

Key Information Document (KID)

Contracts For Difference (CFDs) – CFDs on Spot FX

October 2022



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 **tier1fx**

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PURPOSE

This document provides you with important information on Contracts for Difference ("CFDs"). This is not to be considered as marketing material but is rather required by law in order to help you, the retail investor, better understand the nature, risks, costs, potential gains and losses involved in trading this financial instrument and to help you compare it with other complex financial products.

PRODUCT

This product is offered by Tier1FX ("T1"), the Foreign Exchange division of Hogg Capital Investments Ltd, a Class II (Category III under the previous regime) Investment Firm (license number IS18954) authorized and regulated by the Malta Financial Services Authority (MFSA) and located at Nu Bis Centre, Mosta Road, Lija LJA9012, Malta:

Website address: <https://www.tier1fx.com/t1-brokerage>

Contact Number: +356 23 27 3000 (office hours) / +356 23 27 3999 (24/5 support line)

Email: support@tier1fx.com

WARNING

This represents a complex financial product which you may find difficult to understand. Trading CFDs is not appropriate for everyone.

PRODUCT DETAILS - WHAT IS A CFD?

Product Name: Rolling Spot FX, CFI Code: JFTXCN

Symbol*: Spot FX symbols, or currency pairs, are leveraged Over the Counter derivatives that compare the value of one currency pair to another and therefore consist of two currencies: a base currency (quoted first) and a counter currency, identified by an ISO currency code, e.g. EUR/USD. A quote of EUR/USD 1.12345 would mean that 1 unit of the base currency (EUR) is valued at 1.12345 of the counter currency (in this case, USD).

Type

A CFD is a derivative leveraged financial instrument, traded "Over the Counter" ("OTC"), which allows the investor to gain synthetic exposure to an underlying asset (e.g. to a security, commodity, foreign exchange, currency pair or market index). It represents an agreement between two parties – the investor and the CFD provider – to pay each other the change in the price of an underlying asset. Depending on which way the price moves, one party pays the other the difference from the time the contract was agreed to the point where it ends. The price of the CFD will replicate the market movements of the underlying asset and as a result, the investor can make gains or suffer losses. Please refer to section [Contracts Specifications](#) of our website for the full range of instruments.

When dealing you will be quoted a bid price (highest price at which a buyer is willing to buy) and an offer price (lowest price at which a seller will sell the stock) in the selected CFD along with corresponding price sizes. The difference between the bid and offer prices (the "spread") as well as the number of units available to the respective quotes is generally indicative of the liquidity of the underlying asset as well as of the CFD itself. When opening a trade, you can either buy the CFD at the indicated offer price ("going long the market"), or sell the CFD at the indicated bid price (shorting the market). This decision will reflect your anticipated movement of the underlying asset: going long if you anticipate an increase in the price or going short if you anticipate prices to go down.

To close the trade, you will do the opposite of opening the trade. The difference between the price at which a CFD trade is opened and the price at which it is subsequently closed, will determine your realised profit or loss. The extent of the return or loss will represent this difference multiplied by the size (number of units or "leverage") of the position you will have traded, less related fees. To open a position, you are required to "deposit" or "block" a portion of the total value of the contract in your account, referred to as "Margin" or "Margin Requirement". T1 margin requirements are published [on our website](#), updated from time to time and may be increased temporarily to mitigate risks in highly volatile markets or in anticipation of major market events.

If the [equity](#) of your account falls below 50% of the margin required to maintain an open CFD position, we will automatically close this position ("liquidation", "stopout"). Where you hold multiple positions, we shall commence the process by closing the most unprofitable positions in an attempt to reduce your "exposure" and to bring your remaining positions into a fully margined status. When your equity falls to 100% of the required margin on your open CFD position(s), you will not be able to open new trades but only close open ones in order to reduce your exposure. In fast moving markets, your positions may not be able to be closed at 50% and you may risk losing the entire balance of your account.

Please note that margin trading requires extra caution, because whilst you can realize large profits if the price moves in your favor, you risk extensive losses if the price moves against you.

It is your responsibility to continuously monitor your account and to ensure that your CFD positions are sufficiently well-margined at all times. We shall take the necessary measures to prevent your account falling

below the above referred to thresholds. As a Retail Client you will nevertheless be protected by T1 from

incurring a negative balance in your trading account.

Please visit our website at www.tier1fx.com for further information:

- Leverage: <https://www.tier1fx.com/t1-brokerage/trading/trading-conditions/#leverage>
- Margin Requirements: <https://www.tier1fx.com/t1-brokerage/trading/trading-conditions/#margin-requirements>
- [Customer Agreement & Risk Disclosures](#)

Objective

Investing in CFDs enables an investor to gain economic exposure to an underlying asset for a fraction of the cost by way of a small deposit (margin), without the need to acquire it. This affords the investor the ability to scale up the investment exposure. A form of synthetic dividend, where applicable, is normally also payable.

Target Investors/Clients

These investments would typically be used by investors seeking a short-term exposure to one or more financial instruments and/or markets, who have a high-risk tolerance, are able to sustain the loss of their whole investment and who understand the impact and risks associated with margin trading (leveraging), through past experience.

Term

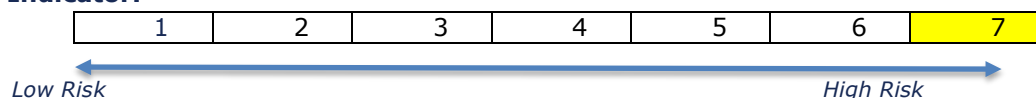
Spot CFDs have no expiration date or maturity and therefore it is up to you to open and close your position. Positions left open overnight will be rolled onto the next day and rollover/swap/financing charges will apply.

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

Risk Warning:

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money. Between 74-89 % of retail investor accounts lose money when trading CFDs. The value of these financial instruments is influenced by the price changes of their underlying assets, which prices may fluctuate both rapidly and widely, and cannot be predicted nor controlled by any party. If you decide to trade in CFDs we ask that you carefully consider your trading objectives, experience, and risk tolerance.

Risk Indicator:



The above indicator shows the level of risk of this derivative financial product as compared to other products. It shows how likely it is that the product will lose money because of market movement. We have classified this product as 7 out of 7, which represents the highest risk class. This rates the potential losses from future performance at a very high level. **Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown. In some circumstances you may be required to make further payments to pay for losses. The total loss you may incur may significantly exceed the amount invested as a result of the leverage nature of CFDs.** This product does not include any protection from future market performance so you could lose some or all of your investment.

Please refer to our [Customer Agreement](#) for further details on risks associated with CFDs trading, which include: Leverage Risk, Counterparty Risk, Margin Risk, Online Platform Risk, Foreign Exchange Risk, Illiquidity Risk, Market Risk and IT Risk.

Performance Scenarios:

The scenarios shown illustrate how your investment could perform. 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. Market developments in the future cannot be accurately predicted. Actual returns may be lower. What you get will vary depending on how the market performs and how long you keep the investment. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you. The following assumptions have been used to create the scenarios in Table "x"

Rolling Spot FX: EURUSD (held intraday)		
Trade Opening Price:	P	0.9837
Trade Size:	TS	0.1 lot
Notional Value of the Trade:	TN = TS*100,000	€ 10,000.00
Margin %:	M	3.33%
Margin Requirement:	MR = TN x M	€ 333.00

Table "x"

LONG Position				SHORT Position					
Performance Scenarios	Closing Price	% Change	Commission	P&L plus commission	Performance Scenarios	Closing Price	% Change	Commission	P&L plus commission
Favourable	1.2707	29.17%	€ 0.50	€ 2,916.92	Favourable	0.6967	-29.17%	€ 0.50	€ 2,916.92
Moderate	0.9893	0.57%	€ 0.50	€ 56.27	Moderate	0.9781	-0.57%	€ 0.50	€ 56.27
Unfavourable	0.7625	-22.48%	€ 0.50	€ (2,248.86)	Unfavourable	1.2049	22.48%	€ 0.50	€ (2,248.86)
Stress	0.4570	-53.54%	€ 0.50	€ (5,354.34)	Stress	1.5104	53.54%	€ 0.50	€ (5,354.34)

The figures shown do not take into account [Rollover/Swap and Financing Charges](#), which will be incurred if you do not close your trades within the day they were opened. If you have been sold this product by a third party or a third party is advising you about this product, these figures do not include any cost that you pay to them. The figures also do not consider your personal tax situation, which may also affect how much you get back.

WHAT HAPPENS IF THE COMPANY IS UNABLE TO PAY OUT?

If the Company is unable to meet its financial obligations to you, you may lose the value of your investment. To reduce this risk and in line with legal requirements, clients' funds held by the Company are held in segregated, "Clients" accounts, held with one or more licensed financial institutions. Furthermore, the Company participates in the Investor Compensation Scheme, which further safeguards all or portion of your funds. Further details can be found at <https://www.compensationschemes.org.mt/> and in section [Regulation of our website](#).

WHAT ARE THE COSTS?

Before commencing CFDs trading, it is of utmost importance that you familiarise yourself with costs associated, as they will have a direct impact on your trading results. The main types of trading costs involved are:

Cost Type	Description
Spread	The difference between the Buy and Sell price. This cost is realized every time that a trade is opened or closed.
Commission	A fee charged per lot or per contract traded.
Mark-up	A type of commission, where the trading fee is built into the spread, i.e. the spread is "marked-up" in the amount of the commission.
Rollover/Swap	**Rollover or Swap is the interest paid or earned for holding a position which is carried forward to a future trading session
Financing Charges (Indices)	**The cost of holding an open position overnight when trading Indices.
Ex-Dividend Adjustment (Indices)	If you hold Indices positions at rollover and a constituent of that index announces a dividend, your account will be credited or debited on the day the underlying stock goes ex-dividend. Accounts that hold long (buy) positions will receive a positive ex-dividend adjustment and short (sell) positions - a negative one.
Currency Conversion	Funding transactions, realized and unrealized PnL, fees and other adjustments, denominated in a currency different than the base currency of your account, will be converted to base currency and you will thus incur a currency conversion cost.

For a detailed schedule on trading fees per instruments, please refer to the Fees section of our website at <https://www.tier1fx.com/trading-accounts/fees/>. Please note that these costs may change. If so, we will provide you with an updated information on these costs in due time.

HOW LONG SHOULD I HOLD A POSITION? CAN I TAKE MONEY OUT EARLY?

There is no recommended holding period, no cancellation period and therefore no cancellation fees. You can open and close a CFD at any time during market hours. For more information on market hours, please refer to <https://www.tier1fx.com/trading-accounts/trading-conditions>.

HOW CAN I COMPLAIN?

If you have any complaint, please contact our Support Team at support@tier1fx.com, and your complaint will be handled in accordance with our Complaints Handling Procedure, details of which can be found at <https://www.tier1fx.com/company/legal/>.

OTHER RELEVANT INFORMATION

You should ensure that you are familiar with all the terms and policies that apply to your account, including but not limited to the Customer Agreement, Risk Disclosure, Privacy Disclosure and other legal documents and policies published on our website or made available to you in the course of our business relationship, as per local requirements. Please refer to the Company's website www.tier1fx.com in order to access such documentation. Such information is also available upon request at support@tier1fx.com.