

COMMODITY AND INDEX ROLLOVER INFORMATION & CALCULATION

When a futures contract approaches its expiry date, Forex TB will rollover all open positions to the next tradable contract at the time specified in the CFD rollover dates section of our website. Rollover dates are unique to each type of contract being traded and vary in duration. Clients with open positions who do not wish to have their positions rolled over onto the next contract should close their positions before the scheduled Rollover (Rollover dates will become available to the clients).

Clients will incur the same fees as closing an old contract and opening a new one manually. The fee includes the spread cost of closing the old contract and opening a new contract plus the overnight interest charge (These are the swaps long and swaps short amounts indicated on the asset specifications).

In most cases, the rate (bid/ask prices) of the new contract will be different from the old contract. Therefore, the company takes necessary precautions in order for the client not to be burdened with the price difference on his new position. Consequently, a rollover adjustment will occur automatically on client's account to ensure both the client and the company did not benefit or disadvantaged from the rollover.

In order to calculate the rollover adjustment amount, the rate of the old contract and the new contract will be used at exactly the same time before contract expires. Consequently, the price difference between contracts and the spread will be accounted for. The resulting rollover amount will be then debited or credited to the clients account as a rollover adjustment. The calculation is as follows:

Buy position:

$$(\text{Volume}^1 * - (\text{Bid price (new contract)} - \text{Bid price (Old contract)})) + (\text{Volume} * -\text{Spread}) * \text{Conv. Rate}^2$$

Sell position:

$$(\text{Volume} * (\text{Ask price (new contract)} - \text{Ask price (old contract)})) + (\text{Volume} * -\text{Spread}) * \text{Conv. Rate}$$

The general rule of thumb considered in order to decide if the amount will be debited or credited is shown below:

If (new contract price < old contract price) debit for short, credit for long

If (new contract price > old contract price) debit for long, credit for short

¹ Volume = Lots * Contract size

² All Rollover Adjustments are calculated in the currency the Instrument is denominated in. If an account is denominated in a different currency the system will automatically convert this to the account's currency using the market rate at that time.

Example 1

A client with a GBP account holds a buy position of 10 contracts on DAX performance index (Instrument currency: EUR). At the time of rollover, the DAX rates are as follows:

Bid (existing contract) = 12,228.00, Ask (existing contract) = 12,231.00

Bid (new contract) = 12,232.00, Ask (new contract) = 12,236.00

In the above case the formula applies as follows:

$(\text{Volume} * - (\text{Bid price (new contract)} - \text{Bid price (Old contract)})) + (\text{Volume} * -\text{Spread}) * \text{Conv. Rate}$
 $(10 * - (12,232 - 12,228) + (10 * (12,232 - 12,236))) * 0.9 = -£71.50$

As a result, the client continues to hold the same long position of 10 contracts of DAX and his account will be debited with £71.50.

Example 2

A client with a GBP account holds a sell position of 1000 barrels on light sweet crude oil (Instrument currency: USD). At the time of rollover, the CL rates are as follows:

Bid (existing contract) = 61.74, Ask (existing contract) = 61.87

Bid (new contract) = 61.95, Ask (new contract) = 62.15

In the above case the formula applies as follows:

$(\text{Volume} * (\text{Ask price (new contract)} - \text{Ask price (old contract)})) + (\text{Volume} * -\text{Spread}) * \text{Conv. Rate}$

$(1000 * (62.15 - 61.87) + 1000 * (61.95 - 62.15)) * 0.78 = £62.40$

As a result, the client continues to hold the same short position of 1000 barrels of CL and his account will be credited with £62.40.