

## Key Investor Information Document: CFDs on Indices

### PURPOSE

This document provides you with key information about this investment product. It is not marketing or legally binding material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of investing in this product and to help you compare it with other products. Before deciding to open an account, we suggest that you read the whole document together with our terms and conditions.

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

### Date of Production/ last review of this document:

**PRODUCT:** Contract for Differences "CFDs" on Indices. The Indices we currently offer as CFDs can be found on our Website [here](#) This document was last updated on 14/11/2018.

**MANUFACTURER:** K-DNA Financial Services Ltd, authorised and regulated by the Cyprus Securities and Exchange Commission ('CySEC'), CIF License No. 273/15 registered at 56, Griva Digeni, Anna Tower, 1<sup>st</sup> Floor, 3063 Limassol, Cyprus. For more information, call +357 25 254070 or please visit us at <https://finmarket.com/contact-us/>

### WHAT IS THIS PRODUCT?

#### CFDs:

These are contracts between two parties, to pay the difference between the opening and closing price of the underlying asset. Kindly note that CFDs are leveraged products. The open positions are rolled over and charged a financing fee at the end of the day. Margin trading requires you to understand the underlying risk of the asset because you receive exposure to large profits if the price moves in your favor; you risk extensive losses if the price moves against you. When you fail to deposit additional funds to maintain the margin requirement as a result of a negative price movement may cause the CFD position to be auto-closed. This will result when your remaining account equity falls below the maintenance margin requirement.

#### TYPE:

The product enables you to have exposure to fluctuations related to the underlying index without physically owning it. A CFD on an Index is a type of CFD which is an agreement between a buyer and a seller to exchange the difference in value of a particular underlying instrument for the period between when the contract is opened and when it is closed. The difference to be exchanged is determined daily by the change in the closing reference price of the underlying instrument. Therefore, if the underlying instrument rises in price, the buyer receives cash from the seller and vice versa.

CFDs are not listed instruments but are traded as 'over-the-counter' contracts between the client and the Company. Investors are required to pay an initial deposit, or margin, upfront when the position is opened. Trading on margin can enhance any losses or gains you may make. This initial margin will be returned when the position is closed.

#### OBJECTIVES:

The objective of trading CFDs on Indices allows you to speculate on rising or falling prices in the underlying index, by gaining exposure to the underlying index. Traders would buy a CFD on an Index (i.e. "going long") if they believe that the value of the underlying index is going to increase, with the intention to later sell it at a higher value. Traders would sell a CFD (i.e. "going short"), if they believe the value of the index is going to decrease, expecting to later buy it back at a lower price. In both circumstances, if the index price moves in the opposite direction and your position is closed, your account would be debited for the loss of the trade (plus any relevant costs), subject to our negative balance protection.

### RETAIL INVESTORS SUITABLE TO TRADE ON CFDs?

Trading in this product is highly risky. Therefore, is not suitable and appropriate for everyone, such as investors who (i) do not want to be subjected to volatile markets; and (ii) want capital protection. It is most suitable for investors who (a) have a high-risk tolerance; (b) want to generally gain short term exposures to financial instruments/markets and have a diversified investment and savings portfolio; (c) are trading with money which they can afford to lose; and (d) have experience with, and are comfortable trading on, financial markets and understand the impact of and risks associated with margin trading.

### WHAT CAN I TRADE?

With your account with the Company, you can trade CFDs on the Indices indicated [here](#).

### RISK AND REWARD PROFILE

The primary advantage of CFDs over other equity derivatives is their pricing simplicity and the range of underlying instruments. For example, option pricing incorporates the time premium that decays as it nears expiration; whereas CFDs only reflect the price of the underlying security without owning the physical product. CFDs do not have an expiration date and therefore there is no premium to decay. You can expect the following benefits: (1) a cost-effective way to gain exposure to equity markets,

which are highly liquid and easily traded; (2) a highly capital efficient way to participate in equity indices; (3) sell (short) CFDs and benefit from a downward price movement; (4) their pricing is transparent; (5) wholesale interest rates are used in pricing and trading these instruments even for a retail investor; (6) access to live prices; (7) set up alerts to new opportunities that match your trading strategy; (8) manage risk by setting up a “price watch” and “stop loss” facility.

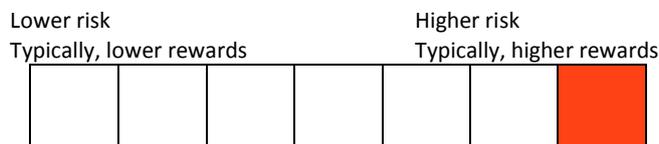
The primary risks of CFDs is the market risk and counterparty risk (i.e. the risk that the other party in the contract is unable to meet its obligation). CFDs are complex financial instruments and are traded Over the Counter (“OTC”). You can only exit a position by trading with us, during the trading hours of the underlying instrument as stated on this link <https://finmarket.webtraderx.com/?etoken=27de67608d6fd03eff60bccd95edd06b&lang=en> Through your trade with us, you receive by us exposure to the performance of the underlying asset, but you do not receive any ownership or other rights to such underlying asset.

CFDs are leveraged products. Leverage can magnify both your profits as well as your losses. Statistically, because of leverage, a significant part of clients lose because leverage amplifies losses, leading to margin calls and closures of clients’ open positions. Investors use margin to trade CFDs, subjecting the investor to margin calls should the value of the portfolio fall below the minimum level. Profit and loss on CFD trades take place when an investor executes a closing trade.

The Company operates a Negative Balance Protection, i.e. you cannot lose more than the Equity of your trading account, however you risk losing the capital invested with us. Since CFDs can employ a high degree of leverage investors can lose and/or win money quickly should the price of the underlying security move in the undesired/desired direction. As such, investors should be careful when using CFDs. CFD trading is undertaken on electronic platforms. There may be times that system or other breakdowns arise. This may affect your ability to trade, or our ability to offer continuous prices or create a need for subsequent adjustment of prices to reflect underlying exchange prices. Prices of CFDs as well as their commercial terms like the spreads and overnight fees maybe varied to reflect periods of actual or expected heightened market volatility. Depending on the currency your trading account is denominated and the currency of the underlying instrument you trade, your final return may be exposed to the exchange rate risk between the two currencies.

**RISK INDICATOR:**

The summary risk indicator (SRI) 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 at a very high level. Poor market conditions are very likely to impact the capacity of the Company to pay you.



The risk indicator is set at 7 (i.e. very high risk) due to the fact that:

- It is volatile and is subject to unforeseeable swings.
- Spread may widen with reduced liquidity.
- Your entire investment may be at risk.

**PERFORMANCE SCENARIOS:**

The below table illustrates how your investment could perform (i.e. potential profit and loss) under different scenarios.\* These scenarios assume that the Investor (i) has a starting equity of €1000; (ii) chooses to buy/sell 100 Index CFD contracts; that (iii) this particular CFD contract has a tick cost of €0.1 per contract (i.e. you will make or lose €10 for every pip the price moves); and (iv) the price at which you can buy is 1000.00.

Performance Scenarios:		Trade Profit or Loss	New Equity
<b>Stress scenario:</b> You go long (buy), the price falls by 30 ticks.	Open Price: 1000.00 Close Price: 970.00	- €300	€700
<b>Unfavourable scenario:</b> You go short (sell), the price increase by 7 ticks and you exit the position.	Open Price: 1000.00 Close Price: 1007.00	- €70	€930
<b>Moderate scenario:</b> You go long or short and exit the position at the same rate at which you entered.	Open Price: 1000.00 Close Price: 1000.00	€0	€1000

<b>Favourable scenario:</b> You go long (buy), the price increases by 5 ticks and you exit the position	Open Price: 1000.00 Close Price: 1005.00	€50	€1050
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\*Overnight holding costs or commissions are not included.

There are a number of types of trading risk which you should be aware of before trading. Factors which affect the product's performance include but are not limited to:

- Leverage risk
- Margin risk
- Foreign exchange risk
- Market risk
- Unregulated market risk
- Market disruption risk
- Counterparty risk
- Online trading platform and IT risk
- Conflicts of interest
- Currency risk

Please note that, the above list of risks is non-exhaustive. Regarding currency risk, it is possible to receive payments in a currency which is different to the currency of your account, so the final return you will receive depends on the exchange rate between the two currencies. This would be the case where the underlying equity index nominated currency is different from your account currency. This risk is not considered in the indicator mentioned above. Trading risks are magnified by leverage. In times of high volatility or market/economic uncertainty, values may fluctuate significantly. Such fluctuations are even more significant in case of leveraged positions and may adversely affect your positions. In the event of default, your positions may be closed out. You should carefully consider whether trading in leveraged products, such as CFDs, is appropriate for you. For more information on leverage and the Company's Risk Disclosure Policy please [Click here](#) to visit the Company's website.

Please ensure you fully understand the risks and take care to manage your exposure. It is important to ensure that you are comfortable with the level of risk your chosen instruments carry. If you are unsure of how to invest, a financial adviser may help you to make appropriate choices.

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

CFDs are not generally suitable for long term investments. They have no minimum and/or recommended holding period. You can open and close a CFD at any time during market hours. Please note, that the Company may close your position without asking your prior consent if there is not sufficient margin in your account. You can request a withdrawal of available funds on your account at any time.

#### MINIMUM INVESTMENT

Regarding each new position, its minimum exposure value, the initial deposit percentage and initial margin requirements you may refer to the Company's [Leverage Policy](#)

#### FEES & COSTS

You are advised to get an understanding of all the one-offs costs and recurring costs regarding CFDs on Index which you are about to trade. These charges will reduce any net profit or increase your losses.

For more information [Click here](#).

THIS TABLE PROVIDES THE DIFFERENT TYPES OF FEES AND COSTS FOR CFDs ON INDICES			
<b>One-off costs</b>	Spreads		The difference between the Bid price (selling price) and the Ask price (purchase price) at the time of the conclusion of the transaction and reflects, in part, the spreads of the underlying instrument being traded on. Therefore, the cost can be different depending on market conditions.
	Commission		The fee to be charged at the opening and closing of the transaction. The fee concerns only all trading accounts.
	Exchange Fees		The fee related to the conclusion of the transaction in selected CFD instruments, connected with fees on the underlying market.
<b>Recurring costs</b>	Financing Costs	Overnight	Holding positions for another day results in the charge of fee.

**ACCESS TO YOUR INVESTMENT:**

- You can view your account online anytime by logging onto our secure website.
- You can buy and sell CFDs on Indices during market hours of the relevant equity index. [Click here](#) to see market hours in the information section of our trading page.
- Depending on your bank, the transfer can take a further two (2) days.

**TAX CONSIDERATIONS:**

As a trader, all profits are deemed as taxable income. You are then taxed on profits at your marginal tax rate. The Company does not provide yearly tax statements or any information about tax. For further tax considerations, please consult your financial adviser or tax consultant.

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

If the Company is unable to meet its financial obligation to you, you may lose the value of your investment with the Company. However, the Company is a member of the Investor Compensation Fund ("ICF") for the Clients of Cyprus Investment Firms ("CIFs"), which secures the claims of the covered Clients against CIFs, members of the ICF, through the payment of compensation which may not exceed €20.000 in total to each covered client, irrespective of the number of accounts held, currency and place of offering the investment service. For more information, please visit <https://finmarket.com/safety-of-funds/>

**HOW CAN I COMPLAIN:**

If you have a complaint, then you should contact the Customer support department of the Company by email at [support@finmarket.com](mailto:support@finmarket.com) OR Compliance Department at [compliance@finmarket.com](mailto:compliance@finmarket.com) OR in writing as shown at <https://finmarket.com/contact-us>

**OTHER RELEVANT INFORMATION:**

Further information with regards to this product can be found on our Website. You should ensure that you read all our legal information displayed in the legal section of our website [here](#).