

# **KEY INFORMATION DOCUMENT- CFD on a major currency pair (FX)**

## **PURPOSE**

This document provides you 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**

<b>Product Name:</b>	Contract for Difference (CFD) on a major currency pair (FX)	<b>Telephone:</b>	+357 25262110 (CY)
<b>Product Manufacturer:</b>	Lydy Financial Ltd	<b>Competent Authority:</b>	Cyprus Securities and Exchange Commission (CySEC) (License 300/16)
<b>Website:</b>	<a href="http://www.Forex24.com">www.Forex24.com</a>	<b>Date of Creation:</b>	2 <sup>nd</sup> January 2018 (Created) 23 <sup>rd</sup> January 2019 (Revised)
<b>Email:</b>	<a href="mailto:support@forex24.com">support@forex24.com</a>	<b>Version:</b>	1.2.0.

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

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 50% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

## **WHAT IS THIS PRODUCT?**

### **• Type**

This document relates to a product known as a CFD on a major currency pair. A CFD is a leveraged contract agreement between two parties (a "buyer" and a "seller") to exchange the difference in the price of an underlying asset over a period of time. The price of the CFD on a currency pair is derived from the price of the underlying currency pair. The term "major currency pairs" refers to currency pairs comprising any two of the following currencies: US Dollar, Euro, Japanese Yen, Pound Sterling, Canadian Dollar or Swiss Franc.

### **• Objectives**

The objective of trading CFDs is to speculate on price movements (generally over the short term) in an underlying asset. This means that trading CFDs does not allow for direct exposure to the underlying asset, as you do not purchase/sell the actual Forex Pair, but rather a contract on the difference in the price of such pair. Your return depends on movements in the price of the underlying asset and the size of your position.

The first currency listed in a Forex pair is called the base currency, and the second currency is called the quote currency (each currency pair is listed as a three-letter code). The price of an FX pair is how much one unit of the base currency is worth in the quote currency. If the base currency rises against the quote currency, then a single unit of the base currency will be worth more units of the quote currency and the FX pair's price will increase. If it drops, the FX pair's price will decrease.

For example, if you believe that the base currency in a pair is likely to strengthen against the quote currency, you would buy a CFD (this is also known as "going long"), with the intention to later sell it when it is at a higher value. The difference between the price at which you buy and the price at which you subsequently sell equates to your profit, minus any relevant costs (detailed below). If you believe that the base currency in a pair is likely to weaken against the quote currency, you would sell a CFD (this is also known as "going short") at a specific value, expecting to later buy it back at a lower price than you previously agreed to sell it for, resulting in us paying you the difference, minus any relevant costs (detailed below).

However, in either circumstance if the base currency (and therefore the price of the FX pair) moves in the opposite direction and your position is closed, either by you or as a result of a margin call (detailed below), you would owe us the amount of any loss you have incurred. Note however that following ESMA's prescriptions, losses reported by a retail investor cannot in aggregate exceed the funds invested in a retail CFD account (negative balance protection).

A CFD on a major currency pair (FX), is a leveraged product that requires you to deposit a smaller amount of cash as margin than the notional value of the position. For retail investors, the European Securities and Markets Authority (ESMA) mandates a minimum initial margin for major currency pairs 3.33% of the notional value of the Forex CFD, and requires Lydy Financial Ltd to liquidate open positions if the qualifying equity (CFD cash and unrealized CFD P&L) in your CFD account falls below 50% of the initial margin requirements for all CFD positions.

### **• Intended Retail Investor**

CFDs are intended for investors who have knowledge of or are experienced with leverage products and understand how the prices of CFDs are derived, the key concepts of margin and leverage and that by holding this instrument they receive exposure to the underlying asset on a leveraged basis and have the appropriate financial means to bear losses of the entire amount invested.

### **• Insurance Benefits: None**

## **WHAT ARE THE RISKS AND WHAT COULD I GET IN RETURN?**

### **Risk Indicator**

The summary risk indicator is a guide to the level of risk of these products 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 these products as 7 out of 7, which is the

highest risk class. This is because there is a very high chance you could lose up to 100% of your trading account balance (subject to our negative balance protection).

**Be aware of currency risk: When you deal in a CFD that is denominated in a currency other than the base currency or a currency you have on a deposit in your account with us, all margins, profits, losses and financing credits and debits in relation to that CFD are calculated using the currency in which the CFD is denominated. This risk is not considered in the indicator shown above.**



In some circumstances, if your account does not contain enough equity to meet applicable margin requirements your open positions will be liquidated. The total loss you may incur may significantly exceed the initial margin requirement but cannot exceed the equity in your retail CFD account. You may not be able to close your position easily or you may have to sell at a price that significantly impacts your realised profit/loss. Markets may fall overnight and we may not be able to close out your position at a price that would avoid losses greater than the margin originally deposited

50% of retail investor accounts lose money when trading CFDs with Lydya Financial Ltd.

If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from a consumer protection scheme (see the section 'what happens if Lydya Financial Ltd is unable to pay out'). The indicator shown above does not consider this protection.

## PERFORMANCE SCENARIOS

The table below shows the money you could get back under different scenarios, assuming that you buy 0.10 lot of EUR/USD, notional 10,000 EUR at 1.1295 and your position is closed within the same day. Leverage used is 30:1.

Note: The below table does not include overnight holding costs (swap), commissions or the spread (the difference between BID and ASK price).

### CFD on a Major FX i.e. EUR/USD (held intraday)

Opening price:	1.1295
Margin %	3.33%
Margin requirement (USD):	\$333.3
Notional value of the trade (USD):	10,000

<u>BUY (LONG)</u>	<u>Closing Price</u>	<u>Price change</u>	<u>Profit/Loss</u>	<u>SELL (SHORT)</u>	<u>Closing Price</u>	<u>Price change</u>	<u>Profit/Loss</u>
<u>Performance Scenario</u>	<u>Price</u>	<u>change</u>		<u>Performance Scenario</u>	<u>Price</u>	<u>change</u>	
<u>Stress</u>	1.1120	-1.75%	-\$175.00	<u>Stress</u>	1.1470	-1.75%	-\$175.00
<u>Unfavourable</u>	1.1218	-0.77%	-\$77.00	<u>Unfavourable</u>	1.1218	-0.77%	-\$77.00
<u>Moderate</u>	1.1306	0.11%	\$11.00	<u>Moderate</u>	1.1284	0.11%	\$11.00
<u>Favourable</u>	1.1381	0.86%	\$86	<u>Favourable</u>	1.1209	0.86%	\$86

The scenarios shown illustrate how your investment could perform. The stress scenario shows what you might get back in extreme market circumstances. 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 how long you keep the product, and importantly whether or not you have sufficient funds in your account to sustain the losses depicted. Lydya Financial Ltd will automatically liquidate positions if the equity in the account is insufficient to meet margin requirements.

The figures do not take into account your personal tax situation, which may also affect how much you get back. Opening a long position holds that you think the underlying price will increase, and opening a short position holds that you think the underlying price will decrease.

## WHAT HAPPENS IF LYDYA FINANCIAL LTD IS UNABLE TO PAY OUT?

Lydya Financial Ltd segregates all client funds from its own money in accordance with its regulatory requirements. Lydya Financial Ltd also participates in the Investor Compensation Fund (ICF) which covers eligible investments up to 20,000 EUR per investor, per firm.

For further details please see our [ICF document](#).

## WHAT ARE THE COSTS?

### Costs Over Time

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs and show you the impact that all costs will have on your investment over time.

Assuming 1 lot long (buy) EUR/USD (100,000 notional) and held for 1 night.

### **Client will pay:**

- 1) \$28 for Spread
- 2) \$5.80 Commission
- 3) \$7.45 Swap

**Total Cost:** \$41.25

### **Composition of Costs**

The table below shows:

- The impact each position has on the different types of costs.
- Depending on your account type you may have a reduced spread with a different commission charge.

The below table uses the example of 1 lot EUR/USD Buy position on a mini bronze account.

<b>Impact on Return per position</b>			
<b>One-off-cost Spread</b>	<b>Entry Costs</b>	\$28	The spread is the difference between the buy (ask) and sell (bid) price quoted. For example, Our Ask price (the price at which you can buy) might be 1.14327 and our bid price (the price at which you can sell) might be 1.14299.
<b>One-off-cost Commission</b>	<b>Entry Costs</b>	0.0029%	Note, this is the highest possible amount to be paid on Brokerage Commissions. Other accounts &/or products carry a lower commission.
	<b>Exit Costs</b>	0.0029%	Note, this is the highest possible amount to be paid on Brokerage Commissions. Other accounts &/or products carry a lower commission.
<b>Ongoing costs</b>	Portfolio Transaction costs	0%	Not Applicable
	<b>Overnight Funding costs</b>	\$7.45	For every night that a position is held open, a swap charge is either added or subtracted to/from your account. The longer the position is held, the more the costs will accrue. Assuming 1 lot long (buy) EUR/USD (100,000 notional) -0.74 points = \$7.45
<b>Incidental costs</b>	Performance fees	0%	Not Applicable
	Carried interests	0%	Not Applicable

Note, each position will have their own specific swap charge that can be found on the company's [website](#).

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

Recommended (required minimum) holding period: None

CFDs are intended for short term trading and are generally not suitable for long term investments. There is no recommended holding period and no cancellation period. It is down to the discretion of each individual investor to determine the most appropriate holding period based on its own individual strategy and objectives. There are no consequences if you chose to close your position other than ending your exposure to the underline at that time.

### **HOW CAN I COMPLAIN?**

If you wish to make a complaint you can submit it by e-mail to [complaints@forex24.com](mailto:complaints@forex24.com). For more details please see our [Complaints Handling Procedure](#).

If you are not satisfied with our final response to your complaint, you may contact directly the Financial Ombudsman of the Republic of Cyprus.

Postal Address: P.O. BOX: 25735, 1311 Nicosia, Cyprus Telephone: +35722222279, Fax: +35722660584, +35722660118, Website: [www.financialombudsman.gov.cy](http://www.financialombudsman.gov.cy), Email address: [complaints@financialombudsman.gov.cy](mailto:complaints@financialombudsman.gov.cy)

### **OTHER RELEVANT INFORMATION**

Clients must read, fully understand and accept the entire text of the Client Agreement and the other Company's legal documents upon registering to open a real trading account. The legal documents are required to be publicly available by law and can be accessed on the Company's [website](#). A copy of all of the legal documents are also sent to clients once they're registration has been approved.