

Key Information Document – CFDs on Foreign Exchange (Spot or Futures)

This document provides you with key investor information about Contracts for Difference on an FX pair (“CFD on an FX pair”) and is applicable for Retail clients. It is not marketing material. You are about to purchase a product that is not simple and may be difficult to understand.

DETAILS OF THE COMPANY

X Global Markets Ltd (“the Company” or “we”) is registered at 162 Fragklinou Rousvelt Street, 3045 Limassol-Cyprus and is authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC”) with license no 171/12. The Company passports its services to all countries within the EU subject to the provisions of the applicable European Union legislation.

SPECIFIC INVESTOR WARNING NOTICES

This is a complex financial product which:

- May lead to the sudden total loss of capital invested;
- May provide zero return;
- Is subject to the credit risk of the issuer – The Company;
- Implies the incurring of costs, fees or charges (please refer to <https://www.xglobalmarkets.com/trading/forex-contract-specifications/>);
- Its position may be closed at any time by the Company under certain situations (please refer to <https://www.xglobalmarkets.com/legal/>);

ASSESSING YOUR APPROPRIATENESS

We will make an initial assessment of your appropriateness to invest in such financial product based on the information you give us and based on the result of your appropriateness test. You should always make your own assessment of your appropriateness to trade with the said financial product and our services. You should carefully consider the features of our product and services and their significant risks before investing in them.

TARGET MARKET FOR CFD ON AN FX PAIR

Trading in such a product is appropriate for Retail clients when the following criteria are satisfied:

- Practical knowledge and experience in trading CFDs
- Ability and willingness to bear 100% capital loss
- High-risk and high-reward profiles.

DESCRIPTION OF THE PRODUCT

CFDs on Foreign Exchange are considered complex financial products as defined by applicable MIFIR/MIFID legislation. They are traded on an ‘over-the-counter (‘OTC’) basis and not through a regulated market. CFDs on Foreign Exchange, which are agreements to exchange the difference in value of a particular FX Pair (as it rises or falls against or in favor of a client’s position) between the time at which the agreement is entered into and the time at which it is closed, allow the investors to replicate the economic effect of trading in those particular currencies without requiring actual (i.e. deliverable) selling/buying of the currencies in question. In general, when trading CFDs there is no physical exchange of assets; therefore, financial settlement results from the difference at the time the position is closed and the price of the underlying asset (formulated by the Company in accordance with relevant price feed received from various sources – the price feed providers) at the time the position is opened. CFDs on Foreign Exchange are speculative products and incorporate product features, such as leverage and automatic close-out of positions.

When, how, under which circumstances and the consequences resulting from the investment ending or coming to an end:

The investment in a CFD ends with the closing of an investor’s position. The closing of a position may occur:

- At any time, at the investor’s initiative, provided the market for the underlying instrument is open, information on which can be found on the Company’s website;
- By the Company, when the investor’s margin ratio falls below the required ratio for the specific trading platform.

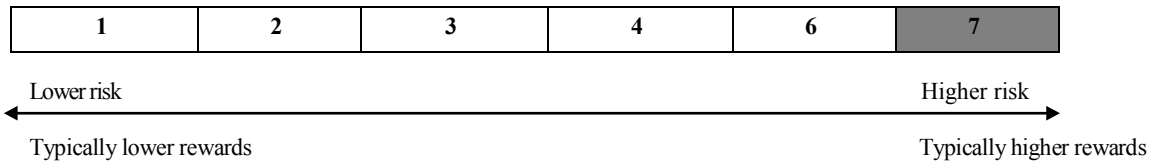
Example: The required margin calculation for FX equals to the ‘Trade Size ÷ Leverage * mid-exchange rate’ (if balance currency is different from the base currency of the pair traded). For example, trading 3 lots of EUR/USD using 1:30 leverage with an account denominated in USD, trade size: 300,000 Euro and mid EUR/USD exchange rate: 1.1650 would have a required margin of USD11,650 calculated by $300,000 / 30 * 1.1650 = \$11,650$.

Financial Leverage

CFDs on Foreign Exchange, just like any other CFD, are leveraged financial OTC derivative instruments, which allow the investor to obtain a higher exposure on an underlying asset compared to the investor’s deposited capital. Initial margin is the amount required by the investor to open a certain position in CFDs and is expressed as a percentage of the nominal exposure. The lower the margin percentage the higher the financial leverage; for example, in the aforementioned example, the margin % is equal to 3.33% meaning that the leverage is equal to 1:30 (that is, for a nominal exposure of 100,000 Euro the required initial margin should be equal to 3,333.33 Euro or Euro Equivalent).

It is the responsibility of each investor to ensure the adequacy of the equity of his/her trading account and ensure that it is always greater or equal to the margin required for the open position in order to avoid forced closure of any positions due to a stop-out trigger. All relevant information is clearly visible in the trading platform (margin level, free margin, equity etc.).

RISK AND REWARD PROFILE



We have classified this product as 7 out of 7, meaning that it falls under the highest risk class. This means that potential losses relevant to positions in the said product are highly probable. There is no capital protection against market risk, counterparty credit risk, foreign exchange risk or margin risk.

- **Market Risk:** Investing in CFDs on an FX pair carries the risk resulting from fluctuations (appreciation/ depreciation) of the base currency (first currency in an FX pair) against the quote currency (second currency in the same pair). Such relevant price movements affect the value of the CFD position of the Client either negatively or positively, depending on the client's position (if a client is long [i.e. entered a buy position] he/she will lose money if the base currency depreciates against the quote currency whilst if the client is short [i.e. entered a sell position] he/she will lose money if the base currency appreciates against the quote currency).
- **Counterparty Credit Risk:** Investing in CFDs is an OTC transaction; therefore, investors are exposed to the risk that the Company may be unable to meet its obligations in full and/or in a timely manner in the event of its bankruptcy or insolvency.
- **Foreign Exchange Risk:** It is possible to buy or sell a CFD in a currency which is different to the balance currency of your trading account (i.e. mismatches between balance currency of the account and quote currency of the FX pair). The final return you may get depends on the exchange rate between these two currencies.
- **Margin Risk:** The risk of not having sufficient margin to maintain your CFD position; hence, suffering a forced closure with the relevant adverse impact (realized loss).
- **Expiration Risk:** Investing in CFDs on a foreign exchange pair where the underlying asset is actually a Futures Contract on such Pair carries the additional risk of contract expiration. Specifically, the investor should be very careful in checking the relevant expiration date of the underlying contract (relevant notifications are always sent by the Company to the investor/client promptly in advance) so that their position is manually closed by the investor prior to such expiration; otherwise, the position may be closed by the Company at first available market price just prior to the expiration.
- **Potentially other risk factors having significant direct impact on the capital and return of investing in CFDs (in general) may exist.** You are strongly advised to carefully read our risk notice which is available at <http://media.xglobalmarkets.com/docs/xg-risk-notice-for-trading-cfds.pdf>.

COSTS & CHARGES

Pricing and Other Related Information

The trading conditions, minimum spreads and overnight swaps (i.e. rollover fees) can be found on our website under the relevant section.

Spreads: for any financial instrument, two prices are quoted: the higher price ('Ask'), at which the investor can buy (go long) and the lower price ('Bid'), at which the investor can sell (go short). The difference between the 'Ask' and the 'Bid' is the "spread". The spreads vary depending on the instrument's prevailing market conditions and information can be found on our website.

Example: The spread on the GBP/USD is 1.5 pips. If you subtract 1.39435 from 1.39450, that equals 0.00015, but as the spread is expressed in pips and one (1) pip is equal to 0.0001 then the spread is said to be equal to $0.00015/0.0001 = 1.5$ pips.

Mark-Up: mark-ups on spreads are already applied on the spread displayed/ traded on CFDs and are readily available on a real time basis through our trading platform.

Swaps (i.e. rollover fees): swaps are charges, which are incurred when a trade is kept open overnight, to reflect the cost of funding such trade.

When the underlying asset is a Spot FX Pair

Both long ('buy') and short ('sell') positions are subject to daily swap charges, which may be in the favour of the investors/clients or against them. A CFD on a Spot FX Pair is basically an "automatically rolled-over spot position" (i.e. the rollover process is embedded in the contract). If we were to do this without a CFD contract (i.e. synthetically) we would have entered a long spot position on EURUSD and from the next day onward we would have also entered a "tom next" Foreign Exchange Swap Deal with the same counterparty aiming to roll over our spot position to the next day. Basically, the near leg of the swap would always be netted against the spot obligation and the far leg of the swap would basically create a new spot position. Any difference arising from the netting (i.e. the swap points) would of course be paid or received by the Client each and every time we repeat the rollover process.

On Mondays, Tuesdays, Thursdays and Fridays the swap charge is charged once and on Wednesdays the swap charge is charged three times (to cover for the weekend). The calculation for swaps is as follows: $\text{Swap} = (\text{one pip} / \text{exchange rate}) * (\text{trade size}) * (\text{swap value in points})$.

Example: A position on a CFD held for more than one day may be debited (the investor has to pay the Company) an amount corresponding to the daily cost to maintain the position ('swap rate'). The swap charges can be reviewed at <https://www.xglobalmarkets.com/trading/forex-contract-specifications>.

When the underlying asset is a Futures Contract on an FX Pair

No swaps are charged.

Commissions: The Company does not charge any commission on CFDs on Foreign Exchange unless pre-agreed otherwise with the client.

Other possible charges: investors may also incur expenses relating to their selected deposit and withdrawal method, which can be viewed here:

<https://www.xglobalmarkets.com/accounts/withdrawal-options/>

<https://www.xglobalmarkets.com/accounts/deposit-method/>

Trading losses

Examples:

When holding a long position ("buying" a CFD), the price at the time the position closes (or if it is still open/floating, the price at the time the position is "revalued") may be lower than the price at the time the position was opened, meaning that the client lost/is losing money, the amount of which is automatically converted to the trading account's balance currency; OR

When holding a short position ("selling" a CFD), the price, at the time the position closes (or if it is still open/floating, the price at the time the position is "revalued"), may be lower than the price at the time the position was opened, meaning that the client lost/is losing money, the amount of which is automatically converted to the trading account's balance currency;

Additional Requirements: Margin Reinforcement to avoid forced closure

Margin reinforcement (i.e. making additional deposits and/or transferring money from other trading accounts) might be required by the client in order to avoid a case where the trading account's margin level (%) falls below the margin level (%) that would trigger the forced closure of the position by the Company.

Example: An investor "purchased" 2.1 lots of a CFD on GBPUSD at 1.37650 by depositing an initial amount of 10,000 Euro. At a leverage of 1:30 required margin is determined at $210,000/30 = 7000$ GBP which is converted to 8235.29 Euro Equivalent at the time the position is opened (assuming that EURGBP mid-rate is equal to 0.85000 at the time). At such time (ignoring spreads) the margin % is roughly equal to $10,000/8235.29 = 121.43\%$. Before margin level reaches 50% on MetaTrader4/5 (=equity/margin used), which means an unrealized loss of Euro Equivalent 5,881.79 if the price drops to 1.34359 and assuming EURUSD is at 1.17500 at the time (=> margin ratio ~ 50%), the investor will need to deposit more funds to keep his/her position open.

SCENARIOS

Worst Case Scenario:

In a worst-case scenario, an investor/client **may lose their entire invested capital**, depending on the direction of the CFD. The investor's investment may result in losses that cannot be pre-determined; **the investor may lose all their equity**. For instance, an investor may be in a **worst position** where:

- (i) a long position ("buying" a CFD) is opened, and the price at the time the position closes is lower than the price at the time the position was opened (there is no need for such price to reach zero, a scenario that is highly unlikely taking into consideration the underlying foreign exchange market, in order for the client to lose all their capital/equity **and this is due to the use of leverage**); or
- (ii) a short position ("selling" a CFD) is opened and the price at the time the position closes is higher than the price at which the position was opened.

Note: The loss is restricted to the trading account's equity/balance as we offer negative equity/balance protection by Law.

Best Case Scenario:

In a best-case scenario, the outcome cannot be quantified as there are no limitations for long positions (i.e. the upside potential is unlimited) and for both short and long positions the outcome also depends on the size of the position. An investor may earn more than their initial investment, if the direction of the CFD is in their favour. An investor may be in a better position where for instance:

- (i) investor has a long position ("buying" a CFD), and the price at the time the position closes is higher than the price at the time the position was opened; or
- (ii) investor has a short position ("selling" a CFD) and the price at the time the position closes is lower than the price at the time the position was opened.

The above are hypothetical best case scenarios presented with no guarantee of such scenarios taking place. You should be aware that a great percentage of trading accounts which invest in CFDs in general (not just CFDs on FX) lose money. **Kindly refer to our homepage for the risk warning and relevant %.**

CHANNEL OF DISTRIBUTION

Principal distributor, marketing and custody entity and calculation entity: X Global Markets Ltd, authorized and regulated by the Cyprus Securities and Exchange Commission ('CySEC') (license no. 171/12) and with registered office at 162 Fragklinou Rousvelt Street, 3045-Limassol, Cyprus.

COMPLAINTS

Our Company would like to know about any problems you may have with the products or investment services provided to you so we can take steps to resolve any issue which might occur. If you have a complaint about the financial product or service provided to you contact one of our customer representatives by email or phone number at the contacts available on our website or by sending an email directly to complaints@xglobalmarkets.com. Further, please see the "the Complaint Handling Procedure" available at www.xglobalmarkets.com under the section "Legal" at the bottom of the page.