CFD-FOREX TRADING Rules

CFD-FOREX TRADING RULES

Table of contents

Risk warning: CFDs are complex instruments and come with a high risk of losing money quickly due to leverage. 78%* of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

* You can find the latest percentage on the website.

 Disclaimer: This guide is for information purposes only and can in no way be construed as a suggestion or proposal to invest in the financial instruments mentioned. Persons who decide to invest in these financial instruments acknowledge that they do so entirely based on their own judgment and risks. All information contained in this guide has been obtained from sources believed to be reliable. However, the accuracy of the information is not guaranteed.

IMPORTANT

- The contract you sign obligates you to read and comply with the rules set out here in this sheet before placing orders on the platform.
- WH SelfInvest reserves the right to change these rules without prior notice.
- The current version of the trading rules can be found on the WH SelfInvest website.
- Contact the support desk if you have any questions or doubts about the trading rules.

Symbol details, expirations, spreads and charts

Symbol details

Detailed information about an instrument (trading hours, spreads, expiry date) can be seen in the symbol details directly in the NanoTrader. Right-click on the instrument in the account bar, select the symbol details icon and then Market information.

Trading hours

Forex contracts are continuously tradable 24 hours a day from Sunday evening till Friday evening. Most CFDs have the same trading hours as those of the underlying instrument. Others trade continuously like Forex contracts. Use Symbol details to look for precise info.

Expiration

Some CFD contracts are based on futures that expire at a certain date. Contract specifications – such as monthly or quarterly expiration, etc. – are available in the platform under Market Information. Also the underlying market websites are useful to find this type of information.

You cannot keep a position after its expiration date. If you forgot to close a position on a contract was about to expire, the position will automatically be closed at the settlement price determined by the market.

If you wish to remain in position on the underlying symbol, you will have to roll the position, i.e. close the existing position and reopen a position on the new contract. It is best to roll a position between 1 to 3 days before expiration because the liquidity on the underlying futures may drop in the final days.

Spreads

Spreads on CFD on commodities can however vary according to the liquidity of the underlying markets.

Charts

For CFDs there is no last filled price such as on the stock exchange. Charts on the platform are not based on the last filled price but on the current Bid price.

Less experienced investors often mention that their Buy Stop has been wrongly filled because the chart did not reach the Stop. However, this remark is incorrect.

As soon as the ask price, which is naturally higher than the bid, reaches the price level, the order is executed. The chart shows the bid, which may not have reached the price level of the buy order at the moment in consideration.

Point value and currency pairs

Point value – Position size

CFD contracts are based on very different financial instruments. Therefore, the value of a point varies from one contract to another.

	Spread (in points)	Margin*	Tick	Tick value	Currency
Spot Gold	as low as 0,3	5%	0,1	1	USD
Spot Gold mini	as low as 0,3	5%	0,1	0,1	USD

A tick corresponds to the minimum distance between two consecutive prices. The tick is expressed in CFD points. The tick value shows the monetary value of a tick in the currency of the contract.

This information can be used to determine the value of the point of a CFD contract:

CFD contract : US Crude Oil

Tick : 0,01 Points (1 point in this case is therefore 100 ticks)

Tick value : 1 USD

One point will therefore be USD 100 (= 1/0,01). If 1 contract WTI Crude is bought at USD 45.00, this will in fact be a position worth USD 4500 (=1 x 45 x 100).

Check out the tick value in the instruments tables before trading a CFD you are not familiar with.

Commission-based forex versus Spread-based forex

Clients have the option of choosing between two forex trading models.

Commission based: The spread is fixed in this case, plus a fixed order fee. The spread can vary from currency pair to currency pair. Further information on our spreads can be found in the trading platform and on our website.

Spread based: In this case, the spread is variable, but there are no order fees.

or both models, the minimum order size is 1,000, which means that 1,000 of the first currency is traded against the equivalent value of the second currency of the currency pair.

Above the minimum order size, any amount can be traded.

Minimum distance and conditional distance for forex

The system requires an order to be placed a certain minimum distance away from the current Bid/Ask price. In special conditions like just in front of important news events, the minimum distances may be changed temporarily to Conditional minimum distances instead of the normal minimum distances.

The general rule is that on the 'majors' the minimum distance can go up by 3 times the normal distance, on the others it may double. The rule is applied roughly 5 minutes before the data and removed shortly after.

Validity of orders

By default, orders will be valid GTC. This means the order will remain working till the moment when it is executed or when it is cancelled again. In some cases the client might be able to select another type of validity for an order.

Placing a telephone order

To place your order efficiently have the following information ready:

1. Your account number + your email address
2. Instrument / contract
3. The volume of your order
4. The type of order (Market, limit, stop OCO, secured order (=Parent & Contingent)
5. the price at which you would like your order placed

8:00 – 22.00 CET: Call on this number **+352 42 80 42 83**

To open a position by telephone, WHS may be forced to trade a predetermined minimum. The position can be closed in all trade sizes.

Order execution, weekend stop and limit orders

Order execution

Market orders will be executed at the best available price. **Buy** orders are executed at the best available ASK price. **Sell** orders are executed at the best available BID price. The price that appears in the order ticket is only the last price before the order is sent and therefore not necessarily the execution price.

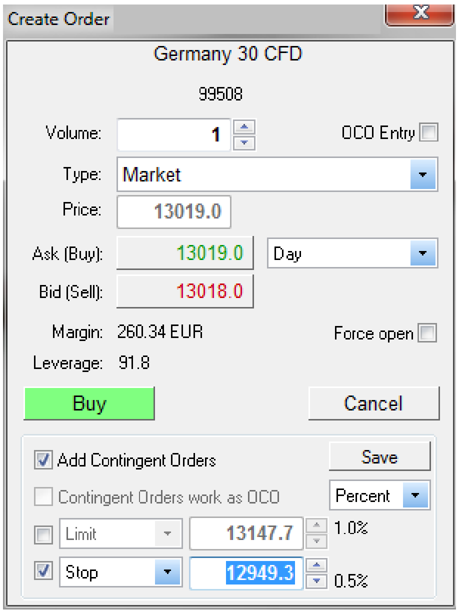
Limit Orders are executed at price specified by the client or better.

Stop orders trigger a market order when the price level defined by the client (the trigger) has been touched. This market order is then executed at the next available market price. **Buy stop** orders are executed at the best ASK price. **Sell stop** orders are executed at the best BID price. The execution price may deviate minimally from the stop signal issued.

Price developments are not necessarily continuous, which is why prices may jump.

Guaranteed stop is a stop order with a guaranteed execution price, where the execution price is the same as the incoming stop price. The guaranteed stop order must be placed at a minimum distance from the current price. When the order is executed, the fixed price is calculated.

In this example, a BUY order at a price of 13019 is combined with a guaranteed stop. The minimum distance between this stop and the entry price of the BUY order is 0.5%.



IMPORTANT

(1) A placed order that has not been rejected must be considered accepted, even if you do not receive an immediate confirmation.

(2) An executable order (a market order, a limit order whose limit has been reached and a stop order whose stop has been reached) is always executed under the conditions described in the paragraphs above, even if you do not see the position immediately.
Even if your order is executed immediately, its confirmation may be delayed. The fact that you have not received a confirmation of execution or that you do not see the position does not mean that the order has not been executed. Likewise, you can place orders to close or protect the position despite the lack of confirmation of execution. Confirmation of execution and updating of the position will take place a little later.
If in doubt, always contact our helpdesk first to confirm the status and also restart your platform.

Stop- and limit order, overnight and on weekend

Please note that stop orders only guarantee execution, but not the execution price. It is risky to hold stop and limit orders with unlimited validity overnight, at weekends or on public holidays, as these orders may be executed at a less favourable price than planned due to the difference between the closing and opening price of the following trading day (gap).

Having active orders in the market around the clock (24h/24h) increases the risk of less favourable execution due to unfavourable market conditions (during periods with changed spreads).

Examples:

	EUR/USD	.DE40	MSFT
Close on Friday	1.3000	6975	30.10
Working order	Buy Stop @ 1.3025	Buy Limit @ 6955	Buy Stop @ 30.25
Bid/Ask at market open	1.3038/40	6933/35	31.10/.12
Execution price	1.3040	6935	31.12

Financial adjustment, Dividends and Short-Selling

Financial adjustment

If a CFD position is held overnight, a financial adjustment may have to be made (credit or debit). This only applies to CFD positions on cash indices, shares and cash commodities. There is no financial adjustment for CFDs on futures.

If the value of the position is X (= number of CFD´s x closing price), the adjustment is:

LONG   -X x (Benchmark + 3,5%) / 360

SHORT +X x (Benchmark – 3,5%) / 360

Examples:

Position	Price	Adjustment
Long 500 AIRF	€11.36	- €0.49
Short 500 AIRF	€11.36	- €0.62
Long 300 MSFT	$83.50	- $3.53
Short 300 MSFT	$83.50	- $1.34

Financing on Forex

Finance adjustments are made to trades held overnight (i.e. after 17:00 ET time). The financing is based on the institutional swap rate +/- 35 basis points.

Short Selling

Restrictions on short selling may be applied (insufficient liquidity, underlying market restrictions, government decisions etc.).

Additional costs may be possible if the liquidity provider must borrow the shares sold short. This may be the case for shares with low liquidity or shares with very large short positions.

Dividends on U.S. equities

Accounts who hold long CFD positions on U.S. equities will not receive any payments related to dividends. Accounts who hold short CFD position on dividend paying U.S. equities will be deducted the full value of the dividends.

Dividends on other instruments

If an instrument gets a dividend, clients who hold CFD positions on that instrument will receive a portion of that dividend. If an account is short on the instrument, the full value of the dividend will be deducted from the account.

This is based on the following logic:

LONG	SHORT
+85% x gross dividends	-100% x gross dividends

CFD on cash indices (.F40, .N25 etc.) may be impacted by dividend payments. Accounts who hold long positions on dividend paying indices will receive the dividends. Accounts who hold short positions on dividend paying indices will pay the dividends. The price of cash indices will be adjusted to reflect the dividends paid. Also, the open P/L of long positions will be impacted negatively whereas the open P/L of short positions will be impacted positively.

* The German dividend tax is 26.375%. Customers holding LONG positions will receive 73.625% x gross dividend. Those holding short positions will pay 100%.

Corporate actions and Slippage

Rights issues – Splits – Reverse Splits

In the event of raising capital ('rights issues'), the share price could drop mechanically following the dilution of shares.

Speculating on this price drop to trade profitably by shorting the CFD **will not be a viable strategy** since all traders having an uncovered short position at this time of capital raising will be constrained to repurchase the new shares emitted in addition to its initial position. These additional shares, quoted at a more interesting price, will have to be repurchased at market price. A split is a division of the face value of a share to show a lower price per share. A reverse split is the opposite. A CFD position based on an underlying share which is subject to a split or a reverse split will be updated on the platform in the shortest possible time. It is however up to the customers to inquire whether splits or reverse splits may influence their portfolio, and to adjust volumes and/or the price of the active orders on those CFD's.

Slippage

A stop order which is placed at the exchange may be executed at a worse price than placed, which means that there will be a difference between the execution price and the stop price. This is called slippage. A recurring case of slippage is, for example, when the US unemployment figures are published on every first Friday of the month. In anticipation of this news, traders will remove their orders from the order books, creating illiquidity just prior to the news.

Both the absence of liquidity and the surprise effect contribute in creating large price movements. It is important to note that the price moves intermittently, i.e. there is not an execution on each price level. That is the reason why certain stop orders can be executed with a smaller or larger deviations.

This example shows the almost empty order book and the extreme price movement of the DAX index after a planned publication of economic data.

First-in First-out (FiFo) and Hedging

Order execution is based on First-in First-out logic

All CFDs are accounted for according to the first-in first-out principle, also known as the FIFO principle. This means that the first lot that is traded on your account is also the first to be closed. The following example illustrates the basic rule of the FIFO principle:

Seq.	Trade	Positon	P/L (realized)
Trade1	BUY 2 @ 6000	2	
Trade2	SELL 1 @ 6050	1	50 (from Trade1)
Trade3	BUY 2 @ 6070	3	
Trade4	SELL 2 @ 6050	1	+30 (+50 from Trade1,-20 from Trade3)
Trade5	Close @ 6070	0	0 (Break Even onTrade3)
			End result: **+80**

IMPORTANT

When Hedging is applied on an account, the margin is determined on the side of the largest position.
If the account is for example LONG of 5 and at the same time SHORT of 10, then the margin is determined and calculated on the SHORT 10 position.
When Hedging is applied on an account every single position on that account will have to be closed individually. This can create an extra cost for the client.
The examples above shows that the FIFO trade needed only 5 trades while the Hedging trade needed an extra 6. trade to completely neutralise the position on the account.

Hedging

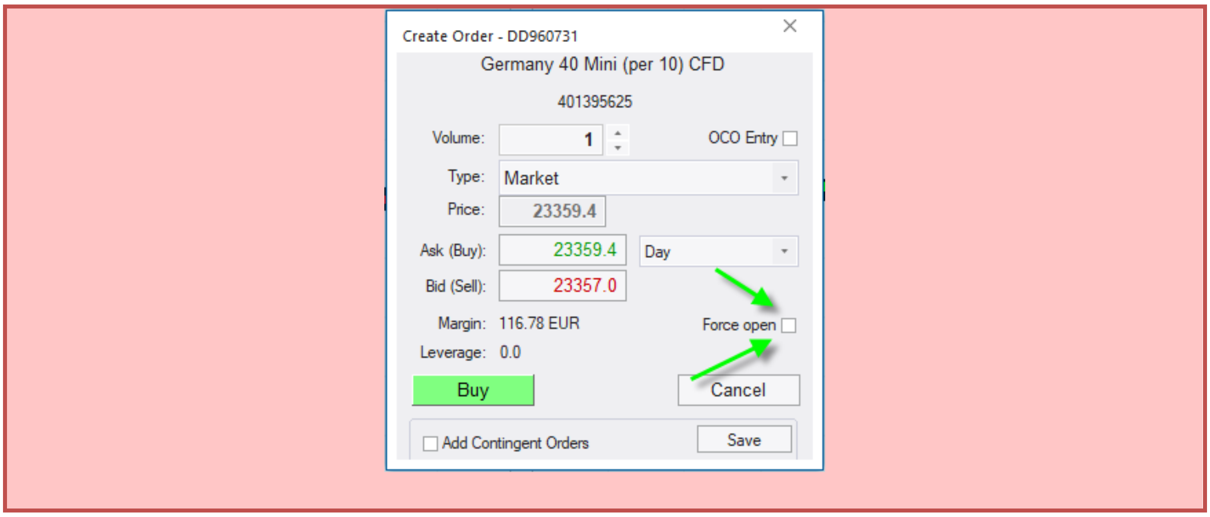
Exception on the general rule of FIFO, clients can choose to place a trade using the Hedging Function.

This function allows them to create opposing positions on the same instrument on the same account. An account can therefore be LONG and SHORT at the same time. This example illustrates Hedging:

Seq.	Trade	Position	P/L (realized)
Trade1	BUY 2 @ 6000	2	
Trade2	SELL 1 @ 6050	2 and -1	0
Trade3	BUY 2 @ 6070	4 and -1	0
Trade4	CLOSE Trade 1 @ 6050	2 and -1	100 (50 pts X 2 lots)
Trade5	CLOSE Trade 2 @ 6070	2	20 (20 pts X 1 lot)
Trade6	CLOSE Trade 3 @ 6070	0	0 (Break Even on Trade3)
			End results: **+80**

IMPORTANT

To apply hedging principle on your order, the client ticks the box 'Force open' in the order ticket.
By default, this box will not be ticket, hence default order management principle will be FIFO.



Margin requirements and account status

Margin requirements

Margin is the amount required to cover the probability of loss of positions.

When opening a position, a minimum amount of margin must be available in 'cash' and 'cash equivalent' to open the position. The required margin is calculated as one per cent of the total value of a position.

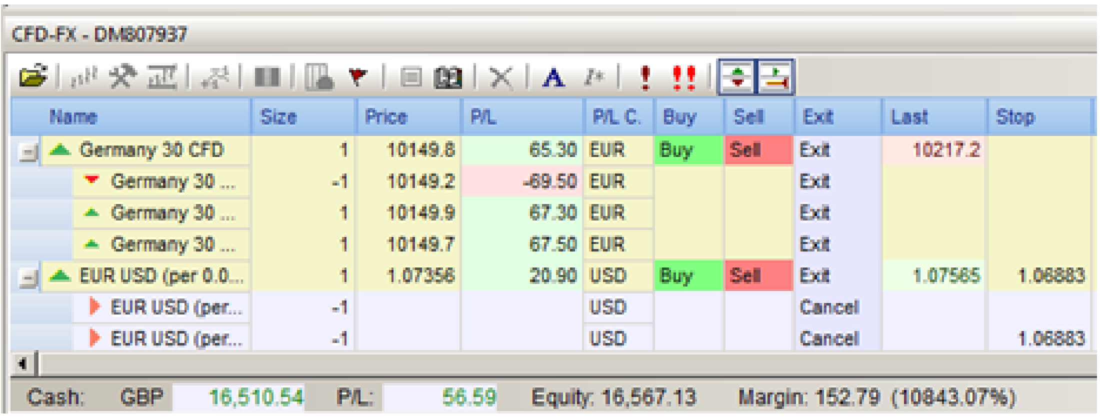
How much per cent is taken varies from instrument to instrument. If sufficient margin is not available, an order will be rejected.

Instrument	**% Margin**
FX Majors	: 3,33
FX Minors	: 5
CFD auf Aktien	: 20
CFD Euro Bond, US Treasury	: 20
CFD Index Majors (DAX, CAC...)	: 5
CFD Index Minors (AEX, HK40...)	: 10
CFD auf Gold und mini Gold	: 5
CFD auf Öl, Silber...	: 10
CFD auf Mais, Weizen, Soja...	: 10

Margins may be changed without prior notice and will then also apply to positions that are already open.

Account value

The trading platform gives values in real-time and in your base currency of the following important variables:



CFD-FX - DM807937

Name	Size	Price	P/L	P/L C.	Buy	Sell	Exit	Last	Stop
Germany 30 CFD	1	10149.8	65.30	EUR	Buy	Sell	Exit	10217.2	
Germany 30 ...	-1	10149.2	-69.50	EUR			Exit		
Germany 30 ...	1	10149.9	67.30	EUR			Exit		
Germany 30 ...	1	10149.7	67.50	EUR			Exit		
EUR USD (per 0.0...	1	1.07356	20.90	USD	Buy	Sell	Exit	1.07565	1.06883
EUR USD (per...	-1			USD			Cancel		
EUR USD (per...	-1			USD			Cancel		1.06883

Cash: GBP 16,510.54 P/L: 56.59 Equity: 16,567.13 Margin: 152.79 (10843.07%)

- Effective cash balance of the account.
- P/L is the floating profit and loss on the positions. This is a cash equivalent.
- Equity is current value of the account (= Effective cash + Cash equivalent).
- Margin is the sum of the margins required by the open positions.
- Margin percentage. See paragraph Risk awareness.

Leverage and risk awareness

Leverage

Examples:

I have 2.500 € on my account and buy 5 DAX CFD at 5.000 points.
The leverage is 10 (= 5 x 5.000 / 2.500).

I have 5.000 € on my account and buy 300 CFDs on stock ABC at 50 €, and also buy 2 CFD on the DAX at 5.000 points. The leverage is 5 = [(300 x 50) + (2 x 5.000)] / 5.000).

I have 50.000 € on my account and buy 8 DAX at 5.000 points.
The leverage is 0,8 (= 8 x 5.000 / 50.000 = 0,8).

A number less than 1 means that I do not use any leverage.

Whether or not to use leverage and the size of the leverage are **decisions that clients make** for themselves. Know your leverage before you open a position. More leverage means more risk. Limit your leverage.

Risk awareness

WHS uses the “Margin Percentage” (MP) to measure the risk level on an account.

The margin percentage is the ratio between the total equity and the margin required.

The formula is simple:

Margin Percentage (MP) = (Cash*/Margin) x 100

This percentage is available in real-time on your platform. Monitor it regularly.

Risk rules and Autoliquidation

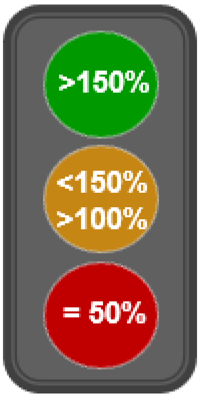
To be able to open a new position, the customer must have at least the required margin as an available balance in his account. If the required margin is not available, the order will be rejected by the system.

The margin check is carried out at the **time** the order is executed and not at the time the order is placed.

* **Cash** = Effective cash + Cash equivalent (open P/L)

Available balance = Cash - Margin required for the open positions

To maintain positions, WH SelfInvest recommends always keeping a sufficient amount of available funds in the account. The graphic illustrates the key areas as a guideline for risk awareness.



If the margin percentage falls to 50%, system-side auto-liquidation begins. All open positions are closed at the market price. This process is irrevocable and completely automated.

Support and complaint procedure

Support requests

Should you feel dissatisfied in any way with any aspect of our service, we kindly ask you to contact our support desk in the first instance. This can be done by phone at +352 42 80 42 80 or by email info@whselfinvest.com. The majority of concerns can be dealt with and resolved quickly at this level.

Complaints

If the support desk cannot provide a solution, then clients can file a complaint with the complaint service. In this case, you should compose a written and substantiated opinion and send it by e-mail or post.

The complaint service will treat each submission impartially and with the utmost care. It will aim to make a full analysis of the elements and events described in the complaint and then assess whether the contractual or other responsibilities towards the client have been fulfilled. A written argued response will be delivered within a period of four weeks from the official receipt of the complaint.

Write to

complaint@whselfinvest.com

or

WH SelfInvest S.A.
Vitrum building
Rue du Puits Romain 33
8070 Luxembourg-Bertrange