IG

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WHAT'S THIS DOCUMENT FOR?

This document will show you the costs and charges associated with our products (CFDs and share trading) 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.

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Derivatives Issuer Licence in New Zealand, FSP No. 684191.

COSTS FOR CFD TRADES

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 2.5% / 365. 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:

T1 and T2 difference	= 90 days
P2	= 12470
P3	= 12825
Undated mid price	= 12668.9
Overnight adjustment	= $11.25 x (((12825 – 12470) / 90) – (12668.9 x 2.5% / 360)) = $11.25 x (3.944 – 0.88) = $44.37 – $9.90 = $34.47 (received) 2 x $34.47 = $68.94

Since this is a US dollar trade, we also need to convert it into Australian dollars. We charge an admin fee of 0.5% of the conversion rate. Say the conversion rate on this day is 0.72000 – add this to our admin fee, and we get a conversion rate of 0.72000-0.0036 = 0.7164.

Converted overnight adjustment = $68.94 / 0.7164

= $96.23 (received)

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

Spread	= 20 x $3.75 x 3 = $225
Converted spread	= $225/0.7164 = A$314.07
Overnight funding charge (within adjustment)	= 2 x 9.90 = $19.80
Converted overnight funding charge	= $19.80/0.7164 = A$27.64
Total cost	$314.07 + $27.64 = **A$341.71**

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COSTS FOR CFD TRADES (CONTINUED)

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 o**vernight funding charge = nights held x (tom-next rate including annual admin fee) x trade size**
2. Formula for **annual admin fee = cash mid price x 0.8%**

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 days of IG's admin fee to account for holding over the weekend.

Underlying tom-next	= 0.27/-0.3
Cash mid price	= 13176
Admin fee	= 13176 x 0.8% / 360 = 0.29
Tom-next with admin fee	= (3 x 0.27) – 0.29/ (3 x -0.3) – 0.29 = 0.52/ -1.19 We use this negative number in our calculation, as this is a long position

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:

Spread	= 0.9 x $50 = $45
Converted spread	= $45 / 1.311 = £34.33
Overnight funding	= -1.19 x $50 = $59.50
Converted overnight funding	= $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)
Total cost	**= £78.57**

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.

SHARES

The costs and charges

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

1. Commission
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)

Formulae

1. **Overnight funding charge = nights held x (market closing price x trade size x (2.5% +/- AARR)) / 365**

If you're long, you'll pay the relevant Adjusted Alternative Reference Rate (AARR), e.g SOFR. If you're short, you receive it.

Shares CFD trade example

Now imagine you're selling 250 Apple shares, held for four nights with a price of $167.20 each evening.

Current US SOFR rate (adjusted)= 0.16448%

Annual borrow charge = 0.60%

Market spread = 0.1

Since this is a US dollar trade, we also need to convert it into Australian dollars. We charge an admin fee of 0.5% of the conversion rate. Say the conversion rate on this day is 0.72000 – add this to our admin fee, and we get a conversion rate of 0.7164.

Total cost:

Market spread	= 0.1 x 250 = $25
Converted market spread	= 25 / 0.7164 = A$34.90
IG commission	= $30 ($15 to open and $15 to close)
Converted IG commission	= 30/0.7164 = A$41.88
Overnight funding	= 4 x 250 x 167.20 x (2.5%-0.16448%) / 360 = $10.85
Converted overnight funding	= 10.85 / 0.7164 = A$15.15
Borrow	= 4 x 250 x 167.2 x 0.6%/360 = $2.79
Converted borrow	= 2.79 / 0.7164 = A$3.89
Total cost = market spread + IG commission + overnight funding + borrow	**= A$34.90 + A$41.88 + A$10.85 +A$3.89** **= A$91.52**

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COSTS FOR CFD TRADES (CONTINUED)

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 dependant 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 +/- AARR)) / 365**

Our admin fee is 2.5% for standard CFD contracts, and 3% for minis. If you're long, you'll pay the relevant Adjusted Alternative Reference Rate (AARR), e.g. SOFR. If you're short, you receive it.

Indices CFD trade example

Imagine that you're selling 20 mini contracts of Germany 30 cash. You hold your trade for seven nights (including the weekend), with a price of 13446 at 10:00pm on all evenings.

Current ESTR (adjusted) = -0.4515%

You open and close your position during market hours, so the total spread charged is one point.

Total cost:

Spread = €20 x 1
= €20

Since this is a euro trade, we also need to convert it into Australian dollars. We charge an admin fee of 0.5% of the conversion rate. Say the conversion rate on this day is 0.62000 – add this to our admin fee, and we get a conversion rate of 0.62000-0.0031 = **0.6169**.

Converted spread	= €20 / (0.62000 – 0.5%) = 20 / 0.6169 = A$32.42
Overnight funding	= 7 x €20 x 13446 x (3% - (-0.4515%)) / 360 = €180.48
Converted overnight funding	= €180.48 / 0.6169 = A$292.56
Overall cost	= A$324.98

EQUITY OPTIONS

The costs and charges

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

1. Commission
2. The market spread, which can vary dependant on market conditions

Equity options CFD trade example

Imagine you're buying 10 lots of the Twitter Inc. $21.50 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 = 2 cents ($0.28 / $0.30)

Total cost:

IG commission = 2 x 10 x $5
= $100

Since this is a US dollar trade, we also need to convert it into Australian dollars. We charge an admin fee of 0.5% of the conversion rate. Say the conversion rate on this day is 0.72000 – add this to our admin fee, and we get a conversion rate of 0.7164.

Converted IG commission = $100 / 0.7164
= A$139.59

Market spread = $0.02 x 10 x 100
= $20

Converted market spread = $20 / 0.7164
= A$27.92

Total cost = A$167.51

SHARE TRADING CHARGES

The costs and charges

When you buy and sell shares with IG, you could pay (depending on the country and currency that the stock is located in):

1. The market spread
2. IG commission
3. FX currency conversion fee
4. Government tax and/or Levy (if applicable)
5. US on-exchange fee (if applicable)

You can also pay for data feeds for different exchanges, which incur monthly charges. These are listed in My IG, the admin hub that you reach when you log in to your IG account. You can see all potential share trading charges and fees on our website: https://www.ig.com/au/share-trading-charges-and-fees

Share trading example: Domestic

Imagine you're buying 100 shares of Rio Tinto at $35 per share. Later in the month you decide to sell your shares.

Market spread	= $0.01
IG commission	=A$8 to buy and sell*

Total cost:

Market spread	= 100 x $0.01 = A$1
IG commission	= 2 x $8 = A$16 (including GST)
Total cost	= A$17

Stamp duty and PTM levy costs are not charged on Australian shares.

*Please note if you've placed more than three trades in the last month, then $5 / 0.05% commission applies in the above example.

Share trading example: International

Imagine you're buying 4 shares of Apple Inc US$300 per share. Later in the month you decide to sell your shares.

Market spread	= US$0.01
IG commission	= US$0 to buy and sell

FX currency conversion: 0.7% to buy and sell
Total cost:

Market spread	= 4 x US$0.01 = US$0.04
IG commission	= 2 x US$0 = US$0

FX currency conversion fees: 0.7% x 4 x US$300 x 2 = US$16.80

US on-exchange fee	= 0.00207% x 4 x US$300 = US$0.02
Total cost	= US$16.86

Please note the example above assumes no change in the share price and currency conversion is set to instant conversion.

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APPENDIX A: FORMULA SHEET

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

CURRENCY CONVERSION FEE

CFD trading: 0.5% x conversion rate

Share trading: 0.7% x conversion rate

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 2.5% / 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

Formula for annual admin fee = cash mid price x 0.8%.

SHARES AND INDICES

Overnight funding charge

Market closing price x trade size x (admin fee +/- Adjusted Alternative Reference Rate (AARR)) ÷ 365

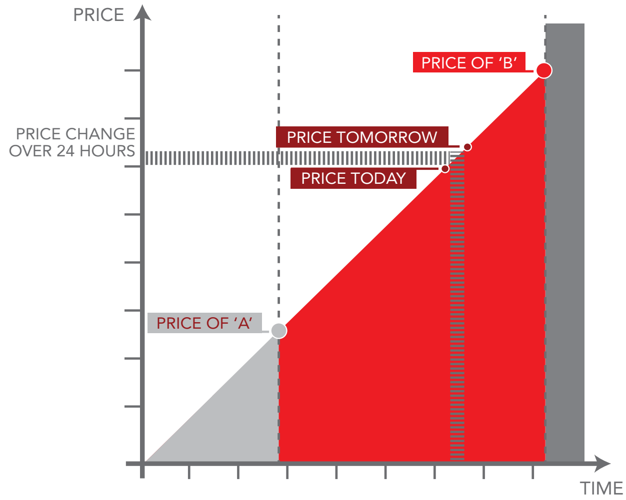
Our admin fee is 2.5% for standard CFD contracts, and 3% for minis. If your position is long, you pay bank rate (eg LIBOR). If you're short, you receive it.

If your position is long, you an Alternative Reference Rate **(AAR)** rate **(eg SOFR)**. If you're short, you receive it.

To adjust for credit risk, we adjust the ARRs by the fixed one-month spread adjustment proposed by the International Swaps and Derivatives Association **(ISDA)**.

We refer to this adjusted rate as an Adjusted Alternative Reference Rate **(AARR)**.

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.

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