

Purpose

This document provides you (“the client”) 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

Product Name: Forward on Foreign Currency pair (“FX pair”)

Product Manufacturer: Alfa Capital Markets Ltd (“ACM”), a company authorised and regulated by the Cyprus Securities Exchange Commission (“CySEC”), with license number CIF387/20, registered in Cyprus with incorporation number HE 404988.

Further Information: For further information about ACM and our investment products, you can visit our website at <https://alfacapital.com.cy> or contact us on +357 22 470 900. This document was created on July 20, 2020.

ⓘ You are about to purchase a product that is not simple and may be difficult to understand.

What is this product?

Type

Forwards on FX pairs are leveraged derivative contracts that fall under the Section C (4) of Annex I of the Markets in Financial Instruments Directive 2014/65/EU (MiFID II). A Forward on FX pair gives (i) the buyer the obligation, during the period stated in the Confirmation of Forward Transaction, to buy a specified amount of the underlying instrument at the price agreed upon between the buyer and seller, (ii) the seller the obligation, during the period stated in the Confirmation of Forward Transaction, to sell a specified amount of the underlying instrument at the price agreed upon between the buyer and seller.

Forwards on FX pairs allow you to speculate on price movements of the underlying FX pair. An FX pair is the price of one currency expressed in another currency, for example, a EURUSD pair is the price of EUR (the ‘base’ currency) expressed in USD (the ‘quote’ currency). Your return depends on the fluctuation of the price as well as the size of your position. Forwards on FX pairs may or may not have an expiry date; ACM trades both fixed term and open term Forwards on FX pairs.

Objectives

The objective of Forwards on FX pairs is to gain exposure to price movements of the underlying FX pair, without actually owning such currencies. The purpose of entering into a Forward on FX pair is speculation or hedging. A profit is achieved if your speculation on the performance of the FX pair was correct; otherwise you will suffer a loss of a portion or all of your funds or even more than your invested amount. This product is traded on margin, which can magnify both gains and losses. In general, Forwards on FX pairs do not have a recommended holding period; and hence, it is at the discretion of the investors to determine the most appropriate holding period based on their own individual trading strategy and objectives.

Intended Retail Investor

Forwards on FX pairs are intended for investors who pursue an objective of general capital formation or capital optimization, of a disproportionately high participation in price fluctuation or of hedging and who have a short-term, mid-term or long-term investment horizon. The potential investors do not attach importance to capital protection (repayment of the invested amount is not guaranteed). The product is suitable for investors who have extensive or specialised knowledge of, and/or experience in financial products. Likely investors shall understand the main market factors that determine FX pair price fluctuations, the key concepts of margin trading and leverage, as well as the risk of losing all of their investment or even more.

What are the risks and what could I get in return?

Summary Risk Indicator



⚠ The risk indicator assumes that you will hold fixed-term Forward on FX pairs until expiration. The actual risk can vary significantly if you cash in at an early stage and you may get back less. You may not be able to cash in early or be unable to close Forward on FX pairs product easily, or you may have to close at a price that significantly impacts how much you get back.

The summary risk indicator is a guide to the level of risk inherent in 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. This rates the potential losses from future performance of the product at a very high level. There is no capital protection against market risk, credit risk or liquidity risk so you could lose some or all of your investment.

Be aware of currency risk. It is possible to buy or sell a Forward on FX pairs in a currency which is different to the currency you own. In such cases, the total return of your investment will depend on the exchange rate between the two currencies. Currency risk is not taken into consideration in the Summary Risk Indicator shown above.

In some circumstances, you may be required to make further payments to compensate for losses (i.e. margin call payments or in case your account balance becomes negative). Your loss as a buyer/seller will depend on the size of the decline/increase in the price of the underlying FX pair and the size of your position.

If we are not able to pay you what is owed, you could lose your entire investment. For more details, refer to section “What happens if we are unable to pay you” below.

Performance Scenarios

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.

The scenarios shown below illustrate how your investment could perform, under different scenarios, assuming the investment’s notional value is USD 545 750. You can compare them with the scenarios of other products. 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. What you get will vary depending on how the market performs and on the holding period of the Forward on FX pair. The stress scenario shows what you might get back in extreme market circumstances and it does not take into account the situation where ACM is not able to pay you.

The following assumptions have been used to create the scenarios in Table 1:

Forward on EURUSD – Long Position		
FX pair opening price	P	1.0915
Trade size	TS	€500 000
Initial Margin %	M	4.5% (leverage 1:22.2)
Initial Margin Requirement	MR = P x TS x M	\$24 558.75
Notional value of the trade (USD)	TN = P x TS	\$545 750
Interest rates/financing cost	EUR	-1.00% annually
	USD	1.00% annually

Table 1 (Profit or Loss figures are rounded to the nearest \$)

Performance scenario (Long Position)	Market price (USD)	Price Change (%)	Profit or Loss (USD)	Profit or Loss (%)
Stress	1.0347 (intra-day)	-5.20%	-\$ 28 400*	-5.20%
	1.0347 (30 days)	-5.20%	-\$ 29 261.89 (incl. costs)	-5.36%
Unfavorable	1.0745 (intra-day)	-1.56%	-\$8 500	-1.56%
	1.0745 (30 days)	-1.56%	-\$9 395.04 (incl. costs)	-1.72%
Moderate	1.0915 (intra-day)	No change	\$0	0.00%
	1.0915 (30 days)	No change	-\$9 09.20 incl. costs)	-0.17%
Favorable	1.1085 (intra-day)	1.56%	\$8 500	1.56%
	1.1085 (30 days)	1.56%	\$7 576.63 (incl. costs)	1.39%

*Losses may exceed your initial margin requirement. Margin Call and Knockout levels do not guarantee losses limited to your initial margin.

The figures shown above include all costs of the product itself. However, the figures do not take into account your personal tax situation, which may also affect how much you receive as return. The tax legislation of your home state may have an impact on the actual payout. Additionally, the potential to make a profit or loss on a Forward on FX pair contract is highly dependent on the way the position is used, for example, forward contracts can be treated as a risk management tool to hedge other investments, or be used as a stand-alone investment.

What happens if ACM is unable to pay out?

The performance of the contract depends on ACM’s ability to fulfil its financial obligations to you (i.e. its solvency). Before entering into a Forward on FX pair contract, ACM requires you to sign an International Swaps and Derivatives Association (“ISDA”) agreement. In the event that ACM cannot fulfil its obligations, you should follow the necessary steps in order to seek costs incurred when replacing the original contract, as described in the ISDA agreement and its accompanying schedule.

This product is not protected by the Investor Compensation Fund in Cyprus or any other investor compensation or guarantee scheme. Therefore, if ACM is unable to meet its financial obligations to you, this could cause losing the value of any position(s) you maintain with ACM.

What are the costs?

The following table shows the different types of costs involved when you trade Forwards on FX pairs. These charges will reduce any net profit or increase your losses.

One-off costs	Entry/ Exit costs	USD 1-10 mln (notional) >USD 10 mln (notional)	≤1 year - 20 bps >1 year - 20 bps p.a. ≤1 year - 10 bps >1 year - 10 bps p.a.	The costs you pay when entering/exiting your investment.
	Currency Conversion costs	Depends on the Spot exchange rate applicable on the date of conversion or any other exchange rate pre-agreed with the client.		The cost you pay when FX pairs are denominated and funded in a currency, which is different to the currency you own.
On-going costs	Financing cost	From -50% to 50% per annum. It varies due to different FX pairs and currencies. For more information, please contact frontoffice@alfacapital.com.cy .		The financing cost represents the interest amount payable for financing your position in case you are short of funds or securities.

The aforementioned costs vary, depending on your investment options and prevailing market conditions. It is noted that there are no incidental costs, such as performance fees or carried interest costs in relation to this product. Open-term Forwards on FX pairs do not entail exit costs and fixed-term Forwards on FX pairs do not entail interests. In addition, investors shall be aware that market price to buy (ask) or to sell (bid) are different, and such differences may be significant as a result of the prevailing market conditions on OTC market (e.g. market depth, quantity of underlying securities, etc.). For more details, please refer to our Ex-Ante Cost Disclosures or contact frontoffice@alfacapital.com.cy.

How long should I hold it and can I take money out early?

There is no recommended holding period for this product; it depends on their investment strategy and risk profile of the investor. A Forward position can be closed by entering opposite position in the market. You should monitor the product on an ongoing basis so as to determine when is the appropriate time to close your position(s), the closure of which can be done at any time during market hours.

How can I complain?

If you are dissatisfied with any aspect of the service provided to you by ACM, you may submit a complaint via the standard “Client Complaints Form”, which can be downloaded from our [website](#), and submitted through the following dedicated complaint submission channels:

- a. **By E-mail:** complaints@alfacapital.com.cy
- b. **By Post:** Themistokli Dervi 3, Julia House Building, 4th Floor, P.C. 1066, Nicosia, Cyprus
- c. **By Fax:** +357 22 681505

If you are not satisfied with ACM’s final decision, you may escalate your complaint to the Financial Ombudsman Service, by submitting your complaint at: complaints@financialombudsman.gov.cy.

Other relevant information

This Key Information Document does not contain all information relating to the product. You should ensure that you are familiar with all the information / documentation presented on our website, or provided to you from time to time, prior to engaging in Forward on FX pairs transactions with ACM.

For any enquiries or requests for additional information and/or supporting documentation, please contact our experts at: frontoffice@alfacapital.com.cy.