

# Key Information Document

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## **Commodities**

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## Purpose of the document

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 potential losses of this product and to help you compare it with other products.

## Product

**Product name:** Contract for difference ('CFD').

**Product manufacturer:** Binary Investments (Europe) Ltd (hereinafter referred to as 'BIEL', 'we', or 'our'), licensed and regulated by the Malta Financial Services Authority. To get in touch with us, visit our [contact page](#). This document was last updated on 21st October 2019.

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

## What is this product?

**Type:** CFD on commodities

CFDs allow you to speculate on a number of markets, including indices, synthetic indices, shares, and commodities. CFDs are a form of derivative trading in which you obtain an indirect exposure to an underlying asset.

CFDs are a leveraged product, enabling you to buy or sell a position by depositing a percentage of the full value of the trade. This is referred to as the 'initial margin requirement'. Trading on margin can multiply any gains or losses you make. For more information on CFDs and trading on margin, refer to [our website](#).

Trading CFDs on a commodity means the underlying investment option is derived from a commodity index. A commodity is a raw material used in commerce or agriculture such as oil or gold. For contract specifications, please refer to [our website](#).

## Objectives

When trading on CFDs, the objective is to speculate on the rise and fall of an underlying asset. Gains and losses depend on price movements of the underlying asset and the size of your position.

For instance, if you speculate the price of an asset will go up, you would buy a CFD (referred to as 'going long') intending to sell it at a higher value than purchased. Conversely, if you anticipate the price will go down, you would sell a CFD (referred to as 'going short') with the intention of buying the asset back at a lower price than sold. The difference between the closing value and the opening value of the contract will equate to your profit or loss depending on your speculation of the asset's price movement (minus any costs, as detailed below in the '**What are the costs?**' section).

## Intended retail investor

CFDs are intended for investors who have knowledge of, and experience trading leveraged products. Likely investors will comprehend key concepts of trading on margin and how leverage works. They will also have the ability to bear the loss of their entire investment.

## Term

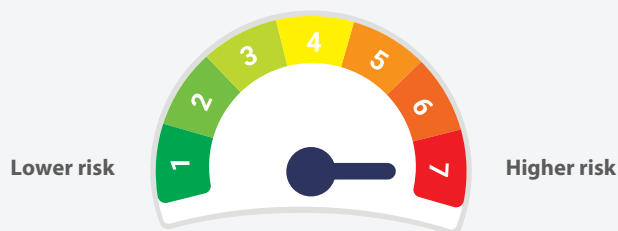
CFDs typically have no maturity date and there is no recommended holding period. You may open and close positions based on your individual trading strategy and objectives.

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

**Summary Risk Indicator ('SRI')**

The SRI is a guide to this product's level of risk 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 is due to the fact that there is a very high chance that you could lose more than your initial investment and up to 100% of your account balance.



**There is no recommended or minimum holding period for this product. You must maintain sufficient margin in your account to keep your positions open. Trading on margin means you could lose significantly more than your initial investment.**

There is no capital protection against market risk, credit risk, or liquidity risk.

Market conditions may affect your CFD trade and it could close at an unfavourable price, which may significantly impact how much you get back.

If your bank account is denominated in a currency different to the currency the trade is offered on, the value of your return may be impacted due to currency fluctuations.

In the case of negative price movement, if additional funds are not deposited, the CFD may be stopped-out (closed automatically). This may diminish your entire investment. More information about the stop-out level and how it is applied may be found on [our website](#). This risk is not considered in the SRI shown above.

This product does not include any protection from future market performance; you could lose some or all of your investment. If we are not able to pay you what is owed, you could also lose your entire investment. However, you may benefit from a consumer protection scheme (see the section 'What happens if BIEL is unable to pay out?').

## Performance scenarios

The following scenarios illustrate how your investment could perform. You can compare them with the scenarios of other products. The table below takes the commodity pair, Gold vs US dollar (XAUUSD) into consideration.

CFD (held intraday)						
Opening price:	1329.69	Margin requirement(€):	6648.85			
Trade size (units):	100	Notional value of the trade (€):	132969.05			
Margin %:	5%					
Performance scenario	Long			Short		
	Closing price	Price change	Profit/Loss	Closing price	Price change	Profit/Loss
Favourable	1342.99	1%	€1329.69	1316.39	-1%	€1329.69
Moderate	1333.68	0.3%	€398.91	1325.70	-0.3%	€398.91
Unfavourable	1316.39	-1%	-€1329.69	1342.99	1%	-€1329.69
Stress	1296.45	-2.5%	-€3324.23	1362.93	2.5%	-€3324.23

The stress scenarios above show how price movements can rapidly lead to losses. It does not take into account a situation where we are unable to pay you.

CFDs in general do not have a recommended holding period; each individual investor determines the most appropriate holding period based on their own individual trading strategy and objectives.

The scenarios presented are only indicative; what you get will vary depending on how the market performs and how long you hold the CFD. These figures do not take into account your personal tax situation, which may also affect your return. These performance scenarios assume you only have one position open and does not take into account any other positions. If you have multiple positions with BIEL, your risk may be cumulative and not limited to one position.

## What happens if BIEL is unable to pay out?

If we are unable to pay you what is owed, you could lose your entire investment.

BIEL forms part of the **Investor Compensation Scheme** which is a rescue fund for investors that are clients of failed investment firms licensed by the MFSA. The scheme covers 90% of our net liability to a client in respect of investments which qualify for compensation under the **Investment Services Act** subject to a maximum payment of €20,000 to any one person. The scheme is based on EC Directive 97/9.

Learn more about [compensation schemes](#) on our website.

## What are the costs?

The table below shows the different types of costs involved when you trade CFD products on a commodity.

Composition of costs			
One-off costs	Entry/Exit cost	Spread	The difference between the buy price and the sell price is called the spread. This cost is realised each time you open and close a trade. Spreads vary depending on market conditions.
One-off costs	Entry/Exit cost	Commission	No commission is charged for CFDs on a commodity index.
Ongoing costs	Overnight costs	Swaps	A fee will be charged every night that your position is held open at 10% of the current price.  <b>For example:</b> Buy 1 Lot (100) XAUUSD @ 1500.00. Spread in USD (floating) is 20 (20 points). Swap rate in points is -11.55. Swap in USD is 11.55. Commission is 0. Total cost in USD is 31.55.  Cost of opening the trade and holding it overnight is 0.021%.

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

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 fees. You can open and close a CFD at any time during market hours.

## How can I complain?

Complaints may be submitted to [complaints@binary.com](mailto:complaints@binary.com). Should you be unsatisfied with our response, you can choose to escalate your dispute to the Office of the Arbiter for Financial Services.

For more information about complaints and disputes, kindly refer to our [complaints policy](#).

## Other relevant information

CFDs are offered via our MetaTrader5 ('MT5') platform. For more information on trading CFDs, visit the '[What is CFD trading](#)' page on our website. For more information on trading CFDs on commodities, visit the '[What is metals trading](#)' page on our website.

For further information, refer to our [terms and conditions](#).

