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## WHAT'S THIS DOCUMENT FOR?

This document will show you the costs and charges associated with our CFD products and markets. You'll find formulae for how we calculate our charges, both throughout the document and collected in Appendix A, as well as worked examples. You can apply these to your own trades to estimate the cumulative effect of our costs and charges on your returns. It's important to remember that your total costs will increase proportionate to your trading sizes and volumes. This document will not show you any fees associated with your introducing broker. You can find any additional fees which may apply to your trading account in the rate card you were sent when you opened your account. We may pay a portion of these fees to your introducing broker. Please contact us on [helpdesk.za@ig.com](mailto:helpdesk.za@ig.com) or 010 344 0053 if you'd like further details of these arrangements.

**Note: Commodities, Forex and Equity options are available on your international account.**

## SHARES

## The costs and charges

When you trade cash CFDs on one of our share markets, you'll pay:

1. Our commission on CFD trades
2. The market spread, which can vary dependant on market conditions
3. An overnight funding charge (if you hold your position past 10pm UK time)
4. Borrow (if shorting a share market)

## Formulae

1. **Overnight funding charge = nights held x (market closing price x trade size x (3% +/- SABOR)) / 365**

If you're long, you pay SABOR. If you're short, you receive it.

## Shares CFD trade example

Now imagine you're selling 5000 Sibanye Gold Ltd share contracts, held for 4 nights with a price of R16.33 each evening.

<b>Current relevant interest rate benchmark</b>	= 3.77%
<b>Annual borrow charge</b>	= 0.50%
<b>Market spread</b>	= 0.04
<b>Total cost:</b>	
<b>Market spread</b>	$= 0.04 \times 5000$ $= R200$
<b>IG commission</b>	$= R326.60$ (0.2% of total exposure to open and to close – $(5000 \times R16.33 \times 0.02 = R163.30 \times 2)$ )
<b>Overnight funding</b>	$= 4 \times (5000 \times 16.33 \times (3\% - 3.77\%) / 365)$ $= -R6,89$
<b>Borrow</b>	$= 4 \times (5000 \times 16.33 \times 0.5\%) / 365$ $= R4.47$
<b>Total cost</b>	$= \text{market spread} + \text{IG commission} +/- \text{overnight funding} + \text{borrow}$ $= R200 + R326.60 - R6,89 + R4.47$ $= R 524.18$

## INDICES

## The costs and charges

When you trade cash CFDs on one of our index markets, you'll pay:

1. Our spread (the difference between the bid and ask prices; includes the market spread, which can vary dependent on market conditions)
2. An overnight funding charge (if you hold your position past 10pm UK time)

## Formulae

1. **Overnight funding charge = Nights held x (market closing price x trade size x (admin fee +/- relevant interest rate benchmark)) / 365**

Our admin fee is 3% for standard CFD contracts, and 3% for minis. If you're long, you pay relevant interest rate benchmark. If you're short, you receive it.

## Indices CFD trade example

Imagine that you're buying 3 mini contracts of South Africa 40 cash. You hold your trade for seven nights (Monday – Friday including the weekend), with a price of 51361 at 10:00pm on all evenings.

## Current relevant interest rate benchmark = 3.77%.

You open and close your position during market hours, so the total spread charged is dependent on the SAFEX (South African Futures Exchange) liquidity. Let's say it's 14 points.

Total cost:

**Spread** = 3 contracts x R10 per point x 14 points spread  
 = R420

**Overnight funding** =  $7 \times 3 \times R10 \times 51361 \times (3\% - 3.77\%) / 365$   
 = R227.54

**Total cost = R647.54**

## COMMODITIES

## The costs and charges

When you trade cash CFDs on one of our commodity markets, you'll pay:

1. Our spread (the difference between the bid and ask prices; includes the market spread, which can vary dependant on market conditions)
2. An overnight funding adjustment (if you hold your position past 10pm UK time)

## The overnight funding adjustment

The formula for calculating the overnight funding adjustment on commodities is broken down into two parts; the daily movement along the futures curve (**basis**), and the **IG charge**.

We call this an adjustment, not an outright charge, because the basis may be a credit or a debit. This will depend on the direction of your trade and the slope of the futures curve. Please read [Appendix B: How we price our undated commodity markets](#) for more information about the basis, and how it will affect your position.

## Formulae

1. Formula for **commodities overnight funding adjustment** =

EITHER **nights held x (trade size x (basis + IG charge))**, for long trades on upward-sloping futures curves, or short trades on downward-sloping futures curves; trades in which you will pay the basis,

OR **nights held x (trade size x (basis – IG charge))**, for short trades on upward-sloping futures curves, or long trades on downward-sloping futures curves; trades in which you will receive the basis.

2. Formula for the **basis** =  $(P3 - P2) / (T2 - T1)$

P2 = price of front future

P3 = price of next future

T1 = expiry date of the previous front future

T2 = expiry date of the front future

3. Formula for the **IG charge** = Undated mid price x 3% / 360. The undated mid price is A snapshot of the mid price of the cash CFD on the relevant date.

## Commodities CFD trade example

Imagine that you're selling three standard contracts of Coffee – New York (Arabica). The contract size is \$3.75, and the spread is 20 points.

Let's look at what the trade would cost if you held it for two nights, based on the following:

<b>T1 and T2 difference</b>	= 90 days
<b>P2</b>	= 12470
<b>P3</b>	= 12825
<b>Undated</b>	= 12668.9
<b>Overnight adjustment</b>	$= \text{Trade} \times ((\text{P3 - price of next} - \text{P2 - price of front}) / \text{T2 - T1}) - (\text{Undated mid price} \times 3\% / 360)$ $= \$11.25 \times (3.944 - 1.06)$ $= \$44.37 - \$11.93$ $= \$32.44(\text{received})$ $2 \times \$32.44$ $= \$64.88$

Based on the above example held for two nights, the total cost would be as follows:

<b>Spread</b>	$= 20 \times \$3.75 \times 3$ $= \$225$
<b>Overnight funding charge (within adjustment)</b>	$= 2 \times 9.76$ $= \$19.52$
<b>Total cost</b>	<b>€244.52</b>

## FOREX

## The costs and charges

When you trade cash CFDs on one of our forex markets, you'll pay:

1. Our spread (the difference between the bid and ask prices; includes the market spread, which can vary dependant on market conditions)
2. An overnight funding charge (if you hold your position past 10pm UK time)

Forex settles on a T+2 basis, so if you hold a position overnight on a Wednesday, you'll be charged for three days' carry.

## Formulae

1. Formula for forex **overnight funding charge** = **nights held x (tom-next rate including annual admin fee) x trade size**
2. Formula for **annual admin fee** =  
EITHER **cash mid price x 0.8%** for mini contracts,  
and CFD standard contracts.

We take our tom-next rate from the underlying market. For more information on how tom-next is calculated, please see [Appendix C: What is tom-next?](#)

## Forex CFD trade example

Imagine that you're buying 5 contracts of GBP/USD, with a spread of 0.9, held for one night on Wednesday. Forex trades are settled on a T+2 basis, so if you hold a position overnight on a Wednesday, you pay to hold your position for three nights rather than one. You'll only be charged one day of the IG admin fee on a Wednesday, however if you were to hold on a Friday you will pay three day's of IG's admin fee to account for holding over the weekend.

<b>Underlying tom-next</b>	= 0.27/-0.3
<b>Cash mid price</b>	= 13176
<b>Admin fee</b>	= 13176 x 0.8% / 360 = 0.29
<b>Tom-next with admin fee</b>	= (3 x 0.27) - 0.29 / (3 x -0.3) - 0.29 = 0.52/-1.19 (We use this negative number in our

Since this is a dollar trade, we need to convert it into sterling. Our admin fee is 0.5% of the conversion rate, so if the conversion rate is 1.3176, we'd get a rate of 1.311.

Total cost:

<b>Spread</b>	= 0.9 x \$50 = \$45
<b>Converted spread</b>	= \$45 / 1.311 = £34.33
<b>Overnight funding</b>	= -1.19 x \$50 = \$59.50
<b>Converted overnight funding</b>	= \$59.50 / 1.31 = £45.39 (£33.18 of which is the IG admin fee: (0.29 x 3) x \$50 = \$43.50, which converted = \$43.50 / 1.311 = £33.18)
<b>Total cost</b>	= <b>£78.57</b>

In the event that your base currency is different to the currency of the charge, you'll see this converted at the predominate rate of the time on your statement.

## EQUITY OPTIONS

## The costs and charges

When you trade cash CFDs on one of our equity options, you'll pay:

1. Our commission on CFD trades
2. The market spread

## Equity options CFD trade example

Imagine you're buying 15 lots of the SPY 25750 CALL expiry DEC, and hold for 2 weeks. One lot = 100 shares for US equity options.

**IG commission** = \$5 per lot, charged to open and close

Market spread = 3 points

Total cost:

**IG spread** = IG spreads vary based on the country the equity option is denominated in.

Since this is a dollar trade, we also need to convert it into euro. We charge an admin fee of 0.3% of the conversion rate. Say the conversion rate on this day is 1.1851 – with our admin fee, we get a conversion rate of 1.1815447.

**Converted IG commission** = \$150 / 1.1815447  
= €126.95

**Market spread** = \$0.03 x 15 x 100  
= \$45

**Converted market spread** = \$45 / 1.3238  
= €33.99

**Total cost** = €147.30

## APPENDIX A: FORMULA SHEET

These are the formulae you'll find used throughout this document, displayed here for quick reference.

### CURRENCY CONVERSION FEE

**0.5% x conversion rate**

We charge an admin fee of 0.5% of the conversion rate when converting funds into your account's base currency. For example, your account's base currency is in GBP and you've traded a USD denominated instrument. Say the conversion rate on this day for GBP/USD is 1.3305 – with our admin fee, we get a conversion rate of 1.337125.

### COMMODITIES

#### Overnight funding adjustment

EITHER

**Trade size x (basis + IG charge)** for long trades on upward-sloping futures curves, or short trades on downward-sloping futures curves; trades in which you will pay the basis.

OR

**Trade size x (basis - IG charge)** for short trades on upward-sloping futures curves, or long trades on downward-sloping futures curves; trades in which you will receive the basis.

#### Basis

$(P3 - P2) / (T2 - T1)$

P2 = price of front future

P3 = price of next future

T1 = expiry date of the previous front future

T2 = expiry date of the front future

#### IG charge

**Undated mid price x 3% / 365**

The undated mid price is a snapshot of the mid price of the cash CFD on the relevant date.

### FOREX

#### Overnight funding charge

**(tom-next rate including annual admin fee) x trade size**

#### Annual admin fee

EITHER

**Cash mid price x 0.8%** for mini contracts.

and CFD standard contracts.

### SHARES AND INDICES

#### Overnight funding charge

**Market closing price x trade size x (3% +/- relevant interest rate benchmark) ÷ 365**

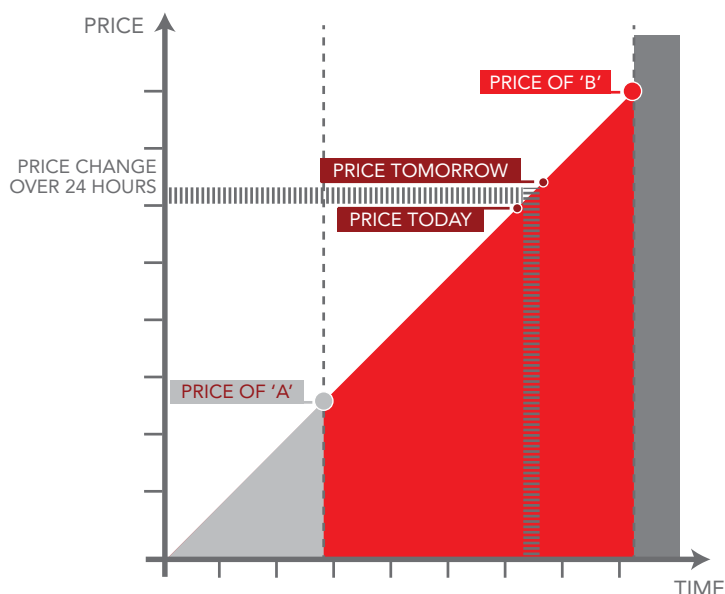
If your position is long, you pay relevant interest rate benchmark. If you're short, you receive it.

**Note: For the domestic account, all instruments are denominated in ZAR, and therefore all charges will be calculated in South African Rands. No currency conversion will incur.**

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## APPENDIX B – HOW WE PRICE OUR UNDATED COMMODITY MARKETS



To price our undated commodity markets, we use two futures contracts on the underlying commodity. For each market we look at the contracts that have sufficient liquidity, then use the two with the nearest expiry dates.

The one that has the closest expiry date is called the front month contract, and is labelled 'A' in our diagram. The one with the second-nearest expiry date is called the back month contract and is labelled 'B'.

As soon as the previous contract expires, the price we offer is equal to the price of 'A'. When 'A' expires, 'B' becomes the front month contract, and our price is equal to the price of 'B'.

In between these two expiry points, our price gradually moves from the price of 'A' towards the price of 'B'. Depending on the commodity, the price of 'B' can be higher or lower than the price of 'A'.

#### What this means for overnight funding

Our undated price will predictably and regularly move along this curve with the passage of time, rather than in reaction to actual stimuli. As a result, you're not eligible to make a profit or loss on the movement. Each overnight funding adjustment for these markets reflects this, crediting or debiting one day's movement along the forward curve from the price of 'A' towards the price of 'B'.

If you have a long position on a 'rising' market (more accurately, a market with an upward-sloping curve), your account will be debited by the amount the market has 'risen' (or rather, progressed along the curve) that day. Conversely, you won't lose anything if you have a short trade on a market with an upward-sloping curve – we'll credit your account the necessary amount.

## APPENDIX C – WHAT IS TOM-NEXT?

Tom-next is short for tomorrow-next day, the means by which forex speculators avoid taking physical delivery of currency and are able to keep forex positions open overnight. Like commodities, forex trades would – if left unchecked – normally result in the trader taking delivery of the asset they have traded. In forex the expected delivery day is two days after any transaction. In order to keep a trade open overnight, forex providers will swap any overnight positions for an equivalent contract that starts the next day. The price difference between the two contracts is called the tom-next adjustment.

Tom-next is calculated by adjusting the closing level of the open position with the interest rate of the currencies involved. If you are buying a currency with a higher interest rate then you receive an interest payment, if you are buying a currency with a lower interest rate you have to pay interest.