Training Programme Subscription

CFDs

Contracts for Difference

1. Contents

1. What's the difference between CFDs (Contract for difference) and share dealing?

a. The main difference between CFDs and share dealing is that CFDs are leveraged (making it more efficient in the use of your capital) while share dealing is non-leveraged.

b. When share dealing you are taking direct ownership of the company shares.

c. Therefore, you would pay the full value of the position upfront.

d. With CFDs, you will be speculating on price movements - without taking ownership.

e. You are putting a margin amount (for example 20% of the notional size of the trade) down as leverage to open your position.

f. This increases both profits and losses.

2. Advantages of CFD trading.

g. The ability in Buying (Long) and Selling (Short).

h. This means CFDs that you are agreeing to exchange the difference in price of an asset from when your position is opened to when it is closed.

3. Pitfalls of CFD trading.

i. You can hold CFD positions overnight. However, you will be charged an overnight funding charge on any open positions after 10pm (UK time).

j. The fee is effectively the capital, which has been borrowed from the Broker, to keep the position open.

k. Share CFDs you will pay a commission, for example on a $50,000 Notional position and using 20% margin ($10,000) around $15 per transaction.