

UTRADE FX

Product Highlight Sheet

As of 16 October 2014



UTRADE FX – PRODUCT HIGHLIGHT SHEET

This Product Highlight Sheet is an important document.

- **It highlights the key terms and risks of this investment product.**
- **You should not invest in the product if you do not understand it or are not comfortable with the accompanying risks.**

1. Who is the product suitable for?

This product is suitable for all clients who:

- Are prepared of the possibility of losing their principal investment.
- Understand the risks of leverage and how it may cause losses greater than the principal investment.
- Understand the various approaches of using LFX, eg arbitrage, scalping etc.

2. Key Product Features

- Minimum Deposit: SGD5000 or equivalent
- Available Base Currencies: SGD, USD
- Minimum Trade Size: 10,000
- Trading hours (GMT +0800): Monday 5am to Saturday 6am, dependent on daylight-saving hours
- Leverage: Up to 50X
- Typical Strategy: Long and Short
- Profit/Loss Settlement: Immediate
- Execution Mode: Broker-assisted or self-execution through internet-based platform
- Commission: None. Transaction cost is Bid/Ask Spread, as low as 1.5 pip
- Financing (overnight positions): Dependant on overnight swap rates and can differ daily; possible to obtain positive net interest
- Advanced & Contingent Orders: Non-Guaranteed Stop, Limit, Trailing Stop, Contingent Orders, OCO

3. Parties Involved

- Liquidity Providers, which include major banks and financial institutions. The Liquidity Providers are members of CLS.
- UOB Kay Hian Pte Ltd is a Counterparty to your trade. UOB Kay Hian will act as the intermediary between the investor and the Liquidity Providers.

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4. Possible Outcomes		
<u>To buy EUR/USD at 1.3800</u>		
	Example of a Profitable Trade	Example of a Loss Making Trade
Start of Day 1		
Initial Capital	USD5520	USD5520
Bid/Ask (opening)	1.3799/1.3801	1.3799/1.3801
Contract Value (opening)	USD138,010	USD138,010
Cost (opening)	USD10 (1 pip x 100,000)	USD10 (1 pip x 100,000)
End of Day 15		
	Closing Price @ 1.3900	Closing Price @ S\$1.3700
Bid/Ask (closing)	1.3899/1.3901	1.3699/1.3701
Contract Value (closing)	USD138,990	USD136,990
Cost (closing)	USD10	USD10
Finance Fees (assume interbank rate held constant at 0.5%)	USD70.90 $15 \times [138010 \times (0.5\% + 0.75\%)/365]$	USD70.90 $15 \times [138010 \times (0.5\% + 0.75\%)/365]$
Net Gain/(Loss)	USD909.10	(USD1090.90)

Worst-case and Best-case Scenarios:

- If price of EUR/USD gaps from 1.3800 to, for example, 1.3200 (or below), he will lose at least 600 pips (USD6000). This is more than the initial capital put up by the investor, and he has to bear the extra losses.
- There is no best-case scenario because, in theory, currency prices can move in a particular direction without limit, ie earning potential is uncapped.

5. Key Risks*

- Market Risk
 - Political Risk: Investment returns can be affected as a result of political changes or instability in a country, resulting in currency price fluctuations.
 - Interest Rate Risk: Interest rate changes made by Central Banks may alter the yield and thus the outlook of a currency.

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- Credit Risk
 - Counterparty Risk: Leveraged OTC products like FX are traded on off exchange basis. You are conducting transactions with the counterparty (UOB Kay Hian Private Limited). The risk you have to take with respect to the issuer or counterparty is their ability to satisfy its obligation to you.
- Liquidity Risk: When there is not enough buyers or sellers in the market, transactions can take place at drastically high or low levels, often differing widely from a trader's desired price.
- Product-Specific Risk
 - Leverage Risk: Leverage allows traders to enter into the market with less capital. It magnifies potential profits, but it is also a risk as it can magnify potential losses. Due to this, it is possible to lose more than your deposit amount.
 - Technology Risk: Technology may fail. Trades may not be confirmed or executed due to system failures.

**Risks are not limited to those stated within this list.*

6. Fees and Charges

- Spreads: A mark-up is made on the bid-offer spread, which is incorporated in the traded price.
- Financing: Dependant on overnight swap rates and can differ on a daily basis.

7. Valuations and Exiting From This Investment

- Valuations are based on our end-of-day Volume Weighted Average Prices (VWAP) closing prices.
- Exiting can be done during FX trading hours by executing an opposite hedging trade.

8. Contact Information

For all dealing matters, please contact our FX Trading Desk:

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For all other enquiries, please contact our Client Services team:

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