

# CONTRACT FOR DIFFERENCE (CFD)

Key Information Document (KID)

2018



## Key Information Document

### PURPOSE

This document provides you with key information about the Contract For Difference investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products

### PRODUCT

Product name: Contract For Difference (CFD)

Manufacturer: JSE Limited

Website: <https://www.jse.co.za/trade/derivative-market/equity-derivatives/single-stock-derivatives/contracts-for-difference>

Email: [edm@jse.co.za](mailto:edm@jse.co.za)

Tel: 011 520 7198

You are about to purchase is a product that is not simple and may be difficult to understand

### WHAT IS THIS PRODUCT?

Type: Contract For Difference

Product overview:

A Contract for Difference (CFD) can be defined as an agreement (contract) to exchange the difference in value

of a particular asset between the times at which a contract is opened and the time at which it is closed. An eCFD

is an exchange-traded CFD that is listed and traded on the exchange and cleared by SAFCOM.

Intended User: CFD is a product that is simpler to understand and trade and are used by both private and professional investors. Hedgers use CFDs to protect an existing Share portfolio against adverse price movements, while speculators use the product to realise a profit on short-term movements of the underlying Shares. Market participants can go long or go short as they see fit.

### WHAT ARE THE RISKS AND WHAT COULD I GET IN RETURN?

The risk in CFDs is profit/loss, which is determined by the difference in value of a particular asset between the time at which a contract is opened and the time at which it is closed. 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. You are only required to put down a percentage of the full value of the purchase, this is known as initial margin. CFDs therefore offer the potential to make a higher return from a smaller initial cash outlay than investing directly in the underlying instrument. Leverage, involves more risks than a direct investment in the underlying instrument. It is important to understand that this effect may work against you as well as for you – the use of leverage can lead to large losses as well as large gains. CFD funding interest is equal to the JIBAR overnight rate plus 3%. CFD interest earned on short positions is equal to the JIBAR overnight rate minus 3%.

### WHAT HAPPENS IF THE PRIIP MANUFACTURER IS UNABLE TO PAY?



JSE Clear, a wholly owned subsidiary of the JSE, is the clearing house for all Exchange-Traded Derivatives in South Africa. In this capacity, JSE Clear novates all matched trades transacted through the JSE. JSE Clear has a number of clearing members, who clear for its members, through which clients' trade. Each member is responsible for its client's losses (if a client defaults); just as each clearing member is responsible for the losses of the members for which it clears, should those members default. If a client (or trading member) cannot make good on its obligations, the trading member (or clearing member) will stand good for those obligations. JSE Clear, therefore, ultimately protects against the risk that one of the clearing members possibly default on their obligations.

For further information on the mechanisms that JSE clear employs , please refer to the following website: <https://www.jse.co.za/services/post-trade-services/risk-management/derivative-market>

#### WHAT ARE THE COSTS?

The following transaction fees would be applicable:

- Charged at 1.16 of a basis point (i.e. 0.000116), calculated off the Underlying spot price.
- A floor of R0.01 per contract

Example:

Underlying spot price x Nominal x Quantity Traded x Basis Points = Trading Fees

Spot Close	Nominal	Quantity Traded	Basis Points	Trading Fees
85.42	1	1500	0.000116	R 14.86

#### HOW LONG SHOULD I HOLD IT AND CAN I TAKE MONEY OUT EARLY?

There is no recommended holding period for these products. The optimal holding period depends upon the retail investor's individual strategy and risk profile. A derivative position can be traded and closed out on any trading day until expiration date. In particular, a long position can be closed by entering a sell order in the market on any day up to and including the expiration date of the contract, and a short position can be closed by entering a buy order in the market on any day up to and including the expiration date of the contract. An investor should contact a broker who will be able to provide a recommendation.

#### HOW CAN I COMPLAIN?

Retail investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship or directly to the Financial Services Board (FSB) at 012 428 8000. Furthermore, the retail investor can address complaints to the JSE at [info@jse.co.za](mailto:info@jse.co.za)

Other info