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CFDs vs Listed Options

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CFDs vs Listed Options

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OI Adjunct Faculty Instructor

JULY 14, 2026

Introduction

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Cboe Global Markets (Cboe) was founded in 1973 as the first US listed options exchange. More than 50 years later, it is now the world's go-to derivatives and securities exchange network, delivering cutting-edge trading, clearing and investment solutions to people around the world.

For over 40 years, Cboe has backed The Options Institute, its education team, for investors to learn about financial markets and derivatives products from the experts.

Sven Hubens

Owner, Hubens Capital

- Adjunct Faculty Instructor with Cboe's Options Institute
- Graduated from the University of Eindhoven, Technology Management
- 2011 – 2021: Optiver
- 2022 – 2024: Maven Securities
- Currently focusing on Hubens Capital, providing trader education

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Disclosures and Disclaimers

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CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. **59.7% of retail investor accounts lose money when trading CFDs with IBKR**. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

Learning Objectives

01 Understand structural differences between CFDs and listed (exchange-traded) options

02 Compare risk profiles of CFDs versus listed options and why predefined risk matters

03 Explain how liquidity is formed and the leverage considerations for both CFDs and listed options

04 Identify common retail options strategies and explain how they differ from linear CFD exposure

Contracts for Difference (CFDs)

Contract for Difference (CFD)

- A CFD is a derivative.
- An investor speculates on underlying price changes without owning the asset, amplifying potential gains and losses.
- An investor can go long and short a CFD.
- CFDs track the price of the underlying asset. There is no ownership of the underlying.
- It is an OTC (over-the-counter) agreement between trader and broker.

Contracts for Difference (CFDs) vs. Listed Options

Contract for Difference (CFD)

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- An investor can go long and short a CFD.
- CFDs track the price of the underlying asset. There is no ownership of the underlying.
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Listed Options Contract

- A listed option is a derivative.
- An investor has the right but not the obligation to buy or sell (depending on the type) the underlying asset at a specific price within a specific timeframe.
- An investor can buy and sell options.
- An investor can play advanced underlying move scenarios.
- Listed options are exchange-traded contracts.

Structural Differences: CFDs vs Listed Options

CFD

Counterparty risk

- Direct exposure to the broker
- Risk depends on broker stability

Liquidity formation & pricing

- Broker-driven pricing (OTC)
- Broker decides on spread, size, execution
- Hidden pricing funding cost

Standardization

- Broker decides on standard size, expiry date, etc.

LISTED OPTION

Counterparty risk

- Central clearing house is the counterparty, not the one you trade with
- Central clearing house can absorb defaults of traders (in nearly all cases)

Liquidity formation & pricing

- Market driven on public exchanges
- Central limit order book
- Pricing done by market makers, prop firms, banks, retailers, etc.

Standardization

- Standard size, expiry date, strikes, settlement, etc.

Challenges: CFDs

There are a few reasons why many CFD traders struggle to trade:

- Paying the spread and daily financing
- Stops don't protect against gaps
- Counterparty risk

Relationship to the Underlying: CFDs vs Listed Options

CFD	LISTED OPTION
Linear exposure to the underlying • Underlying up 1 point → CFD up 1 point • Underlying down 1 point → CFD down 1 point	**Non-linear exposure to the underlying (convexity)** • Sensitivity to the underlying changes when underlying moves

Pricing principles
• Simple: based on the underlying value
	Pricing
	• Multiple variables:
	  • Underlying value
	  • Expected volatility of the underlying
	  • Interest rate and dividends
	  • Time to expiration
	  • Strike price

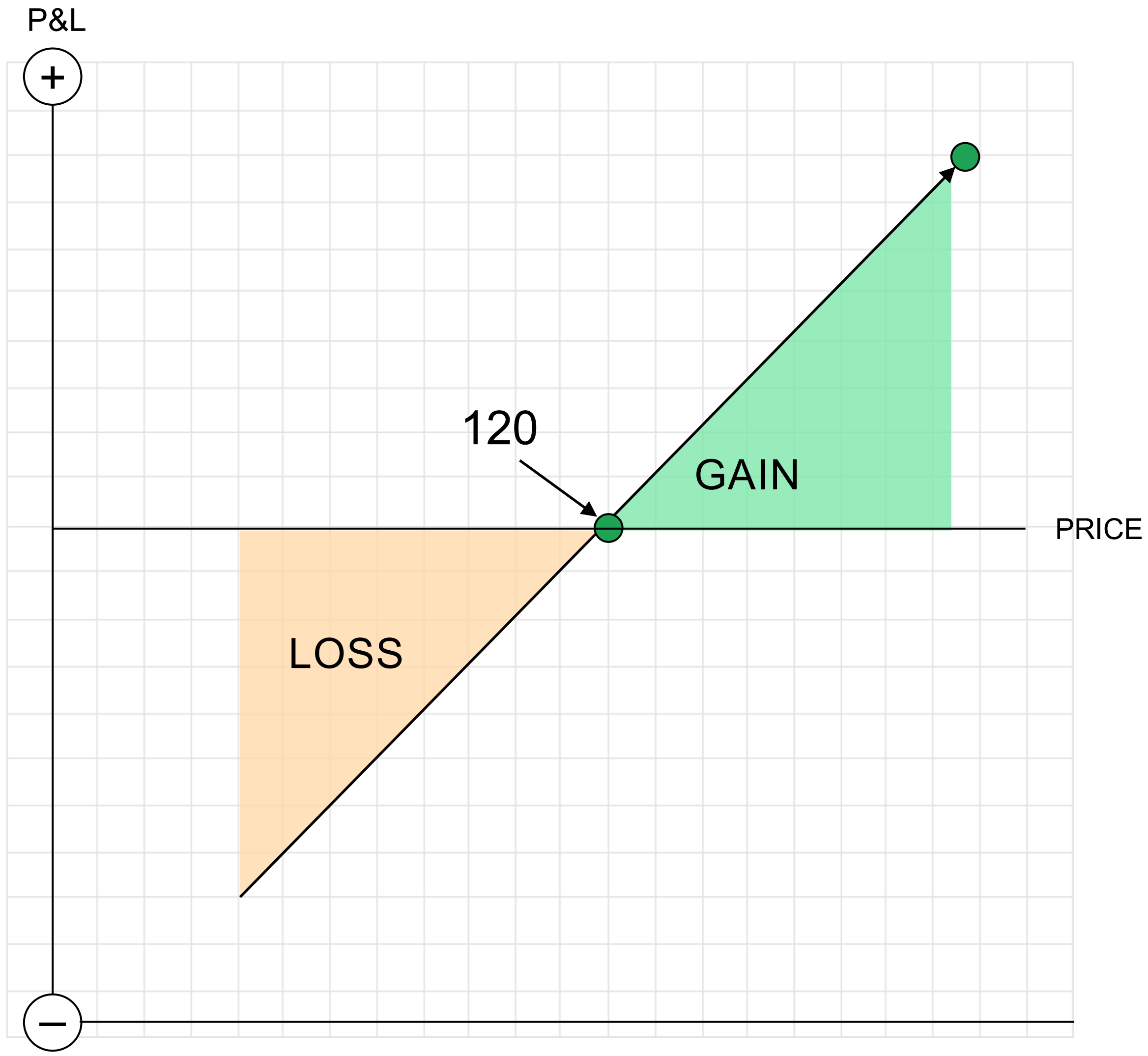
Source: Cboe Global Markets

EXAMPLE

CFD

Payoff CFD based on stock A

Stock Ticker	A
Stock Price	€120

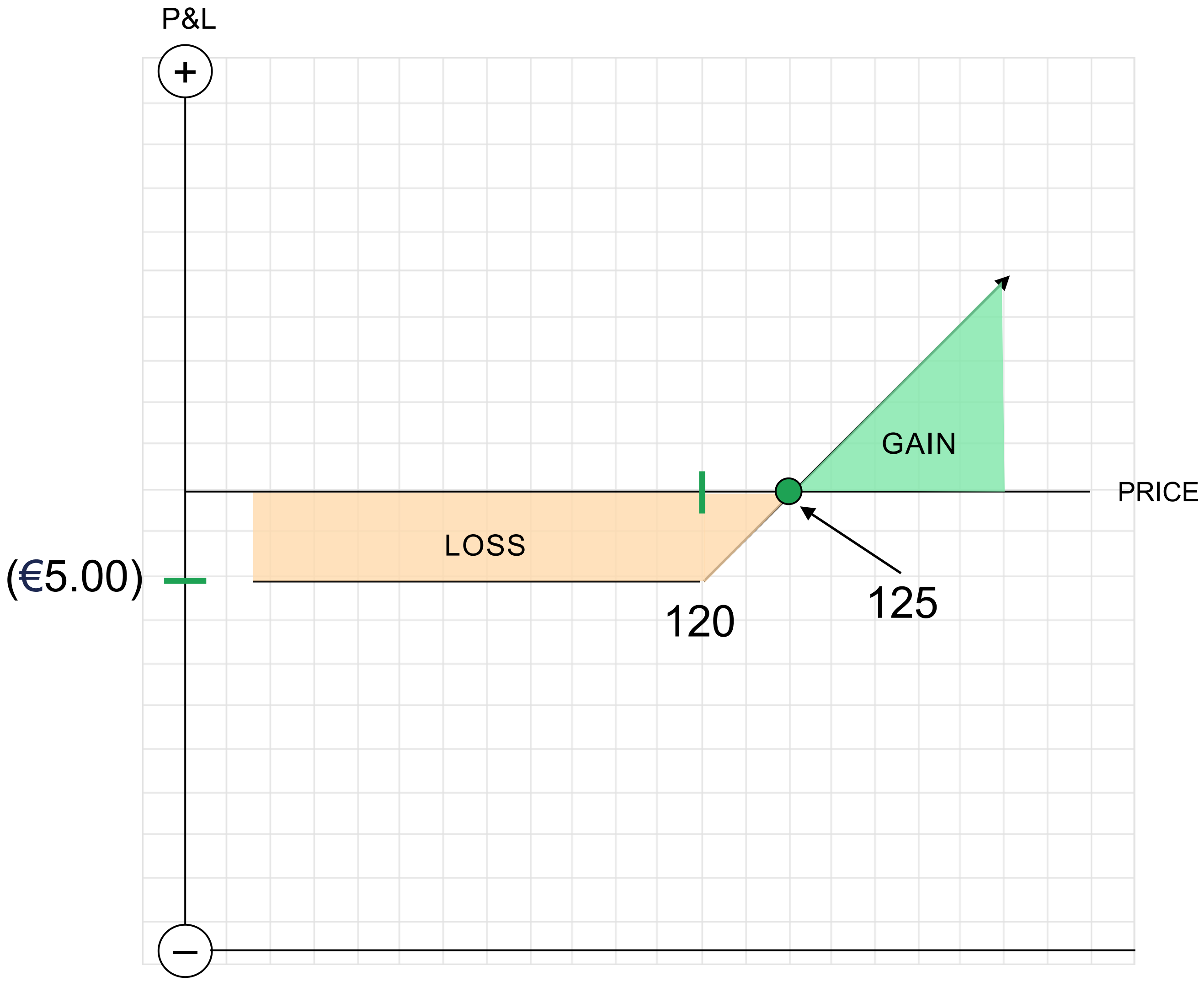


EXAMPLE

Listed Option

Call option on expiry

Stock Ticker	A
Stock Price	€120
Side	Buyer
Expiry	December
Strike (K)	120
Type	Call
Interest	0
Dividend	0
Premium (P)	€5.00

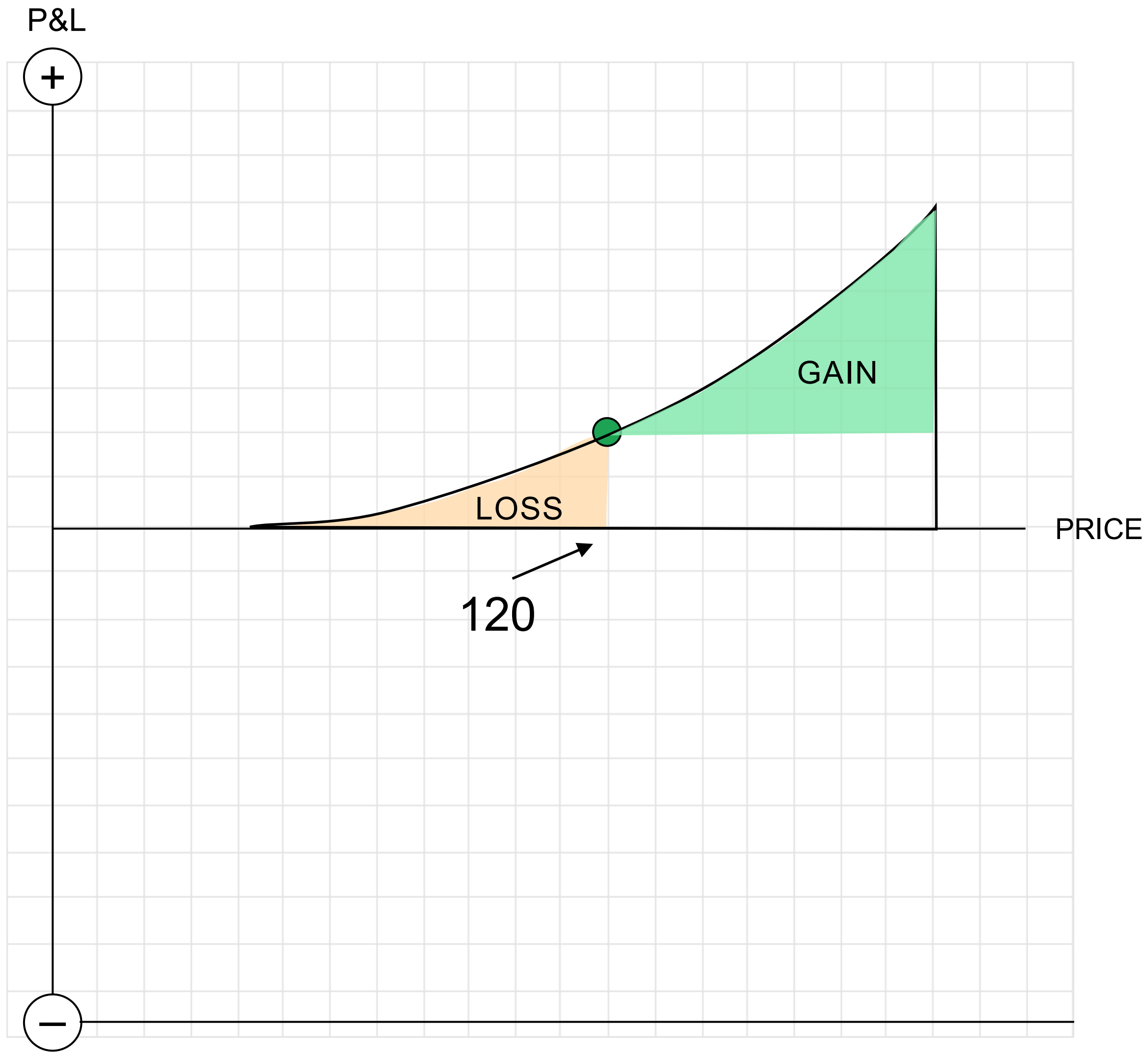


EXAMPLE

Listed Option

Call option with time to expiry left

Stock Ticker	A
Stock Price	€120
Side	Buyer
Expiry	December
Strike (K)	120
Type	Call
Interest	0
Dividend	0



Leverage: CFDs vs Listed Options

CFD	LISTED OPTION

CFD

Leverage comes from margin

- For example, when margin required is 10%
- An investor can buy €10.000 in value while putting up only €1.000
- $\text{Leverage} = \frac{\text{Notional}}{\text{Margin}}$

LISTED OPTION

Leverage embedded in the option

- Leverage comes from low premium versus large exposure
- Delta/Gamma effects influence the leverage
- $\text{Leverage} = \frac{\text{Delta} * \text{S}}{\text{Option price}}$

Predefined Options

Options can be of value with regards to predefined risk.

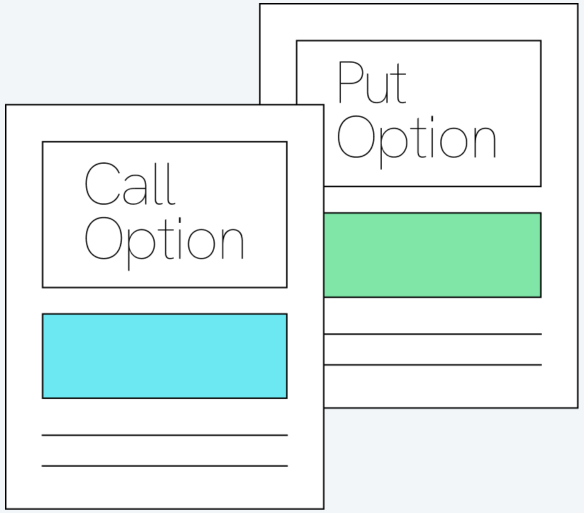
- **Why is predefined risk interesting/important?**
  - Markets can gap (overnight)
  - Volatile markets bring unpredictable moves
- **With listed options…**
  - One can define the max loss
  - Risks can be controlled better
  - Predefined scenarios can be played

Q&A

Listed Options: Key Considerations for Use

Options education is highly important as the sensitivity to the underlying is non-linear.

- When looking for nonlinear returns
- Predefined risk reduces market risk in some structures
- Pricing is transparent
- Counterparty risk is heavily reduced



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WHAT YOU WILL LEARN

- ❑ Define call and put options and construct the payout diagrams of each
- ❑ Discuss why investors may incorporate options into portfolios to help achieve their investment objectives
- ❑ List the variables that influence the price of options and explore how impactful these features are to options trading

To register: cboe.com/optionsinstitute/classes

Looking Beyond CFDs

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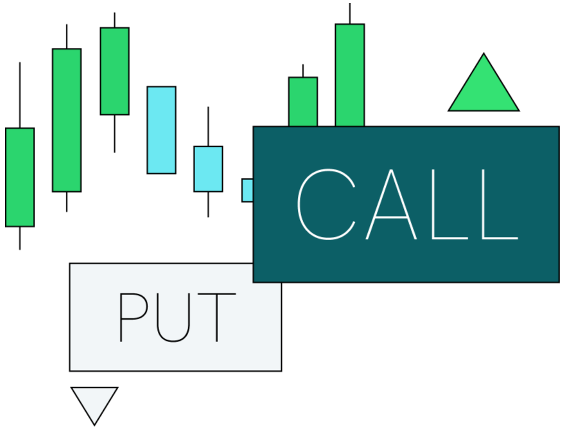
Options can be a compelling alternative providing predefined risk.

ALTERNATIVE STRATEGIES

- **Long CFD?**
  - Long Call or Call Spread can be alternative

- **Short CFD?**
  - Short Put or Put Spread can be alternative



Common Listed Option Strategies

Common Listed Options Strategies

Let's explore some potential strategies that replicate CFD-like exposure with options.

Long or Short Calls/Puts

- To express opinions on directional moves in the underlying

Verticals (e.g., Call/Put Spreads)

- To express opinions on limited (bounded) directional moves in the underlying

Risk Reversals

- To express opinions on directional moves in the underlying where an OTM call is financed with an OTM put, or vice versa

Butterflies & Condors

- To express opinions on very precise directional moves in the underlying with lower premiums upfront and defined outcomes

Example: Call Spread

→ **Investor George is bullish on a stock XYZ trading at €22 and wants exposure to an up move.**

- Bullish on the underlying but want exposure to the upside while limiting downside risk.

Example: Call Spread

- George is bullish on a stock XYZ trading at €22 and wants exposure to an up move.

→ **George decides to long a 24/28 Call Spread.**

Call Spread

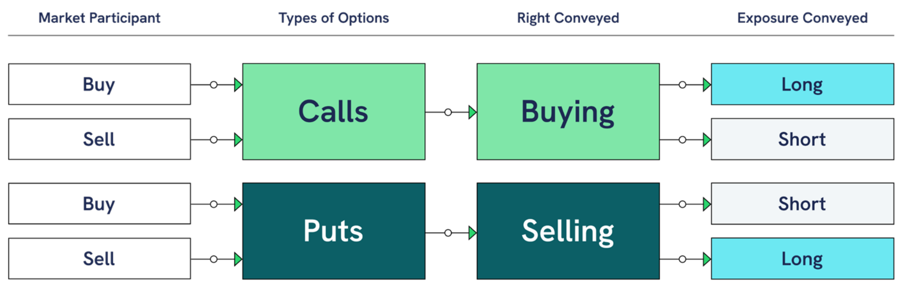
- Long one 24 strike call
- Short one 28 (higher) strike call

Example: Call Spread

- George is bullish on a stock XYZ trading at € 22 and wants exposure to an up move.

- George decides to long a 24/28 Call Spread.

→ **George understands the rights and obligations of the long and short calls.**



24/28 Call Spread

- **Long one 24 strike call:** investor has the right but not the obligation to buy the underlying at €24 on or before expiry
- **Short one 28 strike (higher) call:** investor has the obligation to sell the underlying at €28 on or before expiry if the buyer of this call exercises their right to purchase the underlying at the strike

Example: Call Spread

- George is bullish on a stock XYZ trading at € 22 and wants exposure to an up move.
- George decides to long a 24/28 Call Spread.
- George understands the rights and obligations of the long and short calls.

→ **Assume the total premium to purchase the 24/28 call spread is €1.**

SIDE	STRIKE	PREMIUIM
Buy	24	€(2.00)
Sell	28	€1.00
	Total Premium	€1.00

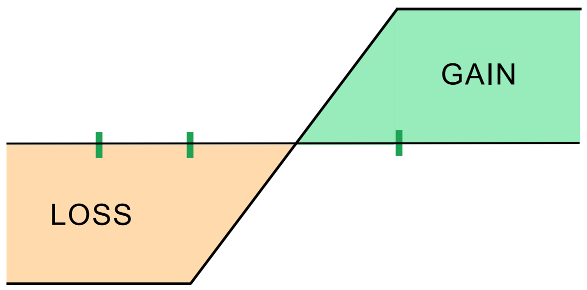
Total Premium of a Long Call Spread is:

- Total premium paid *less* total premium collected
- Risk is predefined in a Long Call position; the most an investor can lose is the premium paid

Example: Call Spread

- George is bullish on a stock XYZ trading at € 22 and wants exposure to an up move.
- George decides to long a 24/28 Call Spread.
- George understands the rights and obligations of the long and short calls.
- Assume the total premium to purchase the 24/28 call spread is € 1.

→ **George understands the maximum value of the 24/28 long Call Spread is €4.**



Maximum Value of a Call Spread:

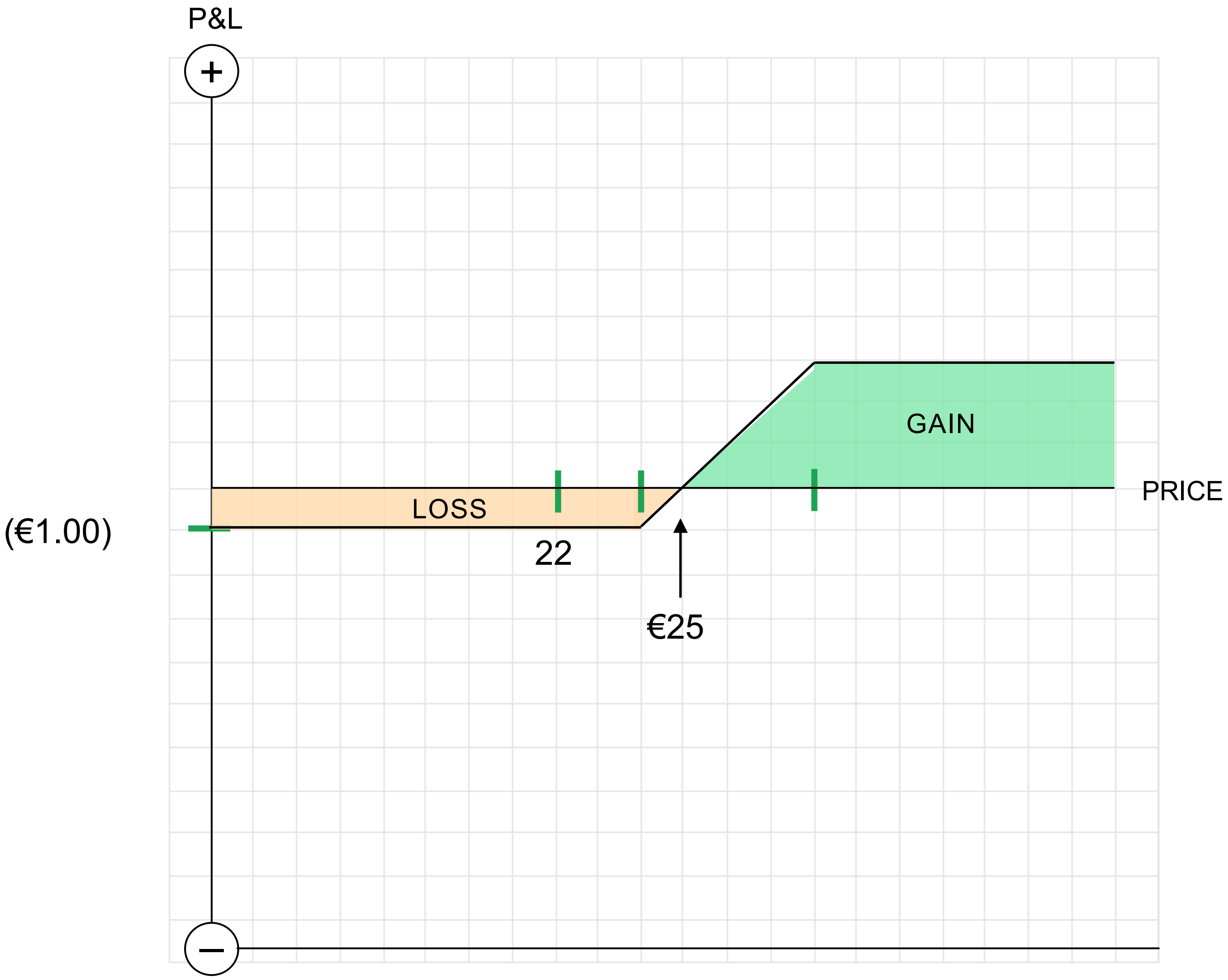
- Call Spreads, whether long or short, can only be worth a maximum of the difference between its strikes.
- In this example, the two strikes of the call spread are 24 and 28, hence, the maximum value this call spread can be worth is €4 (€28 – €24).

EXAMPLE

Call Spread

Long the 24/28 call spread

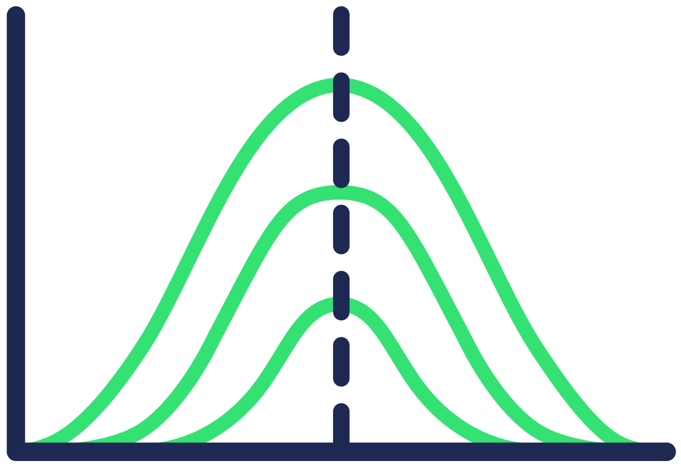
Stock Ticker	A
Stock Price	€22
Side	Buyer
Strikes	24 / 28
Type	Call Spread
Premium	€1.00



Options Pricing

As mentioned, more variables involved and not mainly depending on underlying value, but also on:

- Expected volatility of the underlying until expiry
- Time to expiry
- The strike price(s)
- Interest rate and dividends



Options can be an interesting alternative / addition

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LISTED OPTIONS

- Allow for tailored outcomes, designing for scenarios and specific market opinions
  - Opportunity to generate income, protect a portfolio, or increase diversity (index options)
- Provide embedded leverage with limited investments (predefined risk)
- Options are more involved but provide control. CFDs are simple, but you give up control.
- Have heavily reduced counterparty risk (exchanged-listed, centralized clearing)
- Pricing is transparent and there is deep liquidity
- Implied volatility strategies can be utilized as well, in combination with directional views
- Education imperative!

Recap

01

Understand structural differences between CFDs and listed (exchange-traded) options

02

Compare risk profiles of CFDs versus listed options and why predefined risk matters

03

Explain how liquidity is formed and the leverage considerations for both CFDs and listed options

04

Identify common retail options strategies and explain how they differ from linear CFD exposure

Q&A

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