Alfa Capital
Holdings (Cyprus) Ltd

# KEY INFORMATION DOCUMENT

## 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:** Contract for Difference ("CFD") on a Foreign Currency pair ("FX pair").

**Product Manufacturer:** Alfa Capital Holdings (Cyprus) Limited ("ACC"), a company authorised and regulated by the Cyprus Securities Exchange Commission ("CySEC"), with license number CIF 025/04, registered in Cyprus with incorporation number HE 78416.

**Website:** www.alfacapital.com.cy | **e-mail:** forex@alfacapital.com.cy | **Telephone number:** +357 22 470 969

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

## What is this product?

### Type

A Contract for Difference (CFD) is a leveraged contract entered into with ACC on a bilateral basis which is settled in cash. A CFD represents an agreement between a 'buyer' and a 'seller' to exchange the difference between the current price of the underlying asset and its price when the CFD contract is closed. Under a CFD contract, ACC is acting as a counterparty to your transactions; hence, ACC is acting as the buyer each time you are a seller of a CFD and as a seller each time you are a buyer.

CFDs 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.

Given that CFDs are leveraged investment products, only a percentage of the notional value of the CFD contract is required to be deposited upfront into your account. Such deposited funds are referred to as the "required margin". Margin trading requires extra caution since, whilst large profits can be realised in case the price moves in your favour, there is also a risk for realising extensive losses if the price moves opposite. If you fail to deposit additional funds in order to meet the required margin level (i.e. margin call) as a result of a negative price movement, your CFD position will be automatically closed.

CFDs on FX pair do not have an expiry date, and hence, are considered as open-ended products; however, an overnight Swap Cost is charged (more details are below). In case where the terms of a CFD contract are breached, ACC retains the right to unilaterally terminate such CFD contract.

### Objectives

The objective of a CFD on FX pairs is the speculation on price movements of the underlying FX pair, without actually owning such currencies. 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 account funds.

For example, if you believe that the price of a CFD on FX pair will increase, you may want to buy a number of CFD contracts with the intention to sell them at a later stage at a higher price (this is also known as "going long"). The difference between the buy-price and the sell-price equals your profit, minus any relevant costs (detailed below). If you believe that the value of a CFD on FX pair will decrease, you may want to sell all or a number of CFD contracts at a specific price, with an intention to buy them back at a later stage at a lower price compared to the price sold (this is also known as "going short"). The difference between the sell-price and the buy-price equals your profit, minus any relevant costs (detailed below).

In general, CFDs 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

CFDs on FX pairs are intended for investors who have knowledge of, or experience with, leveraged products. Likely, investors will understand the main market factors that determine currency fluctuations, the key concepts of margin trading and leverage as well as the risk of losing all of their investment. CFDs on FX pairs are compatible with the needs of investors who seek short term capital gain and/or short-term investment horizon, by investing in highly liquid markets which can provide the benefit of quick pay-out. Such investors should have a high-risk tolerance and willing to accept rapid price fluctuations.

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

### Summary Risk Indicator

1 2 3 4 5 6 7

*Lower Risk* *Higher Risk*

The risk indicator assumes that the product is speculative and leveraged, and you may lose all your money. The product does not have a maturity date. You may not be able to buy or sell your CFD at the price you wanted to due to volatility of the market or you may have to sell at a price that significantly impacts how much you get back in cases of illiquid FX pairs.

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. This rates the potential losses from future performance of the product at a very high level. CFDs are leveraged products that due to underlying market movements can generate losses rapidly. There is no capital protection against market risk, credit risk or liquidity risk.

**Be aware of currency risk.** It is possible to buy or sell CFDs in a currency which is different to the base currency of your account. 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).** The total loss you may incur will not exceed your invested amount. ACC offers negative balance protection to its retail clients. In case your account balance becomes negative, for example due to a gap in the market, your account will be brought back to zero (0). This product does not include any protection from future market performance, so you could lose some or all of your investment. If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from the Investor Compensation Fund (see the section "What happens if we are unable to pay you"). The indicator above does not consider this protection.

## 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 investment holding period of one day ("next-day") and less than one day ("intra-day"), as well as an investment of a notional value of €100,000. 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 CFD contracts. The stress scenario shows what you might get back in extreme market circumstances and it does not take into account the situation where ACC is not able to pay you. The following assumptions have been used to create the scenarios in Table 1:

| **FX pair EURUSD – LONG Position** | | |
|---|---|---|
| *FX pair opening price* | **P** | 1.19770 |
| *Trade size* | **TS** | 1 lot |
| *Lots size* | **LS** | 100,000 |
| *Margin %* | **M** | 3.33% *(leverage 1:30)* |
| *Margin Requirement* | **MR = P x TS x LS x M** | $3,992 |
| *Notional value of the trade (USD)* | **TN = P x TS x LS** | $119,770 |
| *Overnight Swap Rate* | | $7 per lot |
| *Spread (Bid/Ask)* | | $10 per lot |

**Table 1** *(Profit or loss figures are rounded to the nearest $)*

| Performance scenario (Long Position) | Closing price (USD) - incl. Bid/Ask spread | Price Change (%) | Profit or Loss (USD) | Profit or Loss (%) |
|---|---|---|---|---|
| *Stress* | 1.13772 (intra-day) | -5% | -$5,998* *(incl. Bid/Ask spread: $10)* | -150.24%** |
| | 1.13772 (next-day) | -5% | -$6,005* *(incl. Bid/Ask spread: $10, Overnight Swap cost: $7)* | -150.41%** |
| *Unfavorable* | 1.17964 (intra-day) | -1.5% | -$1,806 *(incl. Bid/Ask spread: $10)* | -45.25% |
| | 1.17964 (next-day) | -1.5% | -$1,813 *(incl. Bid/Ask spread: $10, Overnight Swap cost: $7)* | -45.42% |
| *Moderate* | 1.19760 (intra-day) | No change | -$10 *(incl. Bid/Ask spread: $10)* | -0.25% |
| | 1.19760 (next-day) | No change | -$17 *(incl. Bid/Ask spread: $10, Overnight Swap cost: $7)* | -0.43% |
| *Favorable* | 1.21556 (intra-day) | 1.5% | $1,786 *(incl. Bid/Ask spread: $10)* | 44.75% |
| | 1.21556 (next-day) | 1.5% | $1,779 *(incl. Bid/Ask spread: $10, Overnight Swap cost: $7)* | 44.57% |

**Losses are limited to your total account balance ($3,992 in this case), as part of our Negative Balance Protection applicable for retail clients.*
***Percentage Profit or Loss is calculated based on the margin requirements. Losses are limited to 100% of your total account balance.*

The figures shown above include all costs of the product itself. The figures do not take into account your personal tax situation, which may also affect how much you get back.

## What happens if ACC is unable to pay out?

If ACC is unable to meet its financial obligations to you, this could cause losing the value of any position(s) you maintain with ACC. However, ACC segregates your funds from its own funds in accordance with the CySEC client asset segregation rules. Should such segregation fail, your investment is covered by the Investor Compensation Fund (ICF), which covers the 90% of the cumulative covered claims of the covered investor, or the amount of €20,000, whichever is lower. For further details refer to CySEC's website at: https://www.cysec.gov.cy/en-GB/complaints/tae/.

## What are the costs?

The table below shows the different types of costs involved when you trade in CFDs on FX pair, under the assumptions included in Table 1 above, and assuming an investment holding period of one day.

| | | | |
|---|---|---|---|
| **One-off costs** | Spread *(% of cost on Investment)* | $10 *(0.25%)* | The spread is the difference between the buy (bid) and sell (ask) of the price that ACC quotes. This cost is realized every time you open / close a trade. |
| | Slippage | Refer to the Terms of Trading | The slippage is the difference between the price at which a trade was approved and the price at which it was executed. The slippage can be either positive or negative. Positive slippage occurs when the price is executed at a better level than the one requested, whilst negative slippage is the exact opposite. |
| **On-going costs** | Swap *(financing cost)* *(% of cost on Investment)* | $7 *(0.18%)* | The financing cost represents the cost for keeping your position open over the night. The swap cost can be negative or positive, depending on your position (long or short) as well as the underlying FX pairs. This cost could vary, depending on the night of the week the rollover takes place and the length of the investment holding period. |

The aforementioned costs vary, depending on your investment options and prevailing market conditions. Currency conversion costs may apply for converting fees/charges as well as realized profit or loss denominated in a currency other than the base currency of your trading account. Additional information on costs can be found at our website.

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

A CFD on FX pairs has no fixed term and will expire when you choose to exit the product, or in the event you do not have required margin. CFDs are mainly intended for short-term trading and in some cases for intraday trading. 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 ACC, 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 22 681 505

If you are not satisfied with ACC'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

In accordance with the provisions of the applicable regulatory framework, a list of important information/ documents are available to you in the following link: https://alfacapital.com.cy/en/about-us/all-documents/. 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, prior to be engaged in CFD trading with ACC. For any enquiries you may have, including additional information and/or documentation, such information/ documentation can be provided upon request - please refer to the e-mail of our Customer Support team: https://alfacapital.com.cy/en/about-us/contact-us/.