

# Jarvis CFDs



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JARVIS

Investment Management plc

## WHAT IS A CONTRACT FOR DIFFERENCE?

A Contract for Difference (CFD) is an agreement between two parties to exchange, at the close of the contract, the difference between the opening price and the closing price, multiplied by the number of shares specified within the contract.

The "reference share" is the underlying share specified in the CFD. The economic performance of the CFD is determined by the performance of the underlying reference share. Although CFDs replicate the price movement of the underlying reference share, they convey no right or requirement to acquire or deliver the physical shares. The contract value of a CFD is defined as the number of shares specified in the contract, multiplied by the price of the underlying reference share.

CFD trading is very similar to dealing in normal shares, except for three **key advantages**:

- Leverage
- Stamp duty exemption
- Short selling

If you take a long position, you will make a profit if the contract value increases. Conversely, if you take a short position, you will benefit if the contract value falls. You can, therefore, *profit from both rising and falling share prices*.

Currently we can offer CFDs on fully listed UK stocks.

## MAIN FEATURES OF CFDS

### Long or short

You can take both long and short CFD positions. If you go long then you benefit from a rise in the underlying reference share price, and lose if it falls. With a short CFD the reverse is true.

### Margin

You do not pay the full underlying value of a CFD trade. However, before you trade you are required to deposit collateral, known as "initial margin". Initial margin rates vary but are calculated as a percentage of the overall value of the trade. They are typically between 10% and 20%.

Hence, if all your trades are at 10% margin then you can hold positions worth £100,000 having deposited only £10,000. You would therefore gain *ten times leverage on your collateral*.

The full value of any running losses must be met daily. This may result in you being called for additional funds to support a position. This is known as "variation margin".

### Tax

Under current UK tax legislation, CFDS are not liable to UK Stamp Duty or SDRT. Profits and losses from CFD trading are generally subject to Capital Gains Tax.

### Daily profit or loss

Every CFD in your account is revalued at the close of each business day. Profits and losses are credited and debited to your account and any resulting margin calls are made.

## COSTS

### Commission and Charges

You do not pay commission on CFD trades. There is a market-made spread on the price of the reference share of 0.15%. In addition, you pay interest on the value of a long CFD. This interest is charged as a spread over LIBOR.

If you hold a short CFD, we pay you interest on the cash that the sale of the underlying reference share would have generated. This is paid as a spread under LIBID.

### **Commission:**

Market-made spread of 0.15%

*Where the contract value is less than £8,000 an £8 additional charge applies*

### **Financing Rates:**

Long – LIBOR +3%

Short – LIBID –3%

## APPLICATIONS OF CFDS

### Hedging

You may have investments within your portfolio that you wish to hold for the medium to long term. However, there may be times when you believe some of these shares may fall in the short term. It can be costly to sell these shares and then buy them back at a later date. Going short with a CFD can be a much more cost-effective method than physical trades.

### Outright short

You need not own physical shares in a company in order to go short via a CFD. If you think a stock is overvalued then you can go short with a CFD and benefit from any fall in the share price. As interest is paid on short positions these can be run cost free indefinitely (but please remember a margin call may still occur). There may also be an additional fee where it is difficult to borrow a particular stock.

### Pairs trading

CFDs can be an ideal means of executing market neutral strategies in this way.

### Stock transfer

As an alternative to depositing cash as collateral, we may be willing to accept physical shares already held in your portfolio with us. This can be an effective way of utilising your long term investments to finance short term trading activities.

## TRADE ONLINE OR BY PHONE

### By telephone

Most of our clients are already familiar with calling our telephone dealing line to place equity trades. We offer the same friendly and personal service for CFDs. Just call our CFD line in the same way and place your trade immediately over the phone.

### Online

If you prefer to use the internet for trading then simply ask for a login when your account is open. You can then access your account and trade via our dedicated CFD website at [www.jarviscfds.co.uk](http://www.jarviscfds.co.uk). You have the choice of the standard site or for an extra fee you can have access to full Level 2 data. This allows you to see trading as it happens and place your orders directly into the London Stock Exchange order book.

### News and charts

As well as the market information provided on our equity trading website, there is a wide range of news and tools on the CFD site.



## FREQUENTLY ASKED QUESTIONS

### What is the minimum account opening size?

We ask you to deposit a minimum of £1,000 in cash or £5,000 in equities as collateral.

### On which stocks can I trade CFDs?

CFDs are available on most UK fully listed stocks.

### How do I execute a CFD?

Once you have opened your CFD account and deposited the initial margin you can trade by internet or by phone.

### What about Corporate Actions?

Corporate actions, special payouts and dividends that affect a stock are reflected in the value of your CFD account. You will never be better or worse off as a result of such corporate actions, which almost always replicates the behaviour of the underlying stock.

### What about dividends?

If you hold a long CFD then you will be credited with the value of the dividend on the ex-dividend date. If you hold a short CFD you will be debited the dividend on the ex date.

### What are the minimum and maximum contract values?

There is no minimum contract value for internet orders and a minimum of £1,000 for telephone orders. The maximum contract value is limited only by your account balance and market liquidity.

### Will I receive interest on my funds?

Yes, your account will receive interest at the HSBC Premier Account rate less the first 1%. Funding of positions will receive credit or debit interest in accordance with the published tariff.

### How long can I hold a CFD?

Indefinitely!

### Why use Jarvis?

We are one of the UK's largest retail stockbrokers and have been trading since 1984. **We are authorised and regulated by the Financial Services Authority and a Member of the London Stock Exchange.** The Financial Services Compensation Scheme covers every Jarvis client.

## WARNINGS

This brochure is provided as an introduction to CFDs only and we make no representation or warranty as to accuracy or completeness. **Derivatives markets may be subject to rapid and unexpected price movements and you may get back less than you invested or be required to make unlimited additional contingent payments if the market moves against you.**

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