

## 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 Futures

**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 Futures 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). Such products can be denominated in any currency, not only in the currency of the underlying instrument.

### Objectives

A Forward on Futures 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.

The underlying instrument, in this case, futures, is an agreement to buy or sell an underlying financial instrument, such as an equity, equity index, bond, currency, interest rate product, or commodity. The underlying future is traded on a futures exchange such as CME Group, Intercontinental Exchange, or Eurex Exchange. The agreement is set for a certain time in the future (“Expiry Day”) for a certain price (“Contract Price”). Each future has its Expiry Day and Last Trading Day after which the future will expire and cash settlement will occur at the final settlement price. Subject to market conditions, you as the buyer or seller of a position on Forwards on Futures can close your position before expiration of the underlying future. The Expiry Day and Last Trading Day of the Forward on Future shall be the same as the underlying future. The profit or loss will be the difference between the Contract Price of the opening of the position, and the closing of the position, multiplied by the contract multiplier, which is set out in the contract specifications posted by the respective futures exchanges on their websites. There is no recommended holding period for Forwards on Futures. 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 Futures 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 Futures price fluctuations, the key concepts of margin trading and leverage, as well as the risk of losing all of their investment.

## 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. 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 Futures 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 Futures 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.

**In some circumstances, you may be required to make further payments to compensate for losses (i.e. margin call payments).** Your maximum loss as a buyer/seller will depend on the size of the decline/increase in the price of the underlying Futures instrument 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 2 636 750. 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 Futures. 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 E-mini S&P 500 Futures (CME Group)		
Futures opening Price	P	2 636.75 index points
Quantity of Futures	Q	20
Contract Multiplier	C	\$50
Initial Margin %	M	13% (leverage 1:7.7)
Initial Margin Requirement	$MR = P \times Q \times C \times M$	\$342 777.50
Notional value of the trade	$TN = P \times \$50 \times Q$	\$2 636 750
Costs of funding		0% annually

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

Performance scenario (Long Position)	Market price (in index points)	Price Change (%)	Profit or Loss (USD)	Profit or Loss (%)
Stress	2 452.18	-7 %	-\$184 572.50	-53.85%
Unfavorable	2 597.20	-1.5%	-\$39 551.25	-11.54%
Moderate	2 636.75	No change	\$0	0%
Favorable	2 676.30	1.5%	\$39 551.25	11.54%

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 Futures 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 Futures 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.

You are not exposed to financial loss due to the default of the exchange on which the underlying futures contract trade (e.g. CME Group, Intercontinental Exchange, Eurex Exchange). All futures contracts traded on the various exchanges are

guaranteed by the exchange's respective clearing house. No clearing house has ever defaulted or failed to guarantee transactions made on their respective futures exchange. In the highly unlikely event of a default by a clearing house, there is a remote chance that all or part of the initial margin posted by you may be lost.

## What are the costs?

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

<b>One-off costs</b>	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 the underlying Futures are denominated and funded in a currency, which is different to the currency you own.
<b>On-going costs</b>	Financing cost	Funding costs are generally not assessed on Forward on Futures contracts as there is no need to borrow capital for the purchase of underlying futures contracts. As such, ACM charges 0% per annum but in highly exceptional circumstances may charge from -50% to 50% per annum. It varies due to different Futures contracts and currencies. For more information, please contact <a href="mailto:frontoffice@alfacapital.com.cy">frontoffice@alfacapital.com.cy</a>		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. 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](mailto: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. Forwards on Futures can be held until expiry. Whether or not retail investors choose to do so will depend on their investment strategy and risk profile. A Forward position can be closed by entering an 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](mailto: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 ACM's final decision, you may escalate your complaint to the Financial Ombudsman Service, by submitting your complaint at: [complaints@financialombudsman.gov.cy](mailto: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 Forward on Transferable Securities transaction with ACM.

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