Trading Guide

30th December 2008

Section 2 – Instrument Information

CMC Markets

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1 Financing And Margin

1.1 Financing

We refer to our charge as Financing as it is analogous to the cost financing the total value of your open position and is displayed on your Daily Statement. Furthermore as it is analogous to financing your open position when you hold a short position we may pay you the Financing.
Our Financing is only applied to positions, which are left open overnight to 'roll over' to the next trading day.
Financing is charged or credited on positions that are carried or held overnight. On Short positions you will be credited, whereas on long positions you will debited. The Financing Adjustment for Shares and Index positions are based on a calculation of the daily applicable rate of interest for the notional value of your position. For CFDs the rate will vary depending on the notional value of the position and is calculated as follows:

- UK Stocks / Index: Total Contract Value x LIBOR +/- 3% /365
- US Stocks / Index: Total Contract Value x FFER (Federal Funds Effective Rate) +/- 3% /360
- EU Stocks / Index: Total Contract Value x EONIA (European Overnight Index Average) +/- 3% /360

2 Shares

CMC Markets provides access for clients wishing to place trades in a range of domestic and international shares through one common service. All trades are placed on the basis of a minimum 1 contract. Please see the CFD Product List for markets which we offer.

2.1 Trading Hours

2.1.1 Normal Trading Hours

We will accept trades on the markets as detailed in the CFD Product List and in-line with the opening times of the respective underlying market(s).
Please Note: **We reserve the right not to quote any instrument even if the underlying market is deemed to be open. Trading hours may vary due to the implementation of daylight savings time throughout the world.**

2.1.2 Extended Trading Hours

CMC Markets offers extended hours trading in certain instruments. It is important to note that trading on extended hours shares could mean that the price of the instrument may move against you and, thus, increase your margin requirement at times when the underlying market is closed for business. Therefore, you should take this into account when deciding what level of funds to deposit with us in order to satisfy the margin requirements at all times.
UK extended trading hours are between 16.30–21.00 London time, please see the CFD Product List for which UK Shares can be traded during this time.
US extended trading hours are between 13.00–14.30 London Time. All shares listed in the NASDAQ 100 can normally be placed during these times.

2.2 Placing a Trade

When trading on shares, the client places a minimum of 1 contract share CFD on the share price movement of the underlying share. Subject always to the available cash balance or credit limit on your account, there is usually no maximum trade amount.
Before placing a trade please ensure that you fully understand the effect of the minimum price movement on the CFD you wish to undertake and the importance of the margin requirements (both normal and extended hours as appropriate) for that trade.

2.3 Initial Margin

Share trades use the margin of the share as shown in the CFD Product List. All shares have their associated margins calculated as a percentage of the respective share price x 100 x stake.

2.4 Dividends

Where applicable, net dividend payments will be applied as a cash disbursement in the 'ledger activity' section of your statement the day after the stock goes ex-div. Such change shall apply to any trade which is open on the eve of the ex-dividend date of the underlying share and shall be made by us at close of business on that date. The credit/debit will appear as a 'Corporate Action' on your statement and will either be applied to your 'long' positions as a positive or as a negative for your 'short' positions.
If we determine (at our sole discretion) that there has been any change in, or any change in the interpretation or application by any court, governmental or other competent authority of, any applicable law or regulation, which has the effect of reducing or increasing the amount of ordinary

cash dividend per share actually paid to a UK tax-resident holder of the share, we may vary the dividend payment due with immediate effect by notice in writing to you.

2.5 Corporate Actions

There are several different corporate actions that can impact the price and performance of a share. Dividends, rights issue, bonus/scrip issues, mergers and take-overs, and share splits are just a few. In such circumstances, CMC Markets, may at its absolute discretion and without notice, take all such action as it deems appropriate and which it believes is fair and reasonable (please refer to part 1 clause 5.12 to 5.18 of our Terms of Business for further information). For example, CMC Markets may provide its clients with cash disbursements or may amend the size and price of a share trade, whilst keeping the market value of the contract the same. All such changes to your account are made automatically and without notice to you. Corporate Actions are normally displayed on your statement.

For example, on a share split or demerger, an open position on a share that is subject to a share split will automatically be subject to a change in the contract as well as the share price without notice to you.

Example - Share Split

> A 200p share splits 2 for 1 and the client has a 1000 CFDs. On the day the split has gone though, the client will have a 2000 CFDs with the reduced share price of 100p. The total value of the contract therefore remains the same (200 x 1000 = 100 x 2000).

Example - Demerger

> Company A (UK) agree to demerge into two companies B (UK) and C (UK) at the ratios of 4:1 and 2:1 respectively. An open position 6000 CFDs in company A (UK) would now result in two trades. The first trade in company B (UK) for 4000 CFDs, and the second in company C (UK) for 2000 CFDs. The share price of both companies would be modified to keep the contract value, before and after the corporate action, the same.

2.6 Share Pricing

CMC Markets generates its own CFD prices by instrument taking into account the price of the underlying instrument, market condition, liquidity of the instrument, the size of any one trade, and the term of the trade.

2.7 Mark to Market

Your open positions will be marked to market on an ongoing basis for the purpose of calculating your Margin Requirement, using the mid-price of the CMC Markets prices quoted for the relevant instruments at that time.

2.8 Liquidations

All liquidations on share trading (i.e. where we exercise our rights to close a positions or a position closes automatically) will be executed at the then current CMC Markets price.

3 Index Trading

CMC Markets provides access for clients wishing to place trades in a range of domestic and international indices through one common service. All trades are placed on the basis of a minimum 1 contract.

Indices are available on a range of markets as shown in the CFD Product List.

3.1 Trading Hours

The trading hours for each individual index can be found in the CFD Product List. CMC Markets may reserve the right not to quote any instrument even if the underlying market is deemed to be open.

***Please Note*: Trading hours may vary due to the implementation of daylight savings time throughout the world.**

3.2 Placing an Index Trade

When trading on Indices, the client places a minimum 1 contract trade the value of the index price. Subject always to the available balance or credit limit on your account, there is no maximum trade amount, although all trades must be in whole number contract sizes.

3.3 Initial Margin

Index trades are margined as shown in the CFD Product List.

3.4 Index Pricing

CMC Markets generates its own prices by instrument taking into account the price of the underlying index, market condition, liquidity of the instrument, the size of any one trade, and the term of the trade.

Generally any Index trade undertaken with CMC Markets is based on the premise that the client is dealing to the last whole number. Clients should make themselves aware of any changes or exceptions to the rules before entering into any trade position.

Example

UK100 is quoted as follows: 4281/4284, therefore the client profit or loss from such a trade is calculated from the price movement of the last whole number.
A client buys 1 contract in the UK 100 at 4284 and later in the trading session sells 1 contract UK 100 4381 to close their position. The resultant profit is as follows:

Buys 1 contract in the UK 100 at 4284
Sells 1 contract to close position in UK 100 at 4381

Net Difference	97 points
Profit	£97

3.5 Dividends

Where applicable, net dividend payments will be applied as a cash disbursement in the 'ledger activity' section of your statement the day after the stock goes ex-div. Such change shall apply to any position which is open on the eve of the ex-dividend date of the underlying share and shall be made by us at close of business on that date. The debit/credit will appear as a 'Corporate Action' on your statement and will either be applied to your 'long' positions as a positive or as a negative for your 'short' positions.

If we determine (at our sole discretion) that there has been any change in, or any change in the interpretation or application by any court, governmental or other competent authority of, any applicable law or regulation which has the effect of reducing or increasing the amount of ordinary cash dividend per share actually paid to a UK tax-resident holder of the share, we may vary the dividend payment due with immediate effect by notice in writing to you.

3.6 Mark to Market

Your open positions will be marked to market on an ongoing basis for the purpose of calculating your Margin Requirement, using the mid-price of the CMC Markets prices quoted for the relevant instruments at that time.

3.7 Liquidations

All liquidations on index positions (i.e. where we exercise our rights to close a position or a position closes automatically) will be executed at the then current CMC Markets price.

The prices for such index liquidations will be at or within the price defined as – "the current market price of the underlying instrument adjusted for the CMC Markets spread taking into consideration the size of the position". The CMC Markets spread is shown in respect of each instrument in the indices table at the end of this section. The current market price will be based on the underlying futures market price, less Fair Value (or other source as agreed from time to time), taking in to consideration the size of the position.

3.8 Maximum Position Limits

We may impose minimum and maximum stakes from time to time in relation to particular instruments, which may be varied by us at any time at our sole discretion and without prior notice (provided that such variation shall not prevent the full closure of any open positions).
If an individual controls more than one account the aggregate position of all the accounts must not exceed any position limits.

4 Sector Trading

CMC Markets provides access for clients wishing to deal in a range of domestic and international sectors through one common service. All trades are placed on the basis of a minimum deal size of 1 (one) CFD contract.

The full list of available sectors can be found in the CFD Product List.

4.1 Trading Hours

The trading hours for each individual sector can be found in the sectors table at the end of this section. CMC Markets may reserve the right not to quote any instrument even if the underlying market is deemed to be open.

Please Note: **Trading hours may vary due to the implementation of daylight savings time throughout the world.**

4.2 Placing a Sector Trade

When placing a trade on Sectors, the client places a minimum 1 contract trade on the per point movement of the sector price. Subject always to the available balance or credit limit on your account, there is usually no maximum amount, although all amounts must be a multiple of one contract.

4.3 Initial Margin

Sector trades are margined on a percentage basis approximately a 1% initial margin requirement. The exact margin requirements by Sector are shown in the sectors table at the end of this section.

4.4 Sector Pricing

CMC Markets generates its own CFD prices by instrument, taking into account the price of the underlying sector, market condition, liquidity of the instrument, the size of any one trade, and the term of the trade.

4.5 Dividends

Where applicable, net dividend payments will be applied as a change to your cash position. Such debit/credit shall apply to any position which is open on the eve of the ex-dividend date of the underlying share and shall be made by us at close of business on that date. The change will appear as a 'Corporate Action' on your statement and will either be applied to your 'long' positions as a positive or as a negative for your 'short' positions.

If we determine (at our sole discretion) that there has been any change in, or any change in the interpretation or application by any court, governmental or other competent authority of, any applicable law or regulation which has the effect of reducing or increasing the amount of ordinary cash dividend per share actually paid to a UK tax-resident holder of the share, we may vary the dividend payment due with immediate effect by notice in writing to you.

4.6 Mark to Market

Your open trades will be marked to market on an ongoing basis for the purpose of calculating your Margin Requirement, using the mid-price of the CMC Markets prices quoted for the relevant instruments at that time.

4.7 Liquidation

All liquidations on Sector positions (i.e. where we exercise our rights to close a trade or a trade closes automatically) will be executed at the then current CMC Markets price.

The prices for such Sector liquidations will be at or within the price defined as – “the current market price of the underlying instrument adjusted for the CMC Markets spread taking into consideration the size of the position”.

4.8 Expiry and Rollover Days

Sector positions at the end of each trading day will roll over to the next.

5 Treasury Trading

5.1 Markets Covered

The full details of CMC Markets Treasuries can be found in the CFD Product List.

5.2 Trading Hours

CMC Markets accepts orders on the following Money Markets in line with opening times of the underlying futures markets. Trading hours are shown in the CFD Product List.

5.3 Placing a Treasury CFD Trade

When you buy CMC Markets Treasury CFDs you are trading on a CMC Markets price which is the equivalent of the price in the underlying market plus a CMC Markets spread. However, because you are trading a CMC Markets product you will never own any of the products associated with the contract. I.e. if you buy 1 TBOND DEC O5 you will not own US T-Bonds at the end of the contract life.

As said the number you are trading on represents the equivalent of one underlying contract. If you buy 1 CFD contract of TBOND DEC O5 you will be long of this contract until you close it. In the underlying market, contracts can expire at any time up to the end of the month associated with that contract. Instead, with CMC Markets, until your position is closed by you then the contract will continually rollover into a new contract month as outlined further down in this document.

5.4 Initial Margin

The margin requirements for CMC Markets Treasury CFDs can be found in the CFD Product List.

Contract value is worked out by ((Quantity) x (Price)) / Point where you deal multiplied by margin

Example

Client buys 10 TNOTE10yr at 112.50. CMC Markets tick size is 0.01. (10x112.50 / 0.01) x 1% = $1,125

5.5 Treasury Pricing

The profit or loss that a client incurs can be worked out by looking at the Treasury and the ‘tick’ it trades to. As all treasuries’ trade to a 0.01 tick it is more uniform than commodities

The calculation is sell price- purchase price/ tick movement x size of deal = P+L

Example

Client buys 50 buys 10 TNOTE10yr DEC 04CFDs with a view that T Bonds will rise in price. They are trading at 112.44/112.50 and the client buys at 112.50

TNOTE10yr DEC 04 CFDs rises to 113.00/113.06 and the client sells at 113.00.
The tick movement her is 0.01 and so the client has made 50 ticks

113.00-112.50 /0.01 x 10 = $500

5.6 Mark to Market

Marketmaker will take a snap shot of the respective treasury when it closes and then apply the mid price of the bid/offer onto a client's statement.

5.7 Liquidations

All liquidations on Treasuries (i.e. where we exercise our rights to close a bet or a bet closes automatically) will be executed at the current CMC Markets price at that time.

The prices on such liquidations will be at or within the price defined as – "the current market price of the instrument adjusted for the maximum CMC Markets Liquidation Spread".

The CMC Markets Liquidation Spread in respect of each instrument is shown in the Treasury table at the end of this section. The current market price is the price of the underlying futures price taken from the relevant exchange, taking into consideration the size of the bet.

Market	Treasury Bet	Liquidation Spreads
UK	SHORTSTG	5
	GILT	6
US	EURODOLLAR	5
	TBOND	6
	TNOTE5YR	5
	TNOTE10YR	5
Europe	EURIBOR	5
	EUROBOBL	5
	EUROSCHATZ	5
	EUROBUND	6
Australia		
	AUSTBOND3YR	5
	AUSTBOND10YR	5
Japan	JGB	6

5.8 MOC Settlement Prices

All MOC orders will be executed at either the official exchange settlement price, or last traded price where no official exchange settlement price is available (as defined by the relevant underlying exchange), adjusted by the CMC Markets spread for each instrument.

Where no official exchange settlement price or last traded price is available, the price will refer to the closing price of that instrument at the time of the market close as displayed by market information vendors.

5.9 MOC Restrictions

There are a number of restrictions to MOC orders, these are-

- MOC orders may not be placed on any interest rate contract on the day of expiry of that bet. However existing positions may be closed.
- MOC orders may not be cancelled on any interest rate contract on the day of expiry of that bet. However existing positions may be closed.
- The maximum MOC bet size in any instrument by client is £100 per point.

6 Commodity Trading

6.1 Markets Covered

Please see the CFD Product List for the range of commodities offered by CMC Markets.

6.2 Trading Hours

CMC Markets accepts trades on the following Commodity Markets in line with opening times of the underlying futures markets. Trading hours are shown in the CFD Product List.

6.3 Placing a Commodity Trade

When you buy or sell one CMC Markets commodity you are trading on a CMC Markets price derived from the underlying market plus the spread added by CMC Markets. The value of one CFD isn't necessarily the same value as one future in the underlying market, nor will it be the value of one unit of the underlying commodity e.g. one barrel of oil. Please refer to the table below for the tick value of the instruments traded in order to calculate the contract value. All CMC Markets commodities are cash settled products. The margin requirement when trading commodities with CMC Markets is 3%, with the exception of silver and gold, which are margined at 1%.

6.4 Initial Margin

Margin requirement on commodities is 3% of the total contract value. Contract value is worked out by ((Quantity) x (Price))/ Point where you deal multiplied by the margin.

Example

If you buy 10 USCrudeOil at 49.50. CMC Markets tick size is 0.01.
(10 x 49.50)/ 0.01 x 0.03 = $1,485

You buy 10 USCocoa at 1461. CMC Markets tick size is 1 point.
(10 x 1461)/ 1 x 0.03 = $438.3

6.5 Pricing

CMC Markets generates its own prices by instrument taking into account the price of the underlying instrument, market condition, liquidity of the instrument, the size of any one trade, and the term of the trade.

6.6 Mark to Market

Your open positions will be marked to market on an ongoing basis for the purpose of calculating your margin requirement, using the mid-price of the CMC Markets price quoted for the relevant instrument at that time.

6.7 Liquidations

All liquidations on commodity positions (i.e. where we exercise our rights to close a position or a position closes automatically) will be executed at the current CMC Markets price at that time.

The prices on such liquidations will be at or within the price defined as – "the current market price of the instrument adjusted for the maximum CMC Markets Liquidation Spread". The CMC Markets Liquidation Spread in respect of each instrument is shown in the CFD Product List. The current market price is the price of the underlying futures price taken from the relevant exchange, taking into consideration the size of the position.