continues to move to 1900.51.

The loss grows to USD 10,000 ($2000.51 - 1900.51 \times 100$).

In order to maintain your open position, the minimum required fund in your account would be ($\text{USD } 40,010.20 + \text{USD } 10,000$).

In the worst case, where the XAU/USD slips further, your account will trigger a margin call which means that we will close/liquidate your XAU/USD position at the prevailing market price levels to get your account out of the margin call.

In the case where the account goes into a negative balance, you will also incur additional losses.

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

Margin call situations will be triggered when the fund balance in your account falls below the margin required on your account. At this point, your positions become at risk of being automatically closed off in order to reduce the margin requirement on your account.

If you fail to meet the margin call, Moomoo SG has the rights to close out your positions without notifying you.

To clear the margin call,

- (i) Deposit enough funds to increase your equity above the margin requirement; or
- (ii) Close your positions to reduce it.

Kindly note that if your equity falls below 50% of your margin requirement or any required level set by Moomoo SG from time to time, or if you consistently remain under margin call for over 48 hours, we retain the right (but are not obliged) to automatically liquidate some or all of your open margin positions. Additionally, any outstanding orders on margin positions will be cancelled without prior notification.

Illustration 2

Referring to Illustration 1, you enter 1 lot of the contract at USD 2000.51 and the price of XAU/USD falls from 2000.51 to 1990.51.

The margin requirements (assuming 20% margin rate) to maintain the contract is USD 40,010.20 (100 x USD 2000.51 x 20%). You will have to top up another USD 1,000 (unrealised losses).

The company issues you a margin call of USD 1,000 to top up your margin to USD 40,010.20. If you fail to pay the margin call by the stipulated business day, Moomoo SG can close out your position.

If the price of XAU/USD continues to fall and your loss exceeds USD X (i.e. X% of the margin requirement), Moomoo SG may close out your position. In addition, you may be liable for additional losses.

Please be aware that Moomoo SG's margin requirements are subject to change. If you increase for one or more of your positions, then your current fund may not be enough to keep your positions open.

Additionally, kindly note that Moomoo SG reserve the right to close your positions at any time during a margin call. It is your responsibility to ensure that your account has adequate funds to cover the margin requirements of your open positions.

Q.3 How is the [CFD] quoted?

CFD prices are usually provided by CFD providers and may vary from one provider to another.

It's important to note that the quotes provided by CFD providers may differ from the actual prices of the underlying products.

The prices of products are electronically generated by Moomoo SG platform, taking into account market data from various CFD sources.

This means that the prices you see on the platform may not match those you see elsewhere.

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

Yes, your order can be executed at a price that is less favourable than the price quoted on the trading system due to two primary factors:

(i) High market volatility.

In the event of a rapid price surge beyond your limit order, the trade may not be executed in time and the order may not be triggered at the level at which it was set.

(ii) Market gaps.

The market experiences swift changes in price or lack of liquidity in the markets. Specifically, when stop-loss orders are activated for execution at the indicated stop price level, it may be difficult or not possible to liquidate your position at your stop price level due to rapid price fluctuations or insufficient market liquidity.

If any of the foregoing events happens, unexpected losses may be incurred.

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

The order you place on Moomoo SG's trading system will be executed on an automated basis and does not rely on manual intervention.

Should you experience any technical issues placing your order, please contact Moomoo SG's Client Service department for assistance.

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

The monies or other assets you have entrusted to the company are mandated by regulations to be held in segregated accounts with specific entities. The monies or other assets are separated from the company's own monies or assets but may be kept within the same omnibus account with other customers of the company. Moomoo SG is prohibited from utilizing your funds or assets in the segregated account for its own purposes, including settling its own dealings with our hedge counterparties.

Please refer to section 7 (Payments and Client Money) of the Client's Agreement:

https://www.moomoo.com/sq/support/topic5_69/

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

Clients' funds and assets held with Moomoo SG are fully segregated from that of Moomoo SG, neither the moomoo platform nor Moomoo SG can misappropriate the client's assets without authorization.

Please refer to section 7 (Payments and Client Money) of the Client's Agreement:

https://www.moomoo.com/sq/support/topic5_69/

Your assets do not form part of the assets of Moomoo SG's for insolvency or winding-up purposes and shall be returned to you promptly upon the appointment of a provisional liquidator, liquidator or similar officer over all or any part of the business or assets of Moomoo SG's. Please refer to section 10 (Custody and Safekeeping of Investment Products) of the Client's Agreement: https://www.moomoo.com/sq/support/topic5_69/

Q.8 Under what circumstances can [the firm] close my position or void my order?

Under the terms of the trading agreement, Moomoo SG reserves the right to reduce or close out your position when:

- (i) You are unable to meet margin call.
- (ii) Any situations where Moomoo SG is entitled to exercise based on the terms and conditions of client agreement.

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

The fees, commissions, financing interest charges and other charges that apply to your CFD transactions are dependent on the type of underlying asset or product that you're trading.

For detailed information and examples of applicable charges, please refer to Moomoo SG's website.

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

In the event of a suspension where the price of the underlying instrument becomes unavailable, Moomoo SG may provide you the option to exit your CFD position at a price determined by Moomoo SG. Throughout the suspension period, holders of positions will still be subject to financing interest charges if the positions are held overnight.

Should the suspension persist for an extended period, Moomoo SG may require you to take action such as increasing margins, settling the contract value in full, or closing your positions at a price determined by Moomoo SG. In the worst-case scenario, you could lose more than 100% of the contract value, especially for short positions. Additionally, you may be liable to pay additional charges, costs, and fees incurred.