TRADE | CAPITAL MARKETS

# KEY INFORMATION DOCUMENT – CFDs ON COMMODITIES

## PURPOSE

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

## PRODUCT

The manufacturer of this product is Trade Capital Markets Limited ("TCM"), authorised and regulated by the Cyprus Securities and Exchange Commission ("CySEC"), license number 227/14, and authorised by the Financial Sector Conduct Authority ("FSCA"), South Africa, license number FSP 47857. You can contact us at info@tradecapitalmarkets.com or by calling at +357 22 030446.

YOU ARE ABOUT TO PURCHASE A COMPLEX PRODUCT WHICH MAY BE DIFFICULT TO UNDERSTAND.

## WHAT IS THIS PRODUCT? CFDs ON COMMODITIES

A contract for difference (CFD) is a form of derivative trading. A CFD allows you to obtain an indirect exposure to an underlying asset, for example a Security, Commodity or Index. This means that you will never own the underlying asset, but you will make gains or suffer losses as a result of price movements in the underlying asset to which you have an indirect exposure. This document provides you with key information on CFDs where the underlying instrument is a Commodity, such as Crude Oil.
The commodities being offered are sub-categorized as follows: Soft Commodities, Energies, Agricultural Commodities and Metals

Visit our website for further information in relation to the available CFDs on Commodities.
This document was last updated on 27/10/2021.

## OBJECTIVES AND MEANS FOR ACHIEVING THEM

The objective of trading CFDs is to speculate (generally over the short term) on the rising or falling prices of an underlying instrument, such as a Commodity, without owning it. You may choose to buy (going "long") CFD units or to sell (going "short") CFD units depending on whether you think the price of the underlying instrument will go up or down. For every point the price of the instrument moves in your favour, you gain multiples of the number of the CFD units you have bought or sold. For every point the price moves against you, you will make a loss. Therefore, your return depends on the size of the performance (or movement) of the underlying instrument and the size of your position.
CFDs are leveraged products commonly traded on margin, which means that you only need to deposit a small percentage of the full value of the trade in order to open a position and to keep your position(s) open. This is called the initial margin and maintenance margin respectively. Please note that margin trading requires extra caution: whilst trading on margin allows you to magnify your returns, your losses will also be magnified as they are based on the full value of the CFD position, meaning you could lose up to the entire capital deposited.

Unlike traditional fixed income securities long-only dealing, if you believe a market will fall in value, with trading on margin via CFDs you can sell a market – known as going short – and make a potential profit from falling prices.

## HEDGING

As CFD trading allows you to short sell and therefore make a potential profit from falling market prices, they can be used as a tool by investors to counterbalance losses made in their portfolios. If you hold a long position and you are concerned of an imminent sell-off, you can short sell by the same amount. Should prices fall by 5% in the underlying market, the loss in value of the portfolio would be offset by a gain in your short sell CFD trade. In this way, you can protect yourself without going through the expense and inconvenience of liquidating your holdings.

## INTENDED RETAIL INVESTOR

Trading in this product will not be appropriate for all investors and would most commonly be utilized by persons who meet one or more of the following criteria:

i. have experience with financial markets;
ii. understand the impact and risks associated with margin trading and how the prices of CFDs are derived;
iii. are trading with money which they can afford to lose;
iv. have a high risk tolerance;
v. intend to use the product for short-term investment, speculative trading, portfolio diversification and/or hedging of exposure of an underlying asset.

## TERM

CFDs in general are execution-only products and therefore in general have no fixed or suggested maturity date. It is up to you when to open and close a position, however your position will only be kept open subject to availability of sufficient funds to cover the margin requirements. Specific information on each underlying investment option may be found here.

## WHAT ARE THE RISKS AND WHAT COULD I GET IN RETURN?

### Risk Indicator

| 1 | 2 | 3 | 4 | 5 | 6 | 7 |
|---|---|---|---|---|---|---|

LOWER RISK HIGHER RISK

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you. **We have classified this product as 7 out of 7, which is the highest risk class.** These rates classify the potential losses from future performance of the product at a very high level. Capital protection against market risk, credit risk or liquidity risk is not available. CFDs are leveraged products that, due to underlying market movement, can generate losses rapidly. However, the total loss that you may incur will never exceed your invested amount. The Company offers Negative Balance Protection to its Clients, meaning that they will never be in a position to lose more funds than the amounts invested with the Company.
Be aware of currency risk. The platform gives you the possibility to buy or sell CFDs in a different currency than the one of your account and the return you can get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.
Specific market conditions (such as high volatility of the markets) might adversely affect your positions. In case you do not maintain the minimum margin that is required or if you contravene market regulations, we may be obliged to close one or more of your open positions at a less favorable price. This could significantly impact how much you get back.
This product does not include any protection from future market performance, so you could lose some or your entire invested capital. This includes your deposit(s) as well as any accumulated profits
If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from a consumer protection scheme (see the section "what happens if we are unable to pay you"). The indicator shown above does not consider this protection.
There are a number of factors that may affect the performance of an instrument, which you should be aware of before you begin to trade, such as:

- Leverage risk / Margin risk
- Risk of loss of entire capital invested
- Credit risk
- Political / country risk
- Foreign exchange risk
- Market risk / Market disruption risk
- Counterparty risk
- Online trading platform and IT risk
- Conflicts of interest

## PERFORMANCE SCENARIOS

The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. Market developments in the future cannot be accurately predicted. The scenarios shown are only an indication of some of the possible outcomes based on recent returns. Actual returns could be lower. What you get will vary depending on how the market performs and how long you hold the CFD. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

Below you can find examples of trading scenarios for both long and short positions, for Crude Oil, that is held intraday, has the following specifications:
Price at Position Opening: 60 USD
Trade Size of CFD: 10
Nominal Value of the Trade: 600 USD

| Scenario – Long Position | Price at Position Closing | Profit / (Loss) | Price Movement |
|---|---|---|---|
| Stress Scenario | 50 USD | (100) USD | -16.67% |
| Unfavourable scenario | 55 USD | (50) USD | -8.34% |
| Moderate scenario | 65 USD | 50 USD | 8.34% |
| Favourable scenario | 70 USD | 100 USD | 16.67% |

| Scenario – Short Position | Price at Position Closing | Profit / (Loss) | Price Movement |
|---|---|---|---|
| Stress Scenario | 70 USD | (100) USD | 16.67% |
| Unfavourable scenario | 65 USD | (50) USD | 8.34% |
| Moderate scenario | 55 USD | 50 USD | -8.34% |
| Favourable scenario | 50 USD | 100 USD | -16.67% |

## WHAT HAPPENS IF THE COMPANY IS UNABLE TO PAY OUT?

The Company is a member of the Investor Compensation Fund for Customers of Cyprus Investment Firms (CIFs) and other Investment Firms (IFs) which are not credit institutions. The Fund was established under the Investment Firms Law 2002, as amended and replaced by Law 144(I)/2007, and the Establishment and Operation of an Investor Compensation Fund for Customers of CIFs Regulations of 2001. If, following a default, we cannot meet our obligations, depending on the type of business and the circumstances of the claim, the Fund covers up to €20,000 per person, per firm. For further information https://www.cysec.gov.cy/en-GB/complaints/tae/information/.

## WHAT ARE THE COSTS?

Before you begin to trade CFDs on Commodities, you should familiarize yourself with all one-off and on-going costs for which you may be liable. These charges will reduce any net profit or increase your potential losses. The impact of the different types of costs on the return you might have from your investment is outlined below. Please refer to the Charges and Fees section on the website for more information.

| | | |
|---|---|---|
| One off costs – At the time of your trade | Commission | Not applicable |
| | Spread | When trading CFDs you must pay the spread, which is the difference between the bid (sell) and the ask (buy) price. You enter a buy trade using the buying price quoted and exit using the selling price. The narrower the spread, the less the price needs to move in your favour before you start to make a profit, or if the price moves against you, a loss.<br>The spread charge is calculated as follows:<br>a. On the WebTrader platform: Volume * Instrument's Spread<br>b. On the MT4/MT5 platform: Volume * Contract Size * Instrument's Spread |
| | Conversion Fees | A conversion fee is applied when a client has an account that is denominated in a currency that is not of the same currency as the instrument being traded. The fee is reflected as a percentage of the conversion rate used, for the used margin, profit and loss, swaps, rollovers and adjustments for corporate actions. |
| | Rollover | Futures contracts have expiration dates and it is at the future's expiration date that the old contract is made redundant and the instrument is transferred to the new contract, with a new expiration date, in a process known as "rollover". Holding positions when an instrument has expired and must be transferred to the new contract, entails a "rollover adjustment".<br>The rollover adjustment is calculated as follows:<br>a. On the WebTrader platform: Volume * Price Difference<br>b. On the MT4/MT5 platform: Volume * Contract Size * Price Difference |
| Ongoing charges | Swaps | A Swap is an overnight interest that a client is charged, for holding a position overnight. If the swap amount is negative, then the client is charged and if the swap amount is positive, then the client is credited.<br>The swap charge is calculated as follows:<br>a. On the WebTrader platform: Volume * End of Day Price * Swap Charge * Days Held<br>b. On the MT4/MT5 platform: (Volume * End of Day Price * Swap Charge * Days Held) / 360 |
| Incidental Costs | Exchange Rate | In the case where a client has an account that is denominated in a currency that is not of the same currency as the instrument where a position has been opened, any profits or losses will be credited or charged to the client's account, at the currency at which the client's account is denominated, after a conversion has occurred from the asset's denominated currency, at the current exchange rate at the time of the transaction. |
| | Tax | The tax legislation in your country of residence may have an impact on the actual payout of your investment. |

## HOW LONG SHOULD I HOLD IT AND CAN I TAKE MONEY OUT EARLY?

CFDs on Commodities have no recommended holding period. Provided that the Company is open for trading, you can enter and exit positions at any time. It is essential to be aware of the implications of trading with margin and the associated costs, if you intend to use a buy and hold strategy when trading in CFDs.

## HOW CAN I COMPLAIN?

You may file a complaint by submitting the Complaints Form via post or by hand at: 148 Strovolos Avenue, 1st Floor, Strovolos 2048 Nicosia, Cyprus, or via email at: compliance@tradecapitalmarkets.com.

All complaints will be treated strictly confidential. If you believe that your Complaint has not been handled in a fair and equitable manner by the Company you have the right to refer the matter to the Financial Ombudsman of the Republic of Cyprus (complaints@financialombudsman.gov.cy), ADR Mechanism, or the relevant Courts.

## OTHER RELEVANT INFORMATION

You have a right to request a hard copy of the present document.

Leveraged trading in foreign currency contracts, contracts for difference or other off-exchange products carries a high level of risk and may not be suitable for everyone. Before trading, you are strongly advised to read the Terms and Conditions, the Order Execution Policy displayed in the legal section of our website, at https://www.finexo.com/en/regulation-pack, alongside with the Risk Disclosure Statement.

Such information is also available on request.