Product

CONTRACTS FOR DIFFERENCE (CFD) ON COMMODITIES

Dukascopy Europe IBS AS
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Regulating authority: Bank of Latvia
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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 with other products.

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

WHAT IS THIS PRODUCT?

Type
This financial product is known as "contract for difference" or a CFD. A CFD allows you to obtain an indirect exposure by opening long (buying) or short (selling) positions in an underlying asset such as security, commodity, index and other asset types. This means that you will never actually own the underlying asset, but you may gain profit or suffer loss as a result of price movements in the underlying asset as if you had actually owned it.

This document provides key information on CFD where the underlying instrument is commodity such as Brent/Crude Oil, Natural Gas or Copper. A commodity is a raw material or primary agricultural product used in commerce. List of commodities that we offer CFD on may be found at: https://www.dukascopy.com/europe/english/cfd/range-of-markets/ (see "Commodities").

Objectives
The CFD on commodity is a form of tradable contract serving two main objectives, namely speculation and hedging.

Speculation
You may use CFD to speculate on price movement in an underlying asset. If you believe the price of the particular commodity will increase in the future - your objective is to buy CFD at a lower price and then to sell CFD at a higher price later on. If you believe the price will drop – your objective is to sell CFD at particular price and expect it to be bought later at a lower price. Favorable price movement will result in profit while opposite to yours price movement will result in a loss, both equal to difference between buy and sell prices multiplied by the contract/exposure amount. (hence the contract is "for difference").

Hedging
If you own the actual underlying asset (such as oil, for example) you may be exposed to market risk meaning the price of your underlying asset may decrease over time. To mitigate this risk you may use CFD on commodity by opening an opposite direction position, thus keeping the price fixed at the date of entering into position.

Contract for difference uses the price of the current-period futures contract on the respective commodity as proxy for its price definition, thus its value is in a direct dependency from the latter but, unlike the underlying, it has no expiry date, which allows leaving the holding period to the discretion of the client.

Intended retail investor
The product might not be appropriate for all retail investors. Investors must possess in-depth financial knowledge, have previous experience in highly speculative financial markets and have free funds that may be lost completely.

The product may be of interest for investors that intend to (1) exploit price movements of the underlying without actually owning it; (2) hedge exposures in the underlying asset or its close peers, especially in the case where a minimization of capital outlay or short-selling is needed for the hedge.

Terms of the Product
The product has no maturity date, can be unilaterally terminated by Dukascopy under special conditions, which include, but are not limited to the following:
✓ Extraordinary market conditions;
✓ Termination or restructuring of the underlying;
✓ Lack of liquidity or degradation of execution conditions.
Termination is executed in form of closing existing open client exposures in the Product.
Termination dates and specific conditions are defined once (if ever) circumstances forcing to terminate the PRIIP are emerging and cannot be scheduled in advance.

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

The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets. We have classified this product as 7, which is the highest risk class. This rates the potential losses from the future performance at very high level.

Risk Indicator

1 2 3 4 5 6 **7**

Lower Risk — Higher Risk

Presence of the currency risk. Note that in case if the product is denominated in a currency different from the currency of your investments (base currency of the trading account) the final return is subject to the risk of exchange rate fluctuations between these currencies. This risk is not considered in the indicator presented above.

This product does not include any protection from future market performance so you could lose part or all of your investment.

Presence of leverage makes it possible that the total loss you may incur may excess the amount invested. However, in this case you will not be held liable for clearing the negative balance. Neither the latter risk, nor the protection is considered in the risk indicator above.

If we are unable to pay you due to insolvency, you may benefit from the Investor Protection Law that ensures that clients of an insolvent institution have their protected deposits in the amount of up to 20 000 euro paid out to them within the period of three months. The risk indicator above does not consider this protection.

PERFORMANCE SCENARIOS

This key information document is not specific to a particular product. It applies to a CFD on commodity product offered by Dukascopy Europe. For each CFD trade you place, you will be responsible for choosing the underlying instrument, when you open and close, the size (risk) and whether to use risk mitigation features (e.g. stop loss orders).

Each instrument has a different point cost (value risked for every change of a certain digit in price) associated with it. These can be found in the Range of Markets section of the website.

The table below shows potential profit and loss under different scenarios. These scenarios assume that you have a starting equity of 2 500 USD and choose to buy/sell 3 CFDs on UK Brent Oil (BRENT.CMD/USD) Commodity, where every contract corresponds to 100 barrels (1 contract = 100 barrels). The point value of this instrument is 1 USD, meaning that every 1-point shift (2nd digit after the decimal place) in price will bring a profit/loss of 3 USD (given the position size is 3 contracts). Is it assumed that the position is held intraday only (i.e. no overnight holding costs apply):

BRENT.CMD/USD, 3 contracts (100 barrels each)
Opening price: 75 USD
Initial position amount: 22 500 USD
Min. margin requirement: 2 250 USD (instrument leverage is 1:10)
Initial equity: 2 500 USD

	Long position (buy)			**Short position (sell)**		
	Price shift / new Price (USD)	Profit / Loss	New equity	Price shift / new Price (USD)	Profit / Loss	New equity
Stress scenario	-7% / 69.75	-1 575 USD	925 USD	+7% / 80.25	-1 575 USD	925 USD
Unfavourable scenario	-2.5% / 71.125	-562.5 USD	1 937.5 USD	+2.5% / 76.875	-562.5 USD	1 937.5 USD
Moderate scenario	-0.25% / 74.8125	-56.2 USD	2 443.75 USD	+0.25% / 75.1875	-56.2 USD	2 443.75 USD
Favourable scenario	+2% / 76.5	+450 USD	2 950 USD	-2% / 73.5	+450 USD	2 950 USD

Also, there are several types of trading risks, including leverage risk, which you should be aware of before beginning to trade. Some of those (the list is not exhaustive) include Leverage risk, Margin risk, Foreign exchange risk, Market risk, Market disruption risk, Online trading platform and IT risk.

The market may perform differently in the future. Intraday movements may exceed daily movements. What you make or lose will vary depending on how the market performs and how long you keep the contract open. Note that your contract may be closed automatically if you do not maintain sufficient margin on your account. The stress scenario shows what you might get back in extreme market circumstances, but it is not the worst case and it does not take into account the situation where we are not able to pay you. The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

WHAT HAPPENS IF DUKASCOPY EUROPE IS UNABLE TO PAY OUT?

Dukascopy Europe IBS AS is a European Union licensed Investment Brokerage Company which is regulated by the Financial and Capital Market Commission (Bank of Latvia).

In accordance with the Investor Protection Law and Investor Compensation Schemes Directive (Directive 97/9/EC) compensation at 90% of the irrevocably lost value of financial instruments, or of losses incurred by the non-performance of investment services is guaranteed for an investor, but not more than 20 000 EUR for each client. Further and more detailed information is available on the official web pages of Bank of Latvia.

WHAT ARE THE COSTS?

This table shows the different types of costs involved when you trade Commodity CFD products based on the example used previously, i.e. a position of 3 contracts (= 300 barrels) in BRENT.CMD/USD. Maximum volume commission rate and least advantageous overnight policy are assumed.

		Long	**Short**	
One-off costs	Entry and exit costs - Spread	-15 USD	-15 USD	*The spread is the difference between the buy (ask) and sell (bid) price quoted on our trading platform and is payable on opening and closing a contract. You could pay more or less depending on the spread rates at the time of contract.*
	Entry and exit costs - Volume commission	-2.36 USD	-2.36 USD	*Volume commission is payable for every executed order. Its amount depends on Net deposit, Equity. Detailed breakdown can be found in Fee Schedule.*
Recurring costs	Overnight holding costs	-1.33 USD	-0.75 USD	*Where you hold a daily position overnight, an overnight holding cost may be debited or credited to your account. Its amount is commonly determined by the reference rates and also depends on your trading activity.*
Aggregated cost		**-18.69 USD**	**-18.11 USD**	*These are total costs and charges for scenario described.*
What you get in favorable scenario without applying costs and charges?		450 USD	450 USD	
What you get in favorable scenario after costs and charges?		**431.31 USD**	**431.89 USD**	
Incidental costs	Currency conversion	*A currency conversion fee may be charged where your trades are denominated in a currency other than the base currency of your account.*		

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

There is no required minimum holding or recommended period that you must keep your investment open for. CFDs are generally used for short term trading on price movements, often intraday. Your investment can be opened and closed at any time during market hours.

Available funds on your account can be withdrawn at any time by way of submitting a withdrawal request from your client area or by contacting your account manager or the support team.

HOW CAN I COMPLAIN?

You may submit a complaint directly to Account Manager appointed to you or by sending an e-mail: legal@dukascopy.eu. You may send hard-copy complaints to: Lacplesa iela 20a-1, Riga, LV-1011, Latvia.

OTHER RELEVANT INFORMATION

Other relevant product information on the product can be found under the following links:

✓ Product description: https://www.dukascopy.com/europe/english/cfd/what-are-cfds/
✓ Margin requirements: https://www.dukascopy.com/europe/english/cfd/margin-requirements/
✓ Overnight policy: https://www.dukascopy.com/europe/english/cfd/cfd-overnight-policy/
✓ Fee schedule: https://www.dukascopy.com/europe/english/about/fee-schedule/