

**KEY INFORMATION DOCUMENT – CFDS ON BONDS**

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.

[Leadcapital Markets Ltd](#), which offers CFDs, is authorized and regulated by the [Cyprus Securities and Exchange Commission](#), license number [227/14](#). Office Address: Strovolos, 128 – 130 Limassol Avenue, Office 301, 3rd floor, CY 2015, Nicosia, Cyprus.

**YOU ARE ABOUT TO PURCHASE A COMPLEX PRODUCT WHICH MAY BE DIFFICULT TO UNDERSTAND.**

***What is this product?***

**Type - CFDs on Bonds**

A contract for difference (CFD) is a popular form of derivative trading. CFD trading enables you to speculate on the rising or falling prices of fast-moving global financial markets (or instruments), such as in this case a bond. Some of the benefits of CFD trading are that you can trade on margin, and you can go short (sell) if you think prices will go down or go long (buy) if you think prices will rise. With CFD trading, you don't buy or sell the underlying asset, such as a bond in this case. You buy or sell a number of units for a particular instrument depending on whether you think prices will go up or down. For every point the price of the instrument moves in your favour, you gain multiples of the number of CFD units you have bought or sold. For every point the price moves against you, you will make a loss. Therefore, your return depends on the size of the performance (or movement) of the underlying instrument and the size of your position. Please remember that you may lose up to your entire capital invested.

Issued by banks and governments, many bonds have a defined term of maturity; you can buy and sell CFDs on the market price of the bonds as they react to regional events and developments in their countries of issue. You have the ability to trading on main Sterling, Yen, Euro and US Dollar denominated bonds available, therefore it is possible to diversify your investment portfolio through speculating on bond yields.

Visit our website for further information in relation to the CFDs on bonds.

***Objectives and means for achieving them***

CFDs are leveraged products, which means that you only need to deposit a small percentage of the full value of the trade in order to open a position. This is called 'trading on margin' (or margin requirement). Please note that margin trading requires extra caution; while trading on margin allows you to magnify your returns, your losses will also be magnified as they are based on the full value of the CFD position, meaning you could lose up to the entire capital deposited.

Spread: When trading CFDs you must pay the spread, which is the difference between the buying and selling price. You enter a buy trade using the buying price quoted and exit using the selling price. The narrower the spread, the less the price needs to move in your favour before you start to make a profit, or if the price moves against you, a loss.

For example, if you expect that the price of the USTBond30Y is going to go up, then you could place a buy trade of 20 CFDs at the price of 140 USD. If the market rose 20 points to 160 USD and you closed out your position, you would make a 400 USD profit, 20 times the 20 contracts that you bought. However, if the market moves against you and the price of oil falls 20 points to 120 USD then you would lose 400 USD.

Unlike traditional fixed income securities long-only dealing, if you believe a market will fall in value, with trading on margin via CFDs you can sell a market – known as going short – and make a potential profit from falling prices.

### **Example**

The USTBond30Y is trading at 140 USD. You believe the USTBond30Y will fall as you expect the forthcoming US elections to not yield a favorable candidate.

You open a sell position of 20 USTBond30Y CFDs at 140 USD.

The USTBond30Y falls by 100 points to 40 USD and you decide to close your trade.

### **Hedging**

As CFDs allow you to short sell and therefore make a potential profit from falling market prices, they can be used as a tool by investors to counterbalance losses made in their physical portfolios.

For example, if you hold 2,000 USD of USTBond30Y and you are concerned that they are due for an imminent sell-off, you can help protect your portfolio by short selling 2,000 USD of USTBond30Y CFDs.

Should USTBond30Y prices fall by 5% in the underlying market, the loss in value of your share portfolio would be offset by a gain in your short sell CFD trade. In this way, you can protect yourself without going through the expense and inconvenience of liquidating your holdings.

### **Description of the type of intended retail investor**

Trading in this product will not be appropriate for all investors and would most commonly be utilized by persons who wish in general to gain short-term exposure to financial instruments and markets and they are trading by using money that they can afford to lose.

In order to trade in CFDs, investors should have knowledge and experience in leveraged products and understand the impact and risks associated with margin trading. It is also expected from investors to understand how the prices of CFDs are derived, the key concepts of margin and leverage and the fact that losses may result in the loss of the entire capital invested. Indeed, they will understand the risk/reward profile of the product compared to traditional shares dealing. Investors will also have appropriate financial means and the ability to bear losses of up to their entire amount invested.

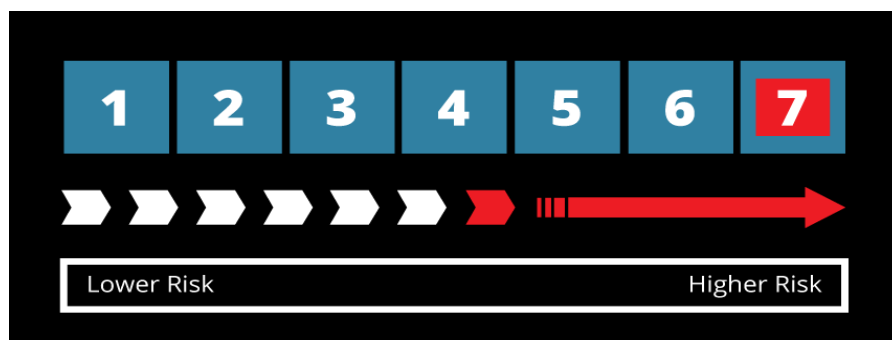
### **TERM**

CFDs in general are execution only products and therefore in general have no fixed or suggested maturity date. However, the underlying instruments, in this case Bonds, have a maturity date, so in effect, this applies to their CFDs as well. It is up to you when to open and close a position, however your position will only be kept open subject to availability of sufficient funds to cover the margin requirements of the specific position. However, the underlying product, which is a bond in this case, has a maturity date.

Specific information on each underlying investment option may be found [here](#).

## What are the risks and what could I get in return?

### Risk Indicator



The risk indicator assumes that the actual risk can vary significantly if you cash in at an early stage and you may get back less, considering also whether it is illiquid or not and whether it is necessary to pay significant extra costs to cash in early. When considered to have a materially relevant liquidity risk you may not be able to sell your product easily or you may have to sell at a price that significantly impacts on how much you get back. This product is classified as 7 out of 7, which is the highest risk class. These rates classify the potential losses from future performance of the product at a very high level.

CFDs are leveraged products that, due to underlying market movement, can generate losses rapidly. The capital protection against market risk, credit risk or liquidity risk is not available. You need to be careful with the currency risk.

The platform gives you the possibility to buy or sell CFDs in a different currency than the one of your account and the return you can get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above. Due to specific market conditions we can close your trades at a less favorable price, which could significantly impact how much you get back in case if you do not maintain the minimum margin that is required or if you contravene market regulations.

This product does not include any protection from future market performance, so you could lose some or your entire invested capital. 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 we are unable to pay you”). The indicator shown above does not consider this protection.

### Performance scenarios

There are a number factors that may affect the performance of an instrument, which you should be aware of before you begin to trade, such as:

- Leverage risk
- Risk of loss of entire capital invested
- Margin risk
- Credit risk
- Political risk
- Country risk
- Interest rate risk
- Foreign exchange risk
- Market risk
- Market disruption risk
- Counterparty risk
- Online trading platform and IT risk
- Conflicts of interest

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Below you can find examples of trading scenarios for both long and short positions, for USTBond30Y, that is held intraday, has the following specifications:

Price at Position Opening: 140 USD

Trade Size of CFD: 10

Nominal Value of the Trade: 1,400 USD

Investment		Profit / (Loss)	Price Movement
<b>Scenario – Long Position</b>			
Stress Scenario	Price at Position Closing: 120 USD	(200) USD	-14.29%
Unfavourable scenario	Price at Position Closing: 130 USD	(100) USD	-7.14%
Moderate scenario	Price at Position Closing: 150 USD	100 USD	7.14%
Favourable scenario	Price at Position Closing: 160 USD	200 USD	14.29%

Investment		Profit / (Loss)	Price Movement
<b>Scenario – Short Position</b>			
Stress Scenario	Price at Position Closing: 160 USD	(200) USD	14.29%
Unfavourable scenario	Price at Position Closing: 150 USD	(100) USD	7.14%
Moderate scenario	Price at Position Closing: 130 USD	100 USD	-7.14%
Favourable scenario	Price at Position Closing: 120 USD	200 USD	-14.29%

## **What happens if the Company is unable to pay out?**

Leadcapital Markets Ltd (“the Company”) is a member of the Investor Compensation Fund (the “Fund”) for Customers of Cyprus Investment Firms (CIFs) and other Investment Firms (IFs) which are not credit institutions, which was established under the Investment Firms Law 2002 as amended and replaced by Law 144(I)/2007 (the “Law”) and the Establishment and Operation of an Investor Compensation Fund for Customers of CIFs Regulations of 2001 which were issued under the Law.

Failure by a Company to fulfil its obligations the fund compensation shall be up to a maximum amount of twenty thousand Euro (€20.000).

## **What are the costs?**

Before you begin to trade CFDs on Bonds, you should familiarize yourself with all one-off and on-going costs for which you may be liable. These charges will reduce any net profit or increase your potential losses. The impact each year of the different types of costs on the investment return you might get are shown below.

### **Spread:**

The definition of Spread, is the difference between the bid (sell) and the ask (buy) price.

There is a charge known as a “spread charge” and is calculated on the WebTrader platform as follows:

Volume \* Instrument’s Spread

On the MT4 platform, the spread charge is calculated as follows:

Volume \* Contract Size \* Instrument’s Spread

### **Swaps:**

A Swap is an overnight interest that a client is charged, for holding a position overnight. If the swap amount is negative, then the client is charged and if the swap amount is positive, then the client is credited.

The “swap charge” on the WebTrader platform is calculated as follows:

Volume \* Instrument's Closing Price \* Instrument's Overnight Swap Charge \* Days Held

On the MT4 platform, the swap charge is calculated as follows:

Volume \* Contract Size \* Instrument's Overnight Swap Charge \* Tick Size \* Days Held

### **Exchange Rate:**

In the case where a client has an account that is denominated in a currency that is not of the same currency as the instrument where a position has been opened, any profits or losses will be credited or charged to the client’s account, at the currency at which the client’s account is denominated, after a conversion has occurred from the asset’s denominated currency, at the current exchange rate at the time of the transaction.

## What are the new ESMA requirements and from when do they take effect?

The following restrictions (The Product Intervention Measures adopted by ESMA under Article 40 of the Markets in Financial Instruments Regulation (hereafter the “MiFIR”)) on the marketing, distribution or sale of CFDs to Retail Investors take effect from 1 August 2018:

- i. They impose a leverage limit of 5:1 for CFDs on individual equities and other reference values offered to retail clients;\*
- ii. They impose margin close out rule on a per account basis and standardization of the percentage at which CFDs providers are required to close-out one or more investor’s open CFDs, at the level of 50%.
- iii. They offer negative balance protection implementation on a per account basis.
- iv. They impose a restriction on the incentivization of CFD trading.
- v. They impose a standardized risk warning, including the percentage of losses on a CFD provider’s retail investor accounts.

\*For currently available leverage limits for specific CFDs on bonds, please click [here](#).

## How long should I hold it and can I take money out early?

CFDs on bonds have no recommended holding period. Provided that the Company is open for trading, you can enter and exit positions at any time. It is essential to be aware of the implications of trading with margin and the associated costs, if you intend to use a buy and hold strategy when trading in CFDs.

## How can I complain?

You may file a complaint by submitting the attached [Complaints Form](#) via post or by hand at:

Strovolos, 128 – 130 Limassol Avenue, Office 301, 3rd floor, CY 2015, Nicosia, Cyprus, or via email at: [compliance@leadcapitalmarkets.com](mailto:compliance@leadcapitalmarkets.com) .

All complaints will be treated strictly confidential. If you believe that your Complaint has not been handled in a fair and equitable manner by the Company you have the right to refer the matter to the Financial Ombudsman of the Republic of Cyprus ( [complaints@financialombudsman.gov.cy](mailto:complaints@financialombudsman.gov.cy)), ADR Mechanism, or the relevant Courts.

## Other relevant information

Leveraged trading in foreign currency contracts, contracts for difference or other off-exchange products carries a high level of risk and may not be suitable for everyone. Before trading, you are strongly advised to read and ensure that you understand the relevant risk disclosures and warnings here: [Risk Disclosure Statement](#) and our [Terms & Conditions](#).