



ASX

AUSTRALIAN SECURITIES EXCHANGE

# Understanding ASX Listed CFDs



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For this contract the market is operated by Sydney Futures Exchange Limited ACN 000 943 377

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# Before you begin

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This booklet explains what ASX Listed CFDs are and how they can be used. It should be noted that this booklet deals exclusively with ASX Listed CFDs. Information on any other ASX products is available by calling 131 ASX (279) or visiting [www.asx.com.au](http://www.asx.com.au)

To assist you in your understanding of ASX Listed CFDs there is a Glossary of Terms on page 37. To increase your knowledge before trading ASX Listed CFDs, you may find it valuable to explore the ASX Listed CFD online education courses and test your knowledge and skills on the ASX CFD Trading Simulator (both available on [www.asx.com.au/cfd](http://www.asx.com.au/cfd))

Trading of ASX Listed CFDs involves risk. Transactions should only be entered into by traders and investors who understand the nature and extent of their rights, obligations and risks.

ASX Listed CFDs are traded on the SYCOM® trading platform and operate under the SFE (Sydney Futures Exchange) Operating Rules.

## What is a CFD?

A CFD (Contract for Difference) is an agreement between a buyer and a seller to exchange the difference in value of a particular instrument between when the contract is opened and when it is closed. The difference is determined by reference to an 'underlying' – a share, index, FX rate or commodity and the period over which the CFD is held.

CFDs are leveraged instruments. This means that you are fully exposed to price movements of the underlying instrument without having to pay the full price of that instrument. CFDs therefore offer the potential to make a higher return from a smaller initial outlay than investing directly in the underlying security.

Leverage, however, usually involves more risks than a direct investment in the underlying. It is important to understand that this effect may work against as well as for traders – the use of leverage can lead to large losses as well as large gains.

ASX Listed CFDs include those listed over a range of ASX listed stocks, key global equity indices, foreign exchange currencies and commodities. A list of the full suite of ASX Listed CFDs is available on the ASX website [www.asx.com.au/cfd](http://www.asx.com.au/cfd).

# Advantages of trading CFDs

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CFDs have been used by professional investors for over twenty years and emerged first as an over-the-counter (OTC) product. CFD related trading and hedging is one of the fastest growing areas in the Australian and European derivatives markets.

This popularity has arisen from the following main features:

- **Leverage:** CFDs enable you to obtain full exposure to a share, commodity, FX cross or index for a fraction of the price of buying the underlying. CFDs require only a small initial margin to secure a trade.
- **The ability to go 'short':** CFDs allow traders to take advantage of falls in prices. This means that traders can profit when prices are going down, not just up. CFDs are thus an excellent trading and hedging tool.
- **Simplicity**
  - *Non-expiry:* Most CFDs do not have an expiry. They are perpetual in nature. For CFDs that do not expire, the only way to close a position is to trade the opposite side of the position.
  - *The CFD mirrors the price of the underlying:* Unlike other forms of derivatives (i.e. options and futures), cashflows such as carry costs and dividends are not reflected in the price of a CFD. Instead, cashflows are paid whilst the position is open, allowing CFD prices to track the underlying instrument rather than trade at a discount or premium, as can be the case in other forms of derivatives.

ASX Listed CFDs include the key features of over-the-counter CFDs augmented with the fundamental strengths of exchange-based trading.

# Benefits of ASX Listed CFDs

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Retail traders and investors can be confident trading ASX Listed CFDs because of the unique attributes of exchange traded markets. These include:

## Market Independence

ASX is required under the Corporations Act to ensure that its markets are fair, orderly and transparent. ASX ensures a sound operational and front-line regulatory environment for its exchange-traded markets and clearing and settlement facilities, providing effective systems and infrastructure together with services designed to maintain and enhance the integrity, efficiency and effectiveness of its trading, clearing and settlement facilities. For the ASX Listed CFD trader, this means being able to participate in the market with confidence.

As the central market operator, ASX is independent of the parties with whom you are receiving advice and dealing through enabling it to act fairly and impartially. This separation of responsibility between broker and exchange also provides customers with choice as to whom they wish to execute their business through.

Having a central market also means there is one standard contract specification for all ASX Listed CFDs, not a different product depending on who you execute through. It's a fundamentally better CFD market.

## Transparency

Transparency is a key ingredient in a well informed market. ASX reports on all ASX Listed CFDs transacted, open positions, bid, offers and their volumes. In fact, all the market information you are used to seeing from the ASX. This means a fundamentally better informed market.

ASX Listed CFDs are traded in the same way as other ASX traded contracts:

- All prices are formed in a fully transparent manner in ASX's CFD central market order book. Each trader's order is combined in the ASX Listed CFD central market order book with those from other market participants, including market makers, and becomes an integral part of the price discovery process.
- All trades are executed on a strict price/time priority. Price/time priority means the first person to enter the best price is traded against first. This results in everyone in the central market order book being treated fairly and consistently, no matter how big or small a trader you are.
- Importantly, while prices are transparent, the individual trader remains anonymous, which minimises market impact costs (especially those related to others identifying an individual's trading patterns and trading ahead of him/her).
- Anyone can place into the market a better bid or offer, as is the case in all exchange based markets. No-one is forced to accept the price offered in the market. However, once an order is executed, you are committed to settle the trade. All prices in the market are firm in the volume indicated.
- The ASX Listed CFD central market order book will include orders from market makers. Their activities help ensure the ASX Listed CFD market has competitive prices and deep liquidity.

## Risk Management

ASX Listed CFDs trade in a centrally cleared marketplace. The Clearing House (SFE Clearing Corporation – SFECC) provides central counterparty clearing for the ASX Listed CFD market. This involves SFECC managing risks to ensure that the interests of its Participants and clients are protected and that the integrity of the marketplace is maintained.

Through a process called novation, SFE Clearing becomes the principal to all trades and liable to perform against all contracts to which it is a party and effectively ‘guarantees’ performance to other Clearing Participants. Novation and thus the clearing guarantee become effective on registration of the contract between a buyer and seller.

This exposure is then managed and the clearing guarantee put in place in a number of ways. Firstly this is achieved by the collection of the various margins as discussed later in this booklet. The collection of these moneys protects against extreme price movements and prevents participants from accumulating large unpaid losses that could potentially impact on the financial position of other market users. This is a key component that differentiates exchange-traded markets from over-the-counter (OTC) markets, where such a strict margining regime is not in place.

The ASX Listed CFD market also has access to the Clearing Guarantee Fund for use in the event of default of one or more Clearing Participants. The Clearing Guarantee Fund represents a significant component of the overall capital adequacy of SFECC.

## Trading in the ASX Listed CFD Market

When trading ASX Listed CFDs, your order is entered directly via a Participant into the ASX Listed CFD central market order book. This order book is available for the market to see. All orders are executed on a strict price/time priority. This means that the first order with the best bid or offer price is always executed first. Trading in the ASX Listed CFD central market order book also ensures “client orders” are always given priority over a broker’s “house orders”.

In contrast, customers executing CFDs through an OTC provider, do not have their orders in the ASX Listed CFD central market order book. These orders are transacted with the OTC CFD counterparty (typically described as a CFD Provider). The customer’s order is not protected by the ASX’s price/time priority or client order precedence rules.

.....the key features of existing CFDs augmented with the fundamental strengths of exchange-based trading.

# Key features of ASX Listed CFDs

## Product Range

ASX Listed CFDs include CFDs listed over:

- The top 50 stocks listed on ASX;
- Key global equity indices;
- A range of major foreign currencies and crosses; and
- Selected commodities.

A full list of current ASX Listed CFDs is always available on [www.asx.com.au/cfd](http://www.asx.com.au/cfd).

## Long and Short Positions

With an ASX Listed CFD it is possible to go both 'long' (to buy) and 'short' (to sell).

If you take a long position, you are anticipating a rise in the value of the underlying instrument and would experience a loss if the value fell.

If you take a short position, you are anticipating a fall in the value of the underlying instrument. If the value actually rose, you would experience a loss.

In contrast to shares, where a trader usually buys first and then sells later, with an ASX Listed CFD it is possible to firstly go short (or sell) to exploit falling prices and buy back (or go long) later.

## Daily Settlement

At the end of each trading day, all positions in ASX Listed CFDs are 'marked to market' using the Daily Settlement Price (DSP).

The DSP for ASX Equity, Index and Commodity CFDs is determined by ASX and is generally<sup>1</sup> equal to that of the closing price of the underlying instrument – this being that quoted by the underlying instrument owner (e.g. ASX, the index price provider, etc) or an independent data source such as Reuters (e.g. in the case of ASX Gold and FX CFDs).

For details on the methodology or data source used to create the DSP for ASX Listed CFDs, go to [www.asx.com.au/cfd](http://www.asx.com.au/cfd)

## Expiry

ASX Listed CFDs do not expire. They are perpetual in nature. The only way to close a position is to trade the opposite side of your position.

There are limited circumstances in which ASX may expire and delist contracts. This is only likely to occur where the contract has open positions in the following situations:

- there is a lack of liquidity in the contract;
- the underlying has been delisted; or
- access to the data of the underlying instrument becomes permanently unavailable (for example, where an index provider ceases to calculate an index or terminates the index provider agreement with ASX).

If the above action were to be taken, ASX would provide as much notice to the market as possible to enable the closing out of open positions.

## Corporate Actions

Any position in an ASX Equity CFD is adjusted to reflect the same economic effect as the underlying security on which the ASX Listed CFD is based. This means that whenever there is a corporate action – such as a share split, capital repayment, special dividend, bonus issue, takeover etc – the same impact will be reflected back into the ASX Listed CFD position.

ASX Index CFDs track indexes, which are adjusted by the index provider to reflect all corporate actions.

<sup>1</sup> In exceptional circumstances where the underlying price is not immediately available, ASX may choose alternate methods to establish the Daily Settlement Price.

## Profit and Loss Situations

The table below sets out profit and loss situations when trading ASX Listed CFDs.

PROFITABLE TRADES	UNPROFITABLE TRADES
Buy low – Sell high	Buy high – Sell low
Sell high – Buy low	Sell low – Buy high

## Trading Hours

Trading hours vary for the different types of ASX Listed CFDs available. Up-to-date trading hours for all ASX Listed CFDs are available on [www.asx.com.au/cfd](http://www.asx.com.au/cfd)

## Exchange for Physical

Traders can convert their ASX Equity CFD position into stock. This conversion is allowed through the Exchange for Physical (EFP) facility. The EFP facility enables you to complete both sides of the conversion at a set price eliminating the risk of a price movement before you complete the transaction. To undertake an EFP, you need to speak to your ASX Listed CFD adviser.

Further details of the Exchange for Physical (EFP) are available on [www.asx.com.au/cfd](http://www.asx.com.au/cfd)

## Parties to an ASX Listed CFD Transaction

Traders of ASX Listed CFDs can either:

- Buy – undertake a long transaction; or
- Sell – undertake a short transaction.

When you first buy (or sell) an ASX Listed CFD it is called an opening transaction. If you then sell (or buy) an ASX Listed CFD to cancel existing bought (or sold) open positions, it is called a closing transaction. The market automatically recognises if a trade is an opening or closing trade.

Trading on SYCOM® is anonymous. This means the identity of the buyer or seller is unknown to the market.

After the trade occurs, the relationship between the two original contracting parties is broken with the SFECC becoming the counterparty for both buyer and seller. This process, called novation, is a key tool for managing counterparty risk and is a primary benefit of trading “on exchange”.

## Tracking Positions and Costs

When deciding whether to trade ASX Listed CFDs, there a number of factors to be aware of including:

- The costs of trading ASX Listed CFDs;
- How to track the value of your ASX Listed CFD positions; and
- The requirement to pay margins and other cashflows relating to holding an ASX Listed CFD position.

### Costs of trading – Brokerage

Brokerage is charged by your ASX Listed CFD broker and is typically either a flat rate per contract or trade or expressed as a percentage based on the full value of the trade.

### How to track ASX Listed CFDs

ASX Listed CFD codes and prices are available in the ASX Listed CFDs section of the ASX website, [www.asx.com.au/cfd](http://www.asx.com.au/cfd). You can set up watch lists and portfolios to assist in the monitoring of positions. Many brokers also offer portfolio management systems that enable you to manage your positions and trades on-line.

The ASX website – [www.asx.com.au](http://www.asx.com.au) – has pricing and other information about the underlying securities and indices.

Current ASX Listed CFD prices are also available from all major information vendors such as Reuters, Bloomberg or Iress.

# Price formation

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## What keeps the ASX Listed CFD price in line with the underlying price?

The price of an ASX Listed CFD is closely related to the price of its underlying instrument. It is also closely related to the price of other exchange-traded derivative products, such as futures and options, based on the same underlying security.

There are three factors that ensure this outcome:

- **Daily Settlement Price:** The Daily Settlement Price for ASX Listed CFDs is the same price as the closing price for the underlying instrument or index. For example, the ASX closing share prices resulting from the closing single price auction at 4.10pm (AEST) determine the Daily Settlement Prices used for ASX Equity CFDs. This ensures both markets close at parity. Daily variation margins for ASX Listed CFDs are therefore based on the closing price of the underlying instrument or index.
- **Arbitrage:** During the trading period, the arbitrage between the ASX Listed CFD and underlying instrument will ensure both markets remain at or close to parity. This arbitrage is based on the opportunity for traders to profit whenever the two markets are out of line. For example, assume the price of BHP Billiton shares are trading at \$42.00 bid and \$42.05 offered. If the ASX BHP Billiton CFD is offered below the bid on the ASX (\$42.00), a trader will profit from buying the ASX BHP Billiton CFD at the lower price and selling the share at \$42.00.
- **Price competition:** DPMs compete to trade as this determines any incentive paid to them by ASX. DPMs provide users of the market with enhanced liquidity and tighter bid and offer spreads.
- **Contract Design and Cashflows:** ASX Listed CFDs include cashflows (Contract Interest, Dividend Cashflow, etc.) for all positions held. This has the economic effect of making the ASX Listed CFD position identical to holding a leveraged spot position in the underlying instrument.

The ASX has appointed designated price makers (DPMs) to provide prices in the ASX Listed CFD market. DPMs and other sophisticated market participants can be expected to utilise arbitrage to ensure that prices for the ASX Listed CFDs do not 'get out of line' with the underlying instrument or index.

# Margins

Margins are designed to protect the financial security of the market by ensuring that you can meet your obligations. If you trade an ASX Listed CFD, you have a potential obligation to the market because the position may move against you.

After your order is executed, the ASX Listed CFD trade is registered with SFECC. This process, called novation, results in SFECC becoming the counterparty to both the buyer and the seller.

Each day, SFECC calculates the margin necessary to ensure you can meet your trading obligations on that day. (Note that SFECC's relationship is with your broker's Clearing Participant and not directly with you.)

The total margin for ASX Listed CFDs is made up of two components:

- Initial Margins
- Variation Margins

## Initial Margins

Initial Margins apply to both buyers and sellers upon opening a contract. They protect SFECC from risk resulting from a negative movement in the value of a position as a result of a change in market prices. The Initial Margin is typically set at a level designed to cover reasonably foreseeable losses on a position between the close of business on one day and the next. The amount of Initial Margin for each contract varies according to the price volatility of the underlying, but typically is about 5% to 10% of the value of the underlying instrument described by the contract.

ASX publishes the Initial Margin rates for all ASX Listed CFDs. You can find these rates on the ASX website at [www.asx.com.au/cfd](http://www.asx.com.au/cfd).

Initial Margins are returned when the contract is closed out.

## Variation Margins

In addition to the Initial Margins required to open contracts, any adverse price movements in the market must be covered by further payments, known as variation margins. The Variation Margin is based on the end of day marked to market revaluation of an ASX Listed CFD position.

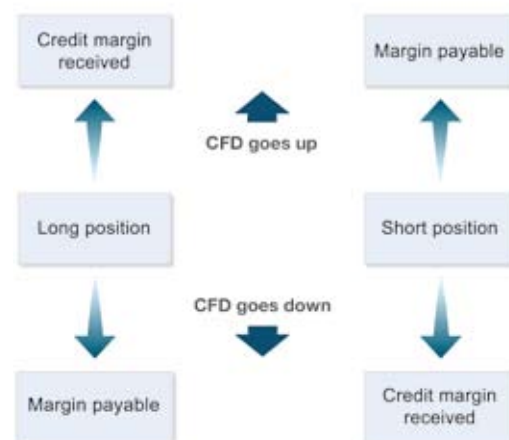
For example, if you have a long position and the price falls then you are required to pay a Variation Margin large enough to cover the adverse movement in the value of the position.

On the other hand, if you have a short position and the price falls, you would receive a Variation Margin equal to the positive movement in the value of the position.

Failure to meet (pay) a Variation Margin call can lead to the position being compulsorily closed out. The position holder is obligated to pay for any shortfall in funds if Variation and Initial Margins are insufficient to cover the shortfall.

Further discussion and examples on Variation Margins can be found on the ASX website at [www.asx.com.au/cfd](http://www.asx.com.au/cfd) (under Online Education)

Margin implications



## How margins are met

Your broker will require you to provide collateral to cover your margin obligations. Note that minimum margin requirements are set by SFECC, but higher margin requirements may be imposed by brokers and clearers.

## Payment of margins

Margins are recalculated on a daily basis to ensure an adequate level of margin cover is maintained. However, in exceptional circumstances, margins may be recalculated intra-day. This means that you may have to pay more if the market moves against you. If the market moves in your favour, margins may fall.

Settlement requirements for trading ASX Listed CFDs are strict. You must pay margin calls by the time stated in your Client Agreement. This is usually within 24 hours of being advised of the margin call by your broker. If you do not pay in time, your broker can take action to close out your positions without further reference to you.

A detailed explanation of the ASX Listed CFD margining process can be found in the online education courses on the ASX website at [www.asx.com.au/cfd](http://www.asx.com.au/cfd).

# Cashflows

Unlike other forms of derivatives (i.e. options and futures) cashflows such as carry costs and dividends are not reflected in the price of an ASX Listed CFD. Instead cashflows are paid whilst the position is open, allowing ASX Listed CFD prices to track the underlying security rather than trade at a discount or premium, as can be the case with other types of derivatives.

ASX Listed CFDs have 5 distinctive cashflows that impact on holders of an open position:

- Contract Interest
- Open Interest Charge (OIC)
- Dividend Cashflow
- Franking Credit Cashflow (ASX Equity CFDs only)
- Yield Cashflow (ASX FX CFDs only)

	HOLDERS OF LONG POSITIONS	HOLDERS OF SHORT POSITIONS
Contract Interest	Pay	Receive
Open Interest Charge	Pay	Pay
Dividend Cashflow	Receive	Pay
Franking Credit Cashflow	Receive	Pay
Yield Cashflow	Receive	Pay

## Contract Interest (CI)

Contract Interest is paid daily by holders of long positions and received daily by holders of short positions. Contract Interest payable on positions held on Friday night will also include Saturday and Sunday (e.g. 3 days interest).

The Contract Interest Rate is fixed to a benchmark rate (Contract Interest Rate) in the

contract currency of the ASX Listed CFD. The Contract Interest Rate is varied whenever the relevant benchmark rate is varied.

It is important to note that the contract interest reflects the cash rate in the currency applicable for a particular ASX Listed CFD. Contract Interest calculation examples are included later in this brochure (See page 18).

ASX LISTED CFD	CONTRACT DENOMINATION AND CONTRACT CURRENCY	BENCHMARK CONTRACT INTEREST RATE
ASX Equity CFD ASX S&P/ASX 200 <sup>3</sup> CFD	AUD	Target overnight cash rate as published daily by Reserve Bank of Australia
ASX DAX <sup>4</sup> CFD ASX Dow Jones EURO STOXX 50 <sup>5</sup> CFD ASX AUD/EUR CFD	EUR	EURO overnight Index Average (EONIA) as published daily by Reuters
ASX Gold CFD ASX Oil CFD ASX DJIA <sup>6</sup> CFD ASX NASDAQ <sup>7</sup> CFD ASX AUD/USD CFD ASX EUR/USD CFD ASX NZD/USD CFD	USD	Federal Funds Rate as published daily by the Federal Reserve Bank of New York
ASX FTSE <sup>8</sup> CFD	GBP	Sterling Overnight Index Average (SONIA) as published by the British Wholesale Markets Brokers' Association (WMBA)
ASX NZD/JPY CFD ASX AUD/JPY CFD ASX USD/JPY CFD	JPY	Overnight Target Rate as published daily by the Bank of Japan
ASX AUD/NZD CFD	NZD	Official Overnight Cash Rate (ONCR) as published daily by the Reserve Bank of New Zealand

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## Open Interest Charge (OIC)

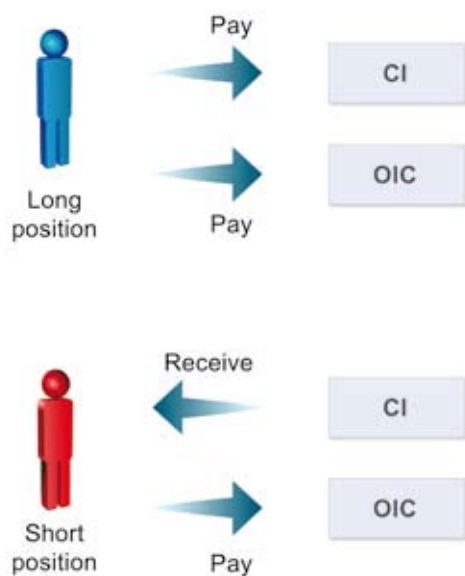
The Open Interest Charge (OIC) is the daily cost charged by the ASX for holding an open position in an ASX Listed CFD.

The OIC rate is set by the ASX and is paid daily by both long and short positions.

The OIC can be changed by ASX in response to market circumstances. The rate can move up and down but is expected to be adjusted only infrequently.

Traders will be able to view current OIC rates and any upcoming changes to the OIC on the ASX website at [www.asx.com.au/cfd](http://www.asx.com.au/cfd).

OIC calculation examples are included later in this brochure (on page 18).



## Dividend Cashflow

ASX Listed CFDs replicate the dividends or earning rate paid by the underlying instrument.

### ASX Equity CFDs

Long ASX Equity CFD positions receive the Dividend Cashflow and short positions pay the Dividend Cashflow. Positions are calculated at the close of trading on the last day cum dividend. The Dividend Cashflow is payable and received the following day (the first day ex dividend).

### ASX Index CFDs

When a share in an index goes ex-dividend, the ASX Index CFD recognises the dividend and generates a Dividend Cashflow. This cashflow mirrors what would have been paid or received had someone held the physical share as part of the overall index. As with ASX Equity CFDs, longs receive and shorts pay the Dividend Cashflow.

*Note: The timing for payment/receipt of the Dividend Cashflow is different to that of the underlying shares. In shares, payment of dividends occurs some weeks after the ex-date. In ASX Listed CFDs the Dividend Cashflow is paid or received on the ex-date.*

### Franking Credit Cashflow

The Franking Credit Cashflow (FCC) applies only to ASX Equity CFDs. With equities, dividends may have a franking credit associated with them of a value which, for ASX Equity CFDs, is described as the FCC. The FCC represents the monetary equivalent of the declared franking credit. Similar to the Dividend Cashflow, holders of short positions pay the FCC whilst holders of long positions receive the FCC.

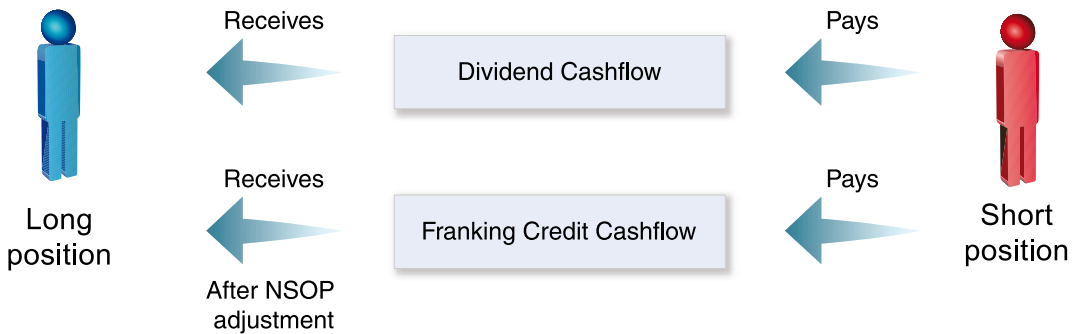
Note: The FCC paid by holders of short positions and the FCC received by holders of long positions may differ depending on the percentage of net short open positions (NSOP) held by Designated Price Makers (DPMs) at the close of trading on the last cum date.

The NSOP is determined by the Exchange calculating the net open position of DPMs and expressing it as a percentage of the market's total short open position. If the net DPM position is long, holders of long positions receive 100% of the FCC.

If the DPM net position is short, the FCC is discounted by the NSOP percentage.

For example, if the net DPM short open position is 30% then holders of long positions receive the FCC (short) discounted by 30%.

The net short open position of the DPMs at the close of each trading day for each ASX Equity CFD is available on the ASX website at [www.asx.com.au/cfd](http://www.asx.com.au/cfd).



Note: FCC is paid/received on the day following the ex-date.

## Yield Cashflow

ASX FX CFDs replicate the relationship between the two currencies that make up the contract. As such, a characteristic of ASX FX CFDs is that there are two different currencies involved.

Margins, Contract Interest and the OIC are denominated in the contract currency. The Yield Cashflow is denominated in the yield currency.

For example, in the ASX AUD/USD CFD, the contract currency is the USD. This means margins, Contract Interest and OIC are all denominated in USD. The Yield Cashflow is denominated in AUD.

Holders of long positions receive the Yield Cashflow. Holders of short positions pay the Yield Cashflow.

The Yield Cashflow is paid and received the next trading day, based on positions held at the previous day's close. The interest rate used to calculate the Yield Cashflow is based on the applicable Benchmark Contract Interest Rate of the currency applicable for the Yield Cashflow.

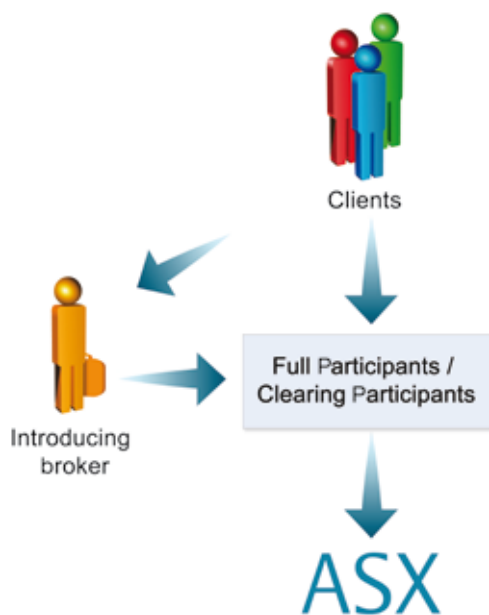
ASX LISTED CFD	YIELD CASHFLOW CURRENCY	BENCHMARK CONTRACT INTEREST RATE APPLICABLE FOR THE YIELD CURRENCY
AUD/USD AUD/NZD AUD/JPY AUD/EUR	AUD	Target overnight cash rate as published daily by Reserve Bank of Australia
NZD/JPY NZD/USD	NZD	Official Overnight Cash Rate (ONCR) as published daily by the Reserve Bank of New Zealand
EUR/USD	EUR	EURO overnight Index Average (EONIA) published daily by Reuters
USD/JPY	USD	Federal Funds Rate as published daily by the Federal Reserve Bank of New York

Yield Cashflow calculation examples are included later in this brochure (See page 27).

# Trading ASX Listed CFDs

## Where can I trade ASX Listed CFDs?

ASX Listed CFDs are traded on the Sydney Futures Exchange's SYCOM® trading platform and operate under the SFE (Sydney Futures Exchange) Operating Rules.



Access to products listed on SYCOM® is facilitated by SFE Full Participants. Full Participants provide services to end-customers and introducing brokers who themselves have end-customers. Full Participants can provide customers with either direct market access (electronic) to SYCOM® or through a dedicated SYCOM® Workstation.

As with investing in shares, traders need to first decide whether they wish to receive trading advice or not.

ASX accredits advisers from firms offering ASX Listed CFDs to end customers. This involves the adviser undertaking training and passing an examination created by ASX.

For a full list of parties (SFE Full Participants and introducing brokers) that are accredited and able to provide access to ASX Listed CFDs, visit the ASX website.

## Product range

### ASX EQUITY CFDs

Listed over the top 50 stocks on the ASX

### ASX INDEX CFDs

ASX S&P/ASX 200 CFD

ASX DJIA CFD

ASX NASDAQ CFD

ASX FTSE CFD

ASX DAX® CFD

ASX DJ EURO STOXX 50® CFD

### ASX FX CFDs

ASX AUD/USD CFD

ASX AUD/EUR CFD

ASX AUD/JPY CFD

ASX AUD/NZD CFD

ASX EUR/USD CFD

ASX USD/JPY CFD

ASX NZD/USD CFD

ASX NZD/JPY CFD

### ASX COMMODITY CFDs

ASX Gold CFD

ASX Oil CFD

Additional ASX Listed CFDs will be listed in the future. Please refer to [www.asx.com.au/cfd](http://www.asx.com.au/cfd) for the ASX Listed CFDs currently listed.

# ASX Equity CFDs

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ASX Equity CFDs give you access to trade a CFD over Australia's most actively traded shares. The contract value of one (1) ASX Equity CFD equals the price quoted in cents. For example, if the ASX Telstra CFD is trading at 450, then the value of one ASX Telstra CFD is AUD4.50.

For as little as the equivalent of 5% Initial Margin, you can gain 20 times leveraged exposure to the most actively traded shares listed on the ASX.

When trading ASX Equity CFDs, a number of factors affect the profitability of your position. These include:

- movements in the price of the ASX Equity CFD
- cashflows
- margins, and
- brokerage.

The examples on the following pages track both a long and short position over a number of days, illustrating the effect price movements, cashflows and margins have on an ASX Equity CFD position. Please note brokerage charged by and payable to your broker has not been taken into account in the examples that follow.

## Long Example

Harry is a 'directional trader' who generally holds positions for no longer than 4 days. He believes that resource prices will be strong over the next few days and thinks XYZ Resources will rally off the back of them. Harry has \$100,000 deposited with his broker and wants to expose 5% of his cash to this position.

ASX XYZ CFDs have an Initial Margin of \$1.30 per contract or approximately 5%. With \$5000, therefore, Harry can gain exposure to \$100,000 (\$5,000/5%), as the \$5,000 he would like to expose is sufficient to pay his Initial Margin on the position.

ASX XYZ CFDs are currently trading at 2599 bid – 2600 offer (eg: \$25.99-26.00).

**Harry places an order to buy 3,846 ASX XYZ CFDs at 2600 = \$99,996 value.**

After the first day Harry must pay an Initial Margin, Contract Interest, Open Interest and is exposed to Variation Margins.

On subsequent days Harry is only subjected to Contract Interest, Open Interest and Variation Margins.

*Note: If XYZ went ex-dividend during this period then Harry would receive the Dividend and any Franking Credit Cashflows.*

ASX EQUITY CFD TRADE PRICE	\$26.00			\$27.00
Trade	Buy 3,846			Sell 3,846
	Day 1	Day 2	Day 3	Day 4
<b>Daily Settlement Price</b>	<b>\$26.50</b>	<b>\$26.80</b>	<b>\$25.80</b>	<b>\$27.00</b>
<b>Initial Margin</b>				
(1) # of contracts	3,846			
(2) Trade Price	\$26.00			
(3) Initial Value (1x2)	\$99,996			
(4) Margin	\$1.30 or 5%			
Initial Margin (1x4) or (3x4)	<b>-\$4,999.80</b>			<b>+\$4,999.80</b>
<b><sup>1</sup>Contract Interest</b>				
(1) # of contracts	3,846	3,846	3,846	
(2) Daily Settlement Price	\$26.50	\$26.80	\$25.80	
(3) Position Value (1x2)	\$101,919	\$103,072.80	\$99,226.80	
(4) CI/ # of days	7.25%/365 days	7.25%/365 days	7.25%/365 days	
Contract Interest (3x4)	<b>-\$20.24</b>	<b>-\$20.47</b>	<b>-\$19.71</b>	
<b><sup>1</sup>Open Interest (OIC)</b>				
(1) # of contracts	3,846	3,846	3,846	
(2) Daily Settlement Price	\$26.50	\$26.80	\$25.80	
(3) Position Value (1x2)	\$101,919	\$103,072.80	\$99,226.80	
(4) OIC/ # of days	1.5%/365 days	1.5%/365 days	1.5%/36 days	
Open Interest Charge (3x4)	<b>-\$4.19</b>	<b>-\$4.24</b>	<b>-\$4.08</b>	
<b>Variation Margin</b>				
(1) Closing	\$26.50	\$26.80	\$25.80	
(2) Opening	\$26.00	\$26.50	\$26.80	
(3) Difference (1-2)	\$0.50	\$0.30	<b>-\$1.00</b>	
(4) # of contracts	3,846	3,846	3,846	
Variation Margin(3x4)	\$1,923.00	\$1,153.80	<b>-\$3,846.00</b>	
<b>Cumulative Profit/Loss</b>				
Gross Profit	\$1,923.00	\$3,076.80	<b>-\$769.20</b>	<sup>2</sup> \$3,846.00
Contract Interest	<b>-\$20.24</b>	<b>-\$40.72</b>	<b>-\$60.43</b>	<b>-\$60.43</b>
Open Interest	<b>-\$4.19</b>	<b>-\$8.43</b>	<b>-\$12.51</b>	<b>-\$12.51</b>
Net Profit/Loss	\$1,898.57	\$3,027.66	<b>-\$842.13</b>	\$3,773.07

<sup>1</sup> Some brokers aggregate Contract Interest and Open Interest and give them a generic title such as funding cost.

<sup>2</sup> \$3,846 is the difference between the price when the ASX Listed CFDs were initially purchased (\$26.00) and the price when the CFDs were sold (\$27.00) multiplied by the number of CFDs traded (3,846)

## Short Example

Jessica is a 'directional trader' who generally holds positions for no longer than 4 days. She believes that ABC Bank is overpriced and will fall over the next few days. Jessica has \$100,000 deposited with her broker and wants to expose 5% of her cash to this position.

ASX ABC CFDs have an Initial Margin of \$2.50 per contract or approximately 5%. With \$5000, therefore, Jessica can gain exposure to \$100,000 (5,000/5%), as the \$5,000 is sufficient to pay her Initial Margin on the position.

ASX ABC CFDs are currently trading at 5000 bid – 5001 offer.

**Jessica places an order to sell 2,000 ASX ABC CFDs at \$50.00 = \$100,000 value.**

After the first day Jessica must pay an Initial Margin and the Open Interest Charge. She is exposed to Variation Margins, but receives Contract Interest. On subsequent days Jessica continues to pay the Open Interest Charge, any negative Variation Margins and continues to receive Contract Interest.

*Note: If ABC went ex-dividend during this period then Jessica would pay Dividend and any Franking Credit Cashflow.*

ASX EQUITY CFD TRADE PRICE		\$50.00			\$48.00
Trade	Sell 2,000			Buy 2,000	
	Day 1	Day 2	Day 3	Day 4	
<b>Daily Settlement Price</b>	<b>\$51.00</b>	<b>\$49.50</b>	<b>\$49.00</b>	<b>\$48.00</b>	
<b>Initial Margin</b>					
(1) # of contracts	2,000				
(2) Trade Price	50.00				
(3) Initial Value (1x2)	\$100,000				
(4) Margin	2.50 or 5%				
Initial Margin (1x4) or (3x4)	<b>-\$5,000.00</b>	+\$5,000.00			
<b>Contract Interest</b>					
(1) # of contracts	2,000	2,000	2,000		
(2) Daily Settlement Price	\$51.00	\$49.50	\$49.00		
(3) Position Value (1x2)	\$102,000	\$99,000.00	\$98,000.00		
(4) CI/ # of days	7.25%/365 days	7.25%/365 days	7.25%/365 days		
Contract Interest (3x4)	\$20.26	\$19.66	\$19.47		
<b>Open Interest (OIC)</b>					
(1) # of contracts	2,000	2,000	2,000		
(2) Daily Settlement Price	\$51.00	\$49.50	\$49.00		
(3) Position Value (1x2)	\$102,000	\$99,000.00	\$98,000.00		
(4) OIC/ # of days	1.5%/365 days	1.5%/365 days	1.5%/365 days		
Open Interest Charge (3x4)	<b>-\$4.19</b>	<b>-\$4.07</b>	<b>-\$4.03</b>		
<b>Variation Margin</b>					
(1) Opening	\$50.00	\$51.00	\$49.50		
(2) Closing	\$51.00	\$49.50	\$49.00		
(3) Difference (1-2)	<b>-\$1.00</b>	\$1.50	\$0.50		
(4) # of contracts	2,000	2,000	2,000		
Variation Margin(3x4)	<b>-\$2,000</b>	\$3,000.00	\$1,000.00		
<b>Cumulative Profit/Loss</b>					
Gross Profit	<b>-\$2,000.00</b>	\$1,000.00	\$2,000.00		<sup>2</sup> \$4,000.00
Contract Interest	\$20.26	\$39.92	\$59.39		\$59.39
Open Interest	<b>-\$4.19</b>	<b>-\$8.26</b>	<b>-\$12.29</b>		<b>-\$12.29</b>
Net Profit/Loss	<b>-\$1,983.93</b>	\$1,031.66	\$2,047.10		\$4,047.10

<sup>1</sup> Some brokers aggregate Contract Interest and Open Interest and give them a generic title such as funding cost.

<sup>2</sup> \$4,000 is the difference between the price when the ASX Listed CFDs were initially sold (\$50.00) and the price when the CFDs were bought back (\$48.00) multiplied by the number of CFDs traded (2,000)

# ASX Index CFDs

ASX Index CFDs give you access to trade some of the world's leading equity indices. The contract value of one (1) ASX Index CFD equals the price quoted in the currency of the index. For example, if the ASX DJIA CFD is trading at 12,600.00, then the value of one (1) ASX DJIA CFD is USD12,600.00.

For as little as the equivalent of 5% Initial Margin, you can gain 20 times leveraged exposure to these leading equity indices.

When trading ASX Index CFDs, a number of factors affect the profitability of your position. These include movements in the price of the ASX Index CFD, cashflows, margins and brokerage. The following examples track both a long and short position over a number of days. They showcase the effect price movement, cashflows and margins have on an ASX Index CFD position. Please note no brokerage has been taken into account.

## Long Example

Tom – a 'directional trader' who generally holds positions for no longer than 4 days – believes that the S&P/ASX 200 Index will be strong over the next few days. Tom has \$100,000 deposited with his broker and wants to expose 10% of his cash to this position.

In this example, ASX S&P/ASX 200 CFDs have an Initial Margin of \$420 per contract or approximately 8%. With \$10,000, therefore, Tom can gain exposure to \$128,571 (10,000/7.78%). ASX S&P/ASX 200 CFDs are currently trading at 5399.0 bid – 5400.0 offer.

**Tom places an order to buy 23 ASX S&P/ASX 200 CFDs at \$5,400.00 = \$124,200 value.**

After the first day Tom must pay an Initial Margin, Contract Interest, Open Interest and is exposed to Variation Margins. On subsequent days Tom is only exposed to Contract Interest, Open Interest and Variation Margins.

On day 4, Tom places an order to sell all 23 CFDs when the index has reached 5500. Because he has sold his holding during the trading day he is not subject to Contract Interest, Open Interest or Variation Margin on day 4.

*Note: If a constituent share of the index went ex-dividend during this period then Tom would receive Dividend Cashflow according to the share's weighting in the index.*

ASX S&P/ASX 200 CFD				
TRADE PRICE	5400.0			5500.0
Trade	Buy 23			Sell 23
	Day 1	Day 2	Day 3	Day 4
<b>Daily Settlement Price (Closing Price)</b>	<b>5,450.0</b>	<b>5,920.0</b>	<b>5,750.0</b>	<b>5,500.0</b>
<b>Initial Margin</b>				
(1) # of contracts	23			
(2) Trade Price	5400.0			
(3) Initial Value (1x2)	\$124,200			
(4) Margin	\$420 or 7.778%			
(5) Initial Margin (1x4) or (3x4)	<b>-\$9,660.00</b>		<b>+\$9,660.00</b>	
<b><sup>1</sup>Contract Interest</b>				
(1) # of contracts	23	23	23	
(2) Daily Settlement Price	5,450.0	5,520.0	5,350.0	
(3) Position Value (1x2)	\$125,350.00	\$126,960.00	\$123,050.00	
(4) CI/# of days	7.25%/365 days	7.25%/365 days	7.25%/365 days	
(5) Contract Interest (3x4)	<b>-\$24.90</b>	<b>-\$25.22</b>	<b>-\$24.44</b>	
<b><sup>1</sup>Open Interest (OIC)</b>				
(1) Number of contracts	23	23	23	
(2) Daily Settlement Price	5,450.0	5,520.0	5,350.0	
(3) Position Value (1x2)	\$125,350.00	\$126,960.00	\$123,050.00	
(4) OIC/# of days	1.5%/365 days	1.5%/365 days	1.5%/365 days	
(5) Open Interest Charge (3x4)	<b>-\$5.15</b>	<b>-\$5.22</b>	<b>-\$5.06</b>	
<b>Variation Margin</b>				
(1) Closing	5,450	5,520	5,350	
(2) Opening	5,400	5,450	5,520	
(3) Difference (1-2)	\$50.00	\$70.00	<b>-\$170.00</b>	
(4) Number of contracts	23	23	23	
Variation Margin (3x4)	\$1,150.00	\$1,610.00	<b>-\$3,910.00</b>	
<b>Cumulative Profit/Loss</b>				
Gross Profit	\$1,150.00	\$2,760.00	<b>-\$1,150.00</b>	<sup>2</sup> \$2,300.00
Contract Interest	<b>-\$24.90</b>	<b>-\$50.12</b>	<b>-\$74.56</b>	<b>-\$74.56</b>
Open Interest	<b>-\$5.15</b>	<b>-\$10.37</b>	<b>-\$15.43</b>	<b>-\$15.43</b>
Net Profit / Loss	\$1,119.95	\$2,699.51	<b>-\$1,239.98</b>	\$2,210.02

1 Some brokers aggregate Contract Interest and Open Interest and give them a generic title such as funding cost.

2 \$2,300 is the difference between the price when the ASX Listed CFDs were initially purchased (5400) and the price when the CFDs were sold (5500) multiplied by the number of CFDs traded (23)

## Short Example

In this example all of the cashflows and margins are in USD. Sandra – a 'directional trader' who generally holds positions for no longer than 4 days – believes that the Dow Jones Industrial Average (DJIA) is overpriced and will fall over the next few days. Sandra has USD100,000 deposited with her broker and wants to expose 10% of her cash to this position.

In this example, ASX DJIA CFDs have an Initial Margin of USD530 per contract or approximately 4%. With USD10,000, therefore, Sandra can gain exposure to USD237,736 (10,000/4.2%).

ASX DJIA CFDs are currently trading at 12,600.0 bid – 12,601.0 offer.

**Sandra places an order to sell 18 ASX DJIA CFDs at 12,600 = USD226,800 value.**

After the first day Sandra must pay an Initial Margin, Open Interest, is exposed to Variation Margins, but receives Contract Interest. On subsequent days Sandra is only exposed to Open Interest, Variation Margins, and continues to receive Contract Interest.

*Note: If a constituent share of the index went ex-dividend during this period then Sandra would pay the Dividend Cashflow according to the share's weighting.*

ASX DJIA CFD TRADE PRICE	12,600.0			12,400.0
Trade	Sell 15			Buy 15
	Day 1	Day 2	Day 3	Day 4
<b>Daily Settlement Price</b>	<b>12,500</b>	<b>12,550</b>	<b>12,700</b>	<b>12,400</b>
<b>Initial Margin (USD)</b>				
(1) # of contracts	18			
(2) Trade Price	12,600			
(3) Initial Value (1x2)	\$226,800			
(4) Margin	4.2%			
Initial Margin (1x4) or (3x4)	<b>-\$9,540.00</b>			<b>+\$9,540.00</b>
<b>Contract Interest (USD)</b>				
(1) # of contracts	18	18	18	
(2) Daily Settlement Price	12,500.0	12,550.0	12,700.0	
(3) Position Value (1x2)	\$225,000	\$225,900.00	\$228,600.00	
(4) CI/ # of days <sup>2</sup>	2.25%/360 days	2.25%/360 days	2.25%/360 days	
Contract Interest (3x4)	\$14.06	\$14.12	\$14.29	
<b>Open Interest (OIC)</b>				
(1) # of contracts	18	18	18	
(2) Daily Settlement Price	12,500.0	12,550.0	12,700.0	
(3) Position Value (1x2)	\$225,000	\$225,900.00	\$228,600.00	
(4) OIC/ # of days <sup>2</sup>	1.5%/360 days	1.5%/360 days	1.5%/360 days	
Open Interest Charge (3x4)	<b>-\$9.38</b>	<b>-\$9.41</b>	<b>-\$9.53</b>	
<b>Variation Margin</b>				
(1) Opening	12,600.0	12,500.0	12,550.0	
(2) Closing	12,500.0	12,550.0	12,700.0	
(3) Difference (1-2)	\$100.00	<b>-\$50.00</b>	<b>-\$150.00</b>	
(4) # of contracts	18	18	18	
Variation Margin(3x4)	\$1,800	<b>-\$900.00</b>	<b>-\$2,700.00</b>	
<b>Cumulative Profit/Loss</b>				
Gross Profit	\$1,800	\$900.00	<b>-\$1,800.00</b>	<sup>3</sup> \$3,600.00
Contract Interest	\$14.06	\$28.18	\$42.47	\$42.47
Open Interest	<b>-\$9.38</b>	<b>-\$18.79</b>	<b>-\$28.31</b>	<b>-\$28.31</b>
Net Profit/Loss	\$1,804.69	\$909.39	<b>-\$1,785.84</b>	\$3,614.16

1 Some brokers aggregate Contract Interest and Open Interest and give them a generic title such as funding cost.

2 Market convention in the USA is to calculate interest based on a 360 day year. Therefore Contract and Open Interest Rates are divided by 360 not 365.

3 \$3,600 is the difference between the price when the ASX Listed CFDs were initially sold (12,600) and the price when the CFDs were bought back (12,400) multiplied by the number of CFDs traded (18)

# ASX FX CFDs

Just like all foreign exchange transactions, ASX FX CFDs are based on two currencies, commonly called currency 'pairs'.

The second currency quoted in the currency pair is referred to as the contract currency and is the currency used for margins.

It is critical to understand which currency is being bought and which is being sold when you buy CFDs (i.e. "go long") or sell CFDs (i.e. "go short").

The simple rule to remember is that if you go long you are selling the contract currency. If you go short, you are buying the contract currency.

For example:

- When BUYING an ASX AUD/USD CFD you will always be selling the second currency (USD) and buying the first currency (AUD).
- When SELLING an ASX AUD/USD CFD you will always be buying the second currency (USD) and selling the first currency (AUD).

Therefore, if you want to profit from the AUD strengthening against the USD, you need to increase your exposure to the AUD and **buy** the ASX AUD/USD CFD.

The table below provides a guide and highlights the direction each currency in the cross rate must move for a trader to profit from a long and short position.

ASX FX CFD	CONTRACT CURRENCY	TRADE AND EFFECT	DESIRED OUTCOME	TRADE AND EFFECT	DESIRED OUTCOME
<b>AUD/USD</b>	USD	Sell = Long USD / Short AUD	USD ↑ AUD ↓	Buy = Short USD / Long AUD	USD ↓ AUD ↑
<b>AUD/EUR</b>	EUR	Sell = Long EUR / Short AUD	EUR ↑ AUD ↓	Buy = Short EUR / Long AUD	EUR ↓ AUD ↑
<b>AUD/JPY</b>	JPY	Sell = Long JPY / Short AUD	JPY ↑ AUD ↓	Buy = Short JPY / Long AUD	JPY ↓ AUD ↑
<b>AUD/NZD</b>	NZD	Sell = Long NZD / Short AUD	NZD ↑ AUD ↓	Buy = Short NZD / Long AUD	NZD ↓ AUD ↑
<b>EUR/USD</b>	USD	Sell = Long USD / Short EUR	USD ↑ EUR ↓	Buy = Short USD / Long EUR	USD ↓ EUR ↑
<b>USD/JPY</b>	JPY	Sell = Long JPY / Short USD	JPY ↑ USD ↓	Buy = Short JPY / Long USD	JPY ↓ USD ↑
<b>NZD/USD</b>	USD	Sell = Long USD / Short NZD	USD ↑ NZD ↓	Buy = Short USD / Long NZD	USD ↓ NZD ↑
<b>NZD/JPY</b>	JPY	Sell = Long JPY / Short NZD	JPY ↑ NZD ↓	Buy = Short JPY / Long NZD	JPY ↓ NZD ↑

**Note: ASX FX CFDs have a value of 1 CFD = 100 x the rate quoted.**

For example, if the AUD/USD exchange rate is .9300, one ASX AUD/USD CFD delivers a US dollar exposure of USD 93.00 and an Australian dollar exposure of AUD 100.

As with other ASX Listed CFDs, when trading ASX FX CFDs a number of factors affect the profitability of your position, including movements in the price of the ASX FX CFD, cashflows, margins, and brokerage. The following examples track both a long and short position over a number of days. They showcase the effect price movement, cashflows and margins have on an ASX FX CFD position. Please note no brokerage has been taken into account.

## Long Example

Chris is a 'directional' trader who generally holds positions for no longer than 4 days. He believes that the AUD will strengthen against the USD in the coming days.

**Chris buys 2,000 ASX AUD/USD CFDs @ 0.9300.**

This gives him an exposure of long AUD200,000 and short USD186,000. In this example, the Initial Margin rate for the ASX AUD/USD CFD is USD2 per lot. Chris is therefore required to deposit as the initial margin USD4,000 with his broker to support the trade. Being long the contract means that if the price rises (i.e. the AUD appreciates against the USD), Chris will need less AUD to buy back the short USD position.

After the first trading day, Chris' account is debited by the broker to pay for the Initial Margin, Contract Interest and Open Interest Charge (OIC). He is also exposed to Variation Margins. All of these charges are denominated in USD.

Holding a long position in ASX AUD/USD CFDs means Chris will receive the Yield Cashflow in AUD. On subsequent days Chris continues to pay, in USD, Contract Interest, the Open Interest Charge and Variation Margins (if called), and receives the Yield cashflow in AUD.

On Day 4, Chris closes out his position by selling 2,000 CFDs at 0.9330. At this point his Initial Margin is returned. If the Yield Cashflow is converted into USD (at the rate of .9330), Chris has made a total profit for the trade of  $USD541.78 + USD111.19 = USD652.97$  or AUD699.86.

ASX AUD/USD CFD TRADE PRICE		0.9300		0.9330	
Trade	Buy 2,000			Sell 2,000	
	Day 1	Day 2	Day 3	Day 4	
<b>Settlement Price (USD)</b>	<b>0.9310</b>	<b>0.9315</b>	<b>0.9320</b>	<b>0.9330</b>	
<b>Initial Margin (USD)</b>					
(1) Number of contracts	2,000			2,000	
(2) Margin/per contract	\$2.00/contract			\$2.00/contract	
(3) Initial Margin (1x2)	-\$4,000.00			+\$4,000.00	
<b>Variation Margin (USD)</b>					
(1) Day's Opening	0.9300	0.9310	0.9315		
(2) Closing	0.9310	0.9315	0.9320		
(3) Difference (2-1)	0.0010	0.0005	0.0005		
(4) Multiplier	100	100	100		
(5) Number of contracts	2,000	2,000	2,000		
(6) Variation Margin(3x4x5)	200	100	100		
<b>Contract Interest (USD)<sup>1</sup></b>					
(1) Number of contracts	2,000	2,000	2,000		
(2) Multiplier	100	100	100		
(3) Daily Settlement Price	0.9310	0.9315	0.9320		
(4) Position Value(1x2x3)	186,200	186,300	186,400		
(5) CI/ Number of days	2.25%/360 days	2.25%/360 days	2.25%/360 days		
(6) Contract Interest (4x5)	-\$11.64	-\$11.64	-\$11.65		
<b>Open Interest (OIC) in USD</b>					
(1) Number of contracts	2,000	2,000	2,000		
(2) Multiplier	100	100	100		
(3) Daily Settlement price	0.9310	0.9315	0.9320		
(4) Position Value (1x2x3)	186,200	186,300	186,400		
(5) OIC/ Number of days	1.5%/360 days	1.5%/360 days	1.5%/360 days		
Open Interest Charge (4x5)	-\$7.76	-\$7.76	-\$7.77		
<b>Cumulative Profit/Loss (USD)</b>					
excl. Yield					
(1) Gross Profit	\$200	\$300	400	\$ <sup>2</sup> 600	
(2) Contract Interest	-\$11.64	-\$23.28	-\$34.93	-\$34.93	
(3) Open Interest	-\$7.76	-\$15.52	-23.29	-\$23.29	
	\$180.60	\$261.20	\$341.78	\$541.78	
<b>Yield (AUD)</b>					
(1) Number of contracts	2,000	2,000	2,000		
(2) Multiplier	100	100	100		
(3) Yield/ Number of days	7.25%/365 days	7.25%/365 days	7.25%/365 days		
(4) Yield cashflow (1x2x3)	\$39.73	\$39.73	\$39.73		
Net Yield AUD	\$39.73	\$79.45	\$119.18	\$119.18	

1 The Benchmark Rate used for Contract Interest is the Federal Funds Rate as published daily by the Federal Reserve Bank of New York

2 \$600 is the difference between the price when the ASX Listed CFDs were initially purchased (0.9300) and the price when the CFDs were sold (0.9330) multiplied by the number of CFDs traded (2,000), multiplied by 100

## Short Example

Kylie is a 'Directional' trader who generally holds positions for no longer than 4 days. She believes that the USD will fall against the JPY in the coming days.

**Kylie Sells 2,000 ASX USD/JPY CFDs @ 102.00 JPY.**

The trade gives her an exposure of short USD200,000 and long JPY20,400,000. In this example, Initial Margin rates for the ASX USD/JPY CFD are JPY280 per contract. Kylie is therefore required to deposit JPY560,000 with her broker as the Initial Margin in order to trade. Being short the contract means that if the price falls (i.e. the JPY appreciates against the USD), Kylie will need less JPY to buy back the short USD position.

After the first day Kylie must pay to the broker an Initial Margin and is exposed to Variation Margins. These margins are denominated in JPY. Being short, Kylie pays the open interest charge less the contract interest in JPY whilst paying Yield denominated in USD. On subsequent days Kylie continues to receive Contract Interest and pay the Open Interest Charge and Variation Margins, if called, in JPY and pay the Yield Cashflow in USD.

ASX USD/JPY CFD TRADE PRICE		102.00		JPY 92.00	
Trade	Sell 2,000			Buy 2,000	
	Day 1	Day 2	Day 3	Day 4	
<b>Settlement Price (JPY)</b>	<b>97.00</b>	<b>102.00</b>	<b>87.00</b>	<b>92.00</b>	
<b>Initial Margin (JPY)</b>					
(1) Number of contracts	2,000			2000	
(2) Margin/per contract	280 / contract			280 / contract	
(3) Initial Margin (1x2)	-600,000			+600,000	
<b>Variation Margin (JPY)</b>					
(1) Day's Opening	102.00	97.00	102.00		
(2) Closing	97.00	102.00	87.00		
(3) Difference (1-2)	5.00	-5.00	5.00		
(4) Multiplier	100	100	100		
(5) Number of contracts	2,000	2,000	2,000		
(6) Variation Margin (3x4x5)	1,000,000	-1,000,000	3,000,000		
<b>Contract Interest (JPY)<sup>1</sup></b>					
(1) Number of contracts	2,000	2,000	2,000		
(2) Multiplier	100	100	100		
(3) Daily Settlement Price	97.00	102.00	87.00		
(4) Position Value (1x2x3)	22,000,000	23,000,000	20,000,000		
(5) CI/ Number of days <sup>2</sup>	0.5%/360 days	0.5%/360 days	0.5%/360 days		
(6) Contract Interest (4x5)	269	283	242		
<b>Open Interest (OIC) in JPY</b>					
(1) Number of contracts	2,000	2,000	2,000		
(2) Multiplier	100	100	100		
(3) Daily Settlement price	97.00	102.00	87.00		
(4) Position Value (1x2x3)	22,000,000	23,000,000	20,000,000		
(5) OIC/ Number of days	1.5%/360 days	1.5%/360 days	1.5%/360 days		
Open Interest Charge (4x5)	-808	-850	-725		
<b>Cumulative Profit/Loss (JPY)</b>					
excl. Yield					
(1) Gross Profit	1,000,000	0	3,000,000	³2,000,000	
(2) Contract Interest	269	553	794	794	
(3) Open Interest	-808	-1,658	-2,383	-2,383	
	999,461	-1,106	2,998,411	1,998,411	
<b>Yield (USD)</b>					
(1) Number of contracts	2,000	2,000	2,000		
(2) Multiplier	100	100	100		
(3)Yield/ Number of days	2.25%/360 days	2.25%/360 days	2.25%/360 days		
(4) Yield cashflow (1x2x3)	-\$12.50	-\$12.50	-\$12.50		
Net Yield USD	-\$12.50	-\$25.00	-\$37.50		

1 The Benchmark Rate used for Contract Interest is the Overnight Target Rate as published daily by the Bank of Japan

2 Market convention in Japan and the US is to calculate interest based on a 360 day year. In Australia the convention is to use a 365 day year.

3 2,000,000 is the difference between the price when the ASX Listed CFDs were initially sold (102.00) and the price when the CFDs were bought back (92.00) multiplied by the number of CFDs traded (2,000) multiplied by 100

ASX FX CFDs pay/receive yield in the opposing currency. Therefore a conversion needs to be made to determine the overall profit/loss including yield.

In this example USD\$37.50 of yield multiplied by the current cross rate (92) equals JPY3,450. As short positions pay yield you deduct this figure from the original P&L figure to give an overall profit of JPY1,994,961.

# ASX Commodity CFDs

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ASX Commodity CFDs give you access to trade some of the world's key commodities. The contract value of one (1) ASX Commodity CFD equals the price quoted in the currency of the commodity. For example, if the ASX Gold CFD is trading at 925.00, then the value of one (1) ASX Gold CFD is USD925.00 – or the equivalent of 1 troy ounce of gold.

For as little as the equivalent of 2% Initial Margin, you can gain 50 times leveraged exposure to these key commodities.

When trading ASX Commodity CFDs a number of factors affect the profitability of your position, including price movements in the ASX Commodity CFD, cashflows, margins, and brokerage. The following examples track both a long and short position over a number of days. They illustrate the effect that price movements, cashflows and margins have on a position. Please note no brokerage has been taken into account.

## Long Example

Larry is a 'Directional' trader who generally holds positions for no longer than 4 days. He believes that Gold will rally in the coming days.

### **Larry buys 50 ASX Gold CFDs at 925.00.**

The position gives him an exposure of USD46,250. In this example, the Initial Margin for an ASX Gold CFDs is USD29 per contract. Larry is required to deposit USD1,450 with his broker to support the position.

After the first day Larry must pay to the broker an Initial Margin, Contract Interest and the Open Interest Charge. He is also exposed to Variation Margins. All of these charges are based in USD.

On subsequent days Larry continues to pay Contract Interest, the Open Interest Charge and, if called, Variation Margins in USD.

ASX GOLD CFD TRADE PRICE		\$925.00	\$945.00	
Trade	Buy 50			Sell 50
	Day 1	Day 2	Day 3	Day 4
<b>Settlement Price (USD)</b>	<b>\$940.00</b>	<b>\$925.00</b>	<b>\$930.00</b>	<b>\$945.00</b>
<b>Initial Margin (USD)</b>				
(1) # of contracts	50			50 x
(2) Margin/per contract	\$29/per contract			\$29/per contract =
Initial Margin (1x2)	-\$1,450.00			+\$1,450.00
<b>Variation Margin (USD)</b>				
(1) Closing	\$940.00	\$925.00	\$930.00	
(2) Opening	\$925.00	\$940.00	\$925.00	
(3) Difference (1-2)	\$15.00	-\$15.00	\$5.00	
(4) # of contracts	50	50	50	
(5) Variation margin (3x4)	\$750.00	-\$750.00	\$250.00	
<b><sup>1</sup>Contract Interest (USD)<sup>4</sup></b>				
(1) # of contracts	50	50	50	
(2) Daily Settlement Price	\$940.00	\$925.00	\$930.00	
(3) Position Value (1x2)	\$47,000	\$46,250.00	\$46,500.00	
(4) CI / # of days <sup>2</sup>	2.25%/360 days	2.25%/360 days	2.25%/360 days	
Contract Interest (3x4)	-\$2.94	-\$2.89	-\$2.91	
<b><sup>1</sup>Open Interest (OIC) in USD</b>				
(1) # of contracts	50	50	50	
(2) Daily Settlement Price	\$940.00	\$925.00	\$930.00	
(3) Position Value (1x2)	\$47,000	\$46,250.00	\$46,500.00	
(4) OIC / # of days <sup>2</sup>	1.5%/360 days	1.5%/360 days	1.5%/360 days	
Open Interest (3x4)	-\$1.96	-\$1.93	-\$1.94	
<b>Cumulative Profit/Loss (USD)</b>				
Gross P & L	\$750.00	\$0.00	\$250.00	<sup>3</sup> \$1,000.00
Contract Interest	-\$2.94	-\$5.83	-\$8.73	-\$8.73
Open Interest	-\$1.96	-\$3.89	-\$5.82	-\$5.82
Net Profit/Loss	\$745.10	-\$9.71	\$235.44	\$985.44

1 Some brokers aggregate Contract Interest and Open Interest and give them a generic title such as funding cost.

2 Market convention in the USA is to calculate interest based on a 360 day year. Therefore Contract and Open Interest Rates are divided by 360 not 365.

3 \$1,000 is the difference between the price when the ASX Listed CFDs were initially purchased (\$925) and the price when the CFDs were sold (\$945) multiplied by the number of CFDs traded (50)

4 The Benchmark Rate used for Contract Interest is the Federal Funds Rate as published daily by the Federal Reserve Bank of New York

## Short Example

Barbara is a 'Directional' trader who generally holds positions for no longer than 4 days. She believes that Gold will fall in the coming days.

### Barbara Sells 50 ASX Gold CFDs at 925.00.

The position gives her an exposure of USD46,250.

In this example, Initial Margin rates for ASX Gold CFDs are USD29.00 per lot.

Barbara is required to deposit USD1,450 with her broker to support the position.

After the first day Barbara must pay to the broker an Initial Margin and the Open Interest Charge. Having a short position, she receives Contract Interest and is exposed to Variation Margins. All of these cashflows are based in USD.

On subsequent days Barbara continues to receive Contract Interest, pay the Open Interest Charge and if called Variation Margins, in USD.

This example tracks Barbara's cashflow obligations and ultimate profit/loss.

ASX GOLD CFD TRADE PRICE		\$925.00			\$905.00
Trade	Sell 50				Buy 50
	Day 1	Day 2	Day 3	Day 4	
<b>Settlement Price (USD)</b>	<b>\$940.00</b>	<b>\$925.00</b>	<b>\$915.00</b>	<b>\$905.00</b>	
<b>Initial Margin (USD)</b>					
(1) # of contracts	50			50	
(2) Margin/per contract	\$29 per contract			\$29 per contract	
Initial Margin (1x2)	<b>-\$1,450.00</b>			<b>+\$1,450.00</b>	
<b>Variation Margin (USD)</b>					
(1) Opening	\$925.00	\$940.00	\$925.00		
(2) Closing	\$940.00	\$925.00	\$915.00		
(3) Difference (1-2)	<b>-\$15.00</b>	\$15.00	\$10.00		
(4) # of contracts	50	50	50		
(5) Variation margin (3x4)	<b>-\$750.00</b>	\$750.00	\$500.00		
<b><sup>1</sup>Contract Interest (USD)<sup>4</sup></b>					
(1) # of contracts	50	50	50		
(2) Daily Settlement Price	\$940.00	\$925.00	\$915.00		
(3) Position Value (1x2)	\$47,000	\$46,250.00	\$45,750.00		
(4) CI / # of days <sup>2</sup>	2.25%/360 days	2.25%/360 days	2.25%/360 days		
Contract Interest (3x4)	\$2.94	\$2.89	\$2.86		
<b><sup>1</sup>Open Interest (OIC) in USD</b>					
(1) # of contracts	50	50	50		
(2) Daily Settlement Price	\$940.00	\$925.00	\$915.00		
(3) Position Value (1x2)	\$47,000	\$46,250.00	\$45,750.00		
(4) OIC / # of days <sup>2</sup>	1.5%/360 days	1.5%/360 days	1.5%/360 days		
Open Interest (3x4)	<b>-\$1.96</b>	<b>-\$1.93</b>	<b>-\$1.91</b>		
<b>Cumulative Profit/Loss (USD)</b>					
Gross P & L	<b>-\$750.00</b>	\$0.00	\$500.00	<sup>3</sup> \$1,000.00	
Contract Interest	\$2.94	\$5.83	\$8.69	\$8.69	
Open Interest	<b>-\$1.96</b>	<b>-\$3.89</b>	<b>-\$5.79</b>	<b>-\$5.79</b>	
Net Profit/Loss	<b>-\$749.02</b>	\$1.94	\$502.90	\$1,002.90	

1 Some brokers aggregate Contract Interest and Open Interest and give them a generic title such as funding cost.

2 Market convention in the USA is to calculate interest based on a 360 day year. Therefore Contract and Open Interest Rates are divided by 360 not 365.

3 \$1,000 is the difference between the price when the ASX Listed CFDs were initially sold (\$925) and the price when the CFDs were bought back (\$905) multiplied by the number of CFDs traded (50)

4 The Benchmark Rate used for Contract Interest is the Federal Funds Rate as published daily by the Federal Reserve Bank of New York

# Risks of Trading ASX Listed CFDs

ASX Listed CFDs are not suitable for all traders and investors. In light of the risks associated, you should only trade them if you are confident that you understand ASX Listed CFDs and the risks. Before trading ASX Listed CFDs you should carefully assess your experience, investment objectives, financial resources and all other relevant considerations and consult your adviser. Among the main risks of trading ASX Listed CFDs are the following:

## Implications of leverage:

Leverage (or gearing) is the use of given resources in such a way that the potential positive or negative outcome is magnified.

ASX Listed CFDs are leveraged. They offer the potential to make a higher return from a smaller initial outlay than for a non-leveraged transaction such as direct share investing.

The example illustrates the effect of leverage on a long ASX Equity CFD position. The table compares the possible purchase of 10,000 long ASX Equity CFDs and 10,000 shares. The higher percentage return from the ASX Equity CFDs demonstrates how leverage can work.

The initial outlay of capital is small relative to the total position value. Consequently, a relatively small market movement has a proportionately larger impact on the amount of funds supporting the position.

It is important to remember that leverage can work both for and against you by magnifying gains and losses.

## Additional margin calls and unlimited loss:

It is important to note that the liability for a holder of either a long or short ASX Listed CFD position is not limited to the margin paid.

If the market moves against a position or margin levels are increased, then the holder of that position may be called upon to pay additional funds on short notice to maintain the position (see section on Variation Margins on page 9).

If a holder of a position fails to comply with a request from their broker for additional funds within the time prescribed, the broker may close out the position. In addition, the holder will still be liable for any further losses that may have resulted from the position being closed out.

*Note: The potential for loss is not limited to the amount of money paid as Initial and Variation Margins. Adverse market moves can result in losses being a multiple of the Initial Margin originally provided to support the position.*

For a holder of a short position, a continuing adverse market price movement (e.g. market price rise), can result in theoretically unlimited losses being accumulated.

OPENING CONTRACT VALUE	SHARE	ASX LISTED CFD
Quantity purchased	10,000	10,000
Price	\$20.00	\$20.00
Position value	\$200,000	\$200,000
Capital outlay (Assume initial margin for CFD = 5%)	\$200,000	\$10,000

MARKET/CLOSING CONTRACT VALUE	SHARE	ASX LISTED CFD
Quantity held	10,000	10,000
Market/closing price	\$18.00	\$18.00
Position value	\$180,000	\$180,000
Gross profit/loss	-\$20,000	-\$20,000
Gross return on initial capital outlay	-10.00%	-200.00%

## Foreign exchange risk

Not all ASX Listed CFDs are denominated in Australian Dollars.

It is important to keep in mind that when trading ASX FX, Commodity or overseas Index CFDs all profits/losses are denominated in the currency of the particular product. For example, the ASX DJIA CFD is denominated in USD.

The following list indicates the currency denomination of each ASX Index and Commodity CFDs.

ASX LISTED CFDs	CURRENCY DENOMINATION
ASX S&P/ASX 200 CFD	AUD
ASX DJIA CFD	USD
ASX NASDAQ CFD	USD
ASX FTSE CFD	GBP
ASX DAX <sup>®</sup> CFD	EUR
ASX Dow Jones EURO STOXX 50 <sup>®</sup> CFD	EUR
ASX Gold CFD	USD
ASX Oil CFD	USD

The currency denomination of each ASX FX CFD is listed on page 12.

## Liquidity risk

Market conditions (for example, lack of liquidity) may increase the risk of loss by making it difficult to effect transactions or close out existing positions.

Normal pricing relationships may not exist in certain circumstances. For example, normal pricing relationships may not exist in periods of high buying or selling pressure, high market volatility or lack of liquidity in the market for a particular ASX Listed CFD.

Gapping, whereby a market price falls or rises without the opportunity to trade, can result in significant losses even when a stop loss has been put on. This is because it may not be possible to transact at the nominated price if the market has gapped.

ASX Listed CFD traders may reduce liquidity risk by combining ASX Listed CFD positions with ASX Exchange Traded Options. The result is similar to a guaranteed stop loss. More details are available on the ASX Website at [www.asx.com.au/cfd](http://www.asx.com.au/cfd).

Furthermore, there are limited circumstances in which ASX may expire and delist the contract. Please see page 6 for more detail.

## Market disruptions / emergencies & issue resolution

ASX Listed CFD transactions are subject to the rules, procedures, and practices of SFE and SFECC. Under the SFE Operating Rules, certain trading disputes between market participants (for example errors involving traded prices that do not bear a relationship to fair market or intrinsic value) may lead to SFE cancelling or amending a trade. In these situations your consent is not required for the cancellation of a trade.

In some circumstances underlying instruments or securities may be halted, suspended from trading or have their quotations withdrawn from the exchange. These factors will directly affect an ASX Listed CFDs value.

# Taxation

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It is beyond the scope of this booklet to provide a detailed treatment of the taxation issues that are relevant to trading in ASX Listed CFDs. You should, however, take taxation into consideration when you are investing in ASX Listed CFDs, just as you would when investing in shares.

Based on the law and administrative practice as of July 2007, we note that it may benefit potential investors to review Australian Taxation Office ("ATO") ruling TR 2005/15 (available at <http://law.ato.gov.au/pdf/tr2005-015.pdf>) paying particular attention as to how the ruling applies to your facts and circumstances. Some additional issues that may be relevant include:

- Your tax residency status;
- Taxation of Financial Arrangements ("TOFA") implications of trading in foreign currency denominated CFDs; and
- Goods and Service Tax ("GST") paid in connection with CFD related services/ transactions.

# You and your broker

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This information relates to the relationship between you and your broker (or, as they are officially called, Full Participants or introducing brokers) when trading and settling ASX Listed CFDs.

## Your relationship with your broker

As mentioned previously in this brochure, brokers can offer both trading and clearing services for ASX Listed CFDs or they can specialise, with some parts of the trading and clearing process contracted to other brokers.

The different services a broker may offer are as follows

- Offer both trading and clearing services as a SFE Full Participant;
- Offer only trading services as a SFE Full Participant. If so, the broker will execute transactions themselves but will clear through another party; or
- Offer only trading services as an introducing broker. If so, they will execute transactions through a SFE Full Participant and clear through a SFE Clearing Participant.

## Client agreement forms

The Client Agreement is a legal contract setting out the terms on which broker(s) will act for you. It is important that you read the Client Agreement carefully before signing it and retain a copy of the agreement.

ASX does not prescribe a set Client Agreement but requires minimum terms which the Client Agreement must contain. Brokers may have other terms provided they are not inconsistent with the minimum terms.

## Failing to pay your broker

One of the significant terms required in every Client Agreement with a broker is their right to close out contracts opened for you, without further notice to you, if you fail to pay as agreed in the Client Agreement. Accordingly, it is important that you understand the settlement and margin requirements set out in the Client Agreement(s) before commencing trading.

## Fees and commissions

ASX does not prescribe the rate of fees and commissions which brokers may charge clients. Clients should discuss these rates and how they will be administered directly with their broker(s) prior to signing the Client Agreement(s). ASX has standard fees (e.g. for Contract and Open Interest), which can be checked on the ASX website.

## SFE Clearing Corporation

Clearing houses provide financial integrity by allowing participants to deal freely without credit-risk constraints. The margining regime adopted by exchange clearing houses are well established and strictly enforced. This prevents participants from accumulating large unpaid losses that could threaten the financial position of other market users.

The SFE Clearing Corporation Pty Ltd (SFECC) has responsibility for the registration, clearing and processing of all trades executed on the SFE Markets including ASX Listed CFDs.

The important functions to note here, in relation to ASX Listed CFDs are as follow:

- *Confirm and register all trades:* Whenever a deal is concluded, a record is passed to SFECC where it is processed and the following morning a statement is issued to the SFE Clearing Participant describing the trades registered in their name.
- *Novation:* After the contract is registered by SFECC (in the names of the SFE Clearing Participants) the nexus between the two original contracting parties is broken. SFECC then becomes the buyer to the seller, and the seller to the buyer. Thus, the identity of the other party to the contract is no longer of importance. Parties to an original contract are not obliged to return to each other to complete or unwind the contract.
- *Set and collect margins:* SFECC can guarantee the payment of any profits made on contracts because of the system of initial and variation margins (daily settlements) it imposes, as well as its own substantial financial backing.
- *Monitor Clearing Participants' positions:* In protecting its guarantee, SFECC monitors the size of each Participant's position relative to the overall market.

## Instructing a broker to trade ASX Listed CFDs

Brokers are required to understand their client's financial situation in order to assess whether a particular investment (such as ASX Listed CFDs) is suitable for that particular client's situation. The broker's adviser will ask you certain questions relating to your financial position and your investment objectives when dealing with you for the first time. The adviser will rely on the information you provide when advising you.

## Accredited ASX Listed CFD advisers

If receiving investment or trading advice about ASX Listed CFDs, you should ensure that the individual from whom you are receiving such advice is accredited to advise on ASX Listed CFDs.

You can place an order through any adviser able to offer ASX Listed CFDs. A full list of accredited advisers is available on the ASX website.

## Further information

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### Contract specifications

Contract specifications for all ASX Listed CFDs are available on [www.asx.com.au/cfd](http://www.asx.com.au/cfd)

### Education

For explanatory booklets on ASX Listed CFDs phone 131 279, or download the booklets from the ASX website [www.asx.com.au/cfd](http://www.asx.com.au/cfd)

Explanatory booklets on other derivatives including options, futures and warrants are also available.

### Face to face classes

On a regular basis, ASX runs 'Getting Started in ASX Listed CFDs – The essentials of trading' classes. These are practical classes where audience participation is encouraged and an interactive format is used.

No prior knowledge of ASX Listed CFDs is necessary. However, it is assumed that those attending have a working knowledge of the sharemarket and an awareness of the risks associated with trading CFDs.

Details of upcoming class schedules are available from the ASX website [www.asx.com.au/cfd](http://www.asx.com.au/cfd)

### Online education

You may prefer to complete classes in your own time and a place that suits you. ASX has three classes on ASX Listed CFDs available online on [www.asx.com.au/cfd](http://www.asx.com.au/cfd). Each course includes interactive exercises that will aid your learning and a quiz at the end of each course to show your progress.

### Trading Simulator

Also on [www.asx.com.au/cfd](http://www.asx.com.au/cfd), ASX provides a trading simulator which allows traders and investors to explore the fundamentals of trading ASX Listed CFDs without putting any of their own funds at risk. For those new to trading CFDs, exploring the trading simulator after they have attended an ASX Listed CFD class (either online or face-to-face) may be a useful way of ensuring they have a solid understanding of the fundamentals and the risks in trading ASX Listed CFDs.

### Contact Details

#### Website

[www.asx.com.au/cfd](http://www.asx.com.au/cfd)

#### Email

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#### Phone

131 279

#### Post

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Sydney NSW 2000

# Glossary of terms

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## **Contract for Difference (CFD)**

An agreement between buyer and seller to exchange the difference in value of a particular instrument between when the contract is opened and when it is closed. The difference is determined by reference to an 'underlying' – a stock, Index, FX rate or commodity.

## **Contract Interest**

An amount calculated daily on all open positions held at the close of trade; paid and received daily by long and short position holders

## **Daily Settlement Price (DSP)**

Price used by SFECC in marking open positions to market for calculating Variation Margins for open ASX Listed CFD positions.

## **Designated Price Maker (DPM)**

An Exchange approved market maker whose role is to provide liquidity in the ASX Listed CFD market.

DPMs receive incentives from the Exchange based on their success in trading ASX Listed CFDs.

## **Dividend Cashflow**

Payments replicating the dividends applying to the stocks underlying ASX Listed CFDs. They apply to:

- ASX Equity CFDs based on stocks that declare dividends,
- ASX Index CFDs where a component stock pays out a dividend.

Long ASX Equity CFD positions receive the Dividend cashflow.

Short ASX Equity CFD positions pay the Dividend cashflow.

The amount of the Dividend Cashflow is determined based on ASX Listed CFD positions held.

For ASX Index CFDs a weighting is applied and the Dividend Cashflow is denominated in the base currency of the ASX Listed CFD.

## **Exchange-traded CFD**

Where CFDs are traded on a formal regulated market involving transparent and competitive prices.

## **Exchange for Physical (EFP)**

An off-market trading mechanism that enables a derivatives position to be swapped for an offsetting physical position.

## **Franking Credit Cashflow (FCC)**

The monetary equivalent of the franking credit declared on a particular underlying stock.

FCC applies only to ASX Equity CFDs

Holders of long positions receive the FCC.

Holders of short positions pay the FCC.

## **Initial Margin**

Every trader in the ASX Listed CFD market is required to put up an Initial Margin (deposit) for each contract they trade. This applies to both buyers and sellers.

This Initial Margin is returned when the contract is closed out. Initial Margins protect the Clearing House and Participant against non-payment of losses by any customer. The amount is normally set at a level designed to cover reasonably foreseeable losses on a position between the close of business on one day and the next. The amount of Initial Margin for each contract varies according to the price volatility of the commodity, but is usually about 5% to 10% of the value of the goods described by the contract.

## **Intra-day Margin**

During periods of extreme market volatility, additional margin calls known as an intraday margin calls may be made. Although very rare, such a call can be affected at any point during the trading day and is payable by the time specified by the SFECC.

## **Long**

To buy.

**Mark to market**

A system whereby the value of an open position is revalued against the current market for the purpose of calculating variation margins. A settlement price is used by the clearing house for marking ASX Listed CFD positions to market. SFECC uses settlement prices at the close of the previous trading day.

**Market maker model**

Where the OTC CFD provider acts as principal, providing a two-way spread based on the market price, and clients trade directly with the OTC CFD provider.

**Novation**

Where the original parties to a contract created on market are separated by the interposition of a third party, typically a clearing house. The interposition on a clearing party provides certainty of contract completion by the contract guarantee provided by the clearing house.

**Open Interest Charge (OIC)**

Interest amount paid by both long and short positions. The OIC rate is determined by the ASX and may vary according to product. In the case of ASX Equity CFDs, and only in the case of ASX Equity CFDs, the OIC will also vary depending on whether a long or short position is held.

**OTC Direct market access (DMA)**

Where the OTC CFD order is replicated by the provider placing a corresponding stock order in the underlying market.

**Over the counter (OTC)**

Non-exchange traded

**Settlement prices**

Price used by SFECC in marking open positions to market for calculating variation margins for open CFD positions. For ASX Equity CFDs and ASX Index CFDs, SFECC uses the closing prices /levels of the underlying stock or index on the previous trading day.

**SFE Clearing Corporation (SFECC)**

The clearing house undertaking all clearing and processing of ASX Listed CFDs

**Short**

To sell.

**Stop loss order**

An order placed at the same time as an order to open a position which becomes activated when the market price reaches a designated level. Stop loss orders are used to close out losing positions to prevent further loss.

**SYCOM®**

SFE trading system used for the trading of futures contracts and ASX Listed CFDs.

**Variation Margin**

Refers to the payment of profits or losses following revaluation of an ASX Listed CFD contract. Clearing houses enforce a regime of daily variation margin calls. For this purpose, open positions are revalued (or marked to market) against settlement prices at the close of the previous trading day.

**Yield Cashflow**

A payment applicable only to ASX FX CFDs. Paid by holders of short positions and received by holders of long positions.

Paid or received the next trading day based on open positions held at the close of trading the previous day

**Yield Rate**

Applicable only to ASX FX CFDs. The Yield rate is used for calculating Yield cashflow. It is fixed to a benchmark rate in the currency opposite to the base currency of the ASX FX CFD. The Yield rate varies according to movements in the relevant benchmark rate.

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