

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: Cash Settled FX Options Long Put

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

Cash Settled FX options are considered as derivative contracts that fall under the Section C (4) of Annex I of the Markets in Financial Instruments Directive 2014/65/EU (MiFID II).

Objectives

Cash Settled FX Options Long Put are cash settled derivatives. The objective of the product is to give the holder (buyer) of a put option the right to sell exposure of a specified currency pair at a specific rate (“strike price”) over a specific time period. Engaging in an option transaction the buyer pays the seller a sum of money called the option premium (the price of the option). Strike price represents the fixed rate of certain currency pair specified in the option contract. At the date of exercising of the option contract its strike price is compared with the Exchange fixing rate of certain currency pair. If fixing rate is lower than the strike price the option buyer benefits from such difference in the form of cash amount. The writer (seller) of a call option (short position) takes on an obligation to deliver calculated cash settlement amount. Options that can be exercised at any time up to and including the contract’s expiration date are referred to as American-style. Options that can be exercised only on the contract’s expiration date are referred to as European-style.

The buyer and the seller have opposing expectations of how the value of the option’s price will develop. These differences are shown in the table below under the heading ‘Performance Scenarios’.

Intended Retail Investor

Cash settled FX options are not suitable for all investors and are intended for investors who pursue a strategy of capital optimization, arbitrage or hedging. There is no recommended holding period for such an investment. 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 derivative financial products, and can bear the potential losses associated with it and the related investment strategy.

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

Summary Risk Indicator



The risk indicator assumes that you will hold the product until expiration. Although many options and options strategies have limited risk, some have substantial risk. Events, such as early exercise may significantly impact the value of an option. In certain circumstances, you may not be able to close an existing position.

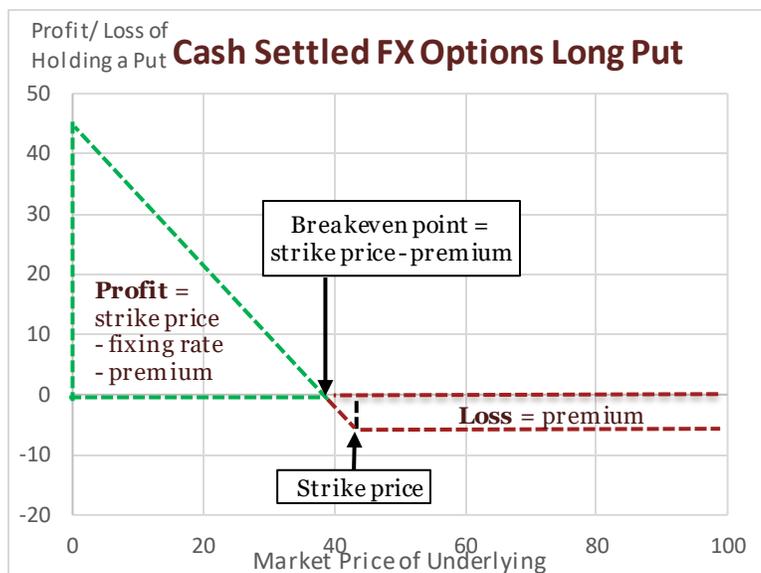
The summary risk indicator is a guide to the level of risk inherent in this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

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.

The risk is different for options holders and writers. An option holder runs the risk of losing the entire premium if the strike price for a put is below the market value of the underlying, and if an option holder does not sell or exercise his option prior to its expiration. Options holders and writers may be required to post margin, which creates additional risk.

Be aware of currency risk. It is possible to buy or sell Cash Settled FX 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 indicator shown above.

Performance Scenarios



This graph illustrates how your investment could perform. You can compare it with the pay-off graphs of other derivatives. The graph presented gives a range of possible outcomes and is not an exact indication of what you might get back. What you will receive will vary based on how the value of underlying changes over time. For each value of the underlying, the graph shows what the profit or loss of the product would be at maturity. The horizontal axis shows the various possible prices of the underlying value on the expiry date and the vertical axis shows the profit or loss of the option.

To illustrate the profits/losses to a put option buyer, assume the put option premium (p) is \$5, the strike price (X) is \$50, and the underlying price at expiration (S) is either \$40, \$45, \$50 or \$55. It should be obvious that the put buyer would exercise the option at expiration if S is less than X . Otherwise, he would

simply let the option expire. Thus, on the expiration date, the option is described as having a payoff of $Max(0, X - S)$, which is read as “take the maximum of either zero or $X - S$ ”. The put buyer’s profit/loss would be:

$$\text{For } S=40, P/L = Max(0, X - S) - p = Max(0, 50 - 40) - 5 = 5$$

$$\text{For } S=45, P/L = Max(0, X - S) - p = Max(0, 50 - 45) - 5 = 0$$

$$\text{For } S=50, P/L = Max(0, X - S) - p = Max(0, 50 - 50) - 5 = -5$$

$$\text{For } S=55, P/L = Max(0, X - S) - p = Max(0, 50 - 55) - 5 = -5$$

Profit (loss) calculation. Calculation of the profit or loss of the Cash Settled FX Options Long Put is the following:

- 1) Take the option’s strike price minus the fixing rate of the underlying value. If a result is negative, zero is taken;
- 2) Deduct the premium paid from the result of (1);
- 3) The (1) result determines the profit (loss) per unit of the underlying currency pair;
- 4) Total profit (loss) per trade is calculated by multiplying the profit (loss) per unit of base currency by total quantity of units traded.

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.

The following table provides further detail on the risks and rewards to the buyer and seller of the put option:

Put Option	Buyer	Seller
Premium	Paid	Received
Expectation of future price movement	Will fall	Will not fall
Maximum gain	Strike price - underlying fixing rate - premium	Premium
Maximum loss	Premium	Premium - strike price + underlying fixing rate

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) and, in some cases, on the solvency of third parties involved in the transaction infrastructure. Before entering into an Options 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 refer to the relevant provisions contained in the ISDA agreement and its accompanying schedule.

This product is not protected by the Investor Compensation Scheme 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?

An options premium is the option contract price paid by the holder to the writer. The main factors affecting an options price are the underlying fixing rate, time until expiration of the option and implied volatility. Premium is determined by the buyer and seller when executing a trade. Options investing involves additional costs that include tax considerations and margin requirements that can significantly affect profit or loss. Margin is the cash or securities that you must deposit in order to fulfil any obligations that you may incur through trading options contracts. This is required when you write contracts, to cover any potential liability you may incur. The size of the required margin depends on the underlying currency pair and prevailing market conditions.

Composition of costs			
One-off costs	Entry costs	Notional, USD: < 10 mln – 20 bps > 10 mln – 10 bps	Indicative mark-up (the difference between the price of the position for the firm and the price for the client) embedded in the Option contract price.
	Exit costs	< 10 mln – 20 bps > 10 mln – 10 bps	These costs are applicable <u>only</u> in case of early exit (termination) and represent a mark-up.
Ongoing costs	Portfolio transaction costs	n/a	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	n/a	The impact of the costs that we take each year for managing your investments.
Incidental costs	Performance fees	n/a	The impact of the performance fee. We take these from your investment if the product outperforms its benchmark.
	Carried interests	n/a	The impact of carried interests.

It is noted that in accordance with the transaction terms, you may be required to deliver a cash margin, which usually generates an interest rate equal to the overnight benchmark rate – 0,5%. For more details, please 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. The optimal holding period depends upon investor's individual strategy and risk profile. Investors have the sole responsibility for determining if and when they should exercise their options contract(s) or whether to close out an existing option position. Investors who close out an existing option position forego any subsequent profit or loss associated with the option. All options have an expiration date after which the option will have no value and will no longer exist. Holders of American-style options who wish to exercise in advance of the expiration date may do so by providing exercise instructions to ACM 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 be engaged in Cash Settled FX Options transaction with ACM.

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