

**KEY PRODUCT INFORMATION DOCUMENT CONTRACT FOR DIFFERENCES (CFD) ON FX PAIRS
– SPOT FOR PROFESSIONAL CLIENTS**

This is not a marketing material. This document provides you with key information about this product group. The purpose of this information document is to assist you understanding the nature, risks, costs and potential gains and losses of this product group. In addition, this document may help you to compare this product with other products.

PRODUCT DESCRIPTION

Name of the Product : Contract for Difference (CFD) on a Foreign Exchange (FX) pair
 Offered by : Tera Europe Limited (“TERAFXUK”, “we” or “us”), authorised and regulated by the Financial Conduct Authority FCA Registration number 564741
 Firm Contact Details : Office 701, One Canada Square Canary Wharf E14 5AA | T +44(0)203 048 4764 www.terafx.com;
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A Foreign Exchange (FX) Contract for Difference (CFD) is always quoted as a currency pair. An example would be EURUSD or USDJPY. The first currency listed is referred to as the base currency and the second currency listed is referred to as the quote currency.

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

TYPE& OBJECTIVE

In a **CFD contract**, the parties agree to exchange the difference, in cash, between the opening value and the closing value of the contract. You can open and close a CFD at any time during market hours. There is no recommended holding period, no cancellation period and therefore no cancellation fees. **CFD on a FX pair** is a leveraged contract entered into between you and TERAFXUK that allows you to speculate on rising or falling prices in an underlying FX pair. Leverage means you only have to outlay a percentage of the contract size of a transaction.

FX trading involves the **buying (known as “going long”) and selling (known as “going short”)** of two different currencies. They can be traded on the current price, “spot” or on a forward, “future” price. This information document is for spot FX CFDs. The price of the CFD is derived from the price of the underlying Forex pair. FX trading gives you the choice to buy the currency pair if you think the price of the base currency will rise in relation to the quote currency, or alternatively to sell if you think that the price of the quote currency will rise in relation to the base currency. FX pairs are quoted by **bid and ask prices** at any given time. If you want to sell (short) the FX pair, you sell at bid price. If you want to buy (long) the FX pair, you buy at ask price.

Example:

Currency pair: EURUSD; Trading at: 1.16000 (bid) / 1.16002 (ask); Contract Size: €100,000

Longing (or buy) EURUSD means you believe that EUR (Euro) will gain value against USD (American Dollar). Alternatively, shorting (or sell) EURUSD means you believe that EUR will lose value against USD. Therefore, if you long EURUSD, then you buy it at 1.160002 based on this example. Alternatively, if you short EURUSD, you sell it at 1.16000. For instance, if the price of EURUSD bid/ask changes to 1.16005/1.16007, then long positions would have earned and short positions would have lost. You can close your long position at 1.16005 with profit and/or you can close your short position at 1.16007 with loss. FX pairs have **pre-determined contract sizes** (see our list in our website under Products/FX) and in lots. 1 lot equals to 1 contract size in base currency. **The objective of this product** is to give you a leveraged exposure to the movement in the value of the underlying FX pair (whether up or down) and to allow you to speculate on the price movement of an exchange rate without ever taking delivery of the currency over any period. Leverage or trading on margin is one of the key features of trading CFDs. Leverage is the ratio of the margin required to open the position against the notional trade value (contract size).

If you buy 1 lot standard contract, then your exposure would be 1 x 100,000 = EUR100,000 or USD116,001. If your product leverage is 1:200 (0.50%), then your required margin is 100,000/200 = €500 or USD580 (i.e., 0.50% of the exposure). The formula to **calculate profit and loss** in a CFD FX pair is as follows in quote currency: (close price – open price) x contract size x lots. Assuming you closed your long position in Example at 1.16010, then your profit calculations would be as follows: (1.16010 – 1.16002) x 100,000 x 1 = \$8 (since quote currency is USD). Make sure you fully understand the nature of CFD Trading and the below risks associated with trading such products because there is a chance you can lose more than your initial deposit.

TERM

The spot CFD does not have a pre-defined **maturity date** (i.e.; open-ended). There is no recommended holding period; you have the discretion to determine the appropriate holding period based on your own individual trading strategy and objectives. In addition, you must maintain sufficient margin in your account to keep your positions open. Trading on margin means you could quickly lose your trading balance.

INTENDED INVESTOR

Professional investors (you need to meet the professional client eligibility criteria to be a professional investor; see our website for details) aiming to speculate on movements in the foreign exchange market:

- The investor must have a high risk tolerance
- The investor must be aware of the fact that losses may exceed deposits
- The investor must understand the mechanics and risks of leveraged trading including the use of margin

RISKS

Risk Indicator:

1 - Lower Risk	2	3	4	5	6	7 -Higher Risk
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The above summary risk indicator is a guide to the level of risk of this product compared to other products. It shows the probability of incurring a monetary loss on the product due to market changes, or as a result of TERAFOXUK being unable to pay money out. We have classified this product as 7 out of 7 (i.e., highest risk class). This risk factor includes the assumption that you can hold the product even for a short period of time for speculation purposes. This rates the potential losses from future performance at a very high level (7) and poor market conditions could impact our capacity (6) to pay you. **The product can be denominated in a currency other than the currency of your account, therefore the return can be subject to additional changes, depending on the exchange rate fluctuations.** The risk indicator assumes you keep the product. The product does not include capital protection against market risk.

- **Leverage Risk:** Trading risks are magnified by leverage. CFD trading requires you to maintain a certain level of funds (called margin) in your account to keep your positions open. It is calculated by taking a percentage of the contract size as explained above in Example. As the exposure is significantly higher than the margin due to leverage, a small adverse movement in the underlying FX pair may cause a substantial loss to your deposit. The total loss may significantly exceed the deposit. See our scenario analysis at the bottom of this document to have a better understanding.
- **Currency Risk:** The contract currency of the CFD may be different from the base currency of your account. For instance, your account/base currency may be USD however you may trade EURJPY. The final proceed you will get depends on the exchange rate between the two currencies. The proceeds may not be worth as much as they would have been at the onset of trade due to an adverse movement in the exchange rate. This risk is not considered in the indicator shown above.
- **Counterparty risk:** CFDs are “Over the Counter” (OTC) products, implying that they are not traded on a licensed financial market or on an organized exchange such as London Stock Exchange. Basically, CFD is a contract entered into between you and us. The CFD products that we offer can only be closed with us and not with any other CFD provider. Therefore, you are exposed to the risk of TERAFOXUK as a counterparty. We may not be able to fulfil our obligations to you including the risk that we may not be able to pay you. In this case, you could lose your entire deposit, however, you may benefit from a consumer protection scheme (FSCS). Please refer to www.fscs.org.uk for detailed information. The risk indicator shown above does not consider the consumer protection.
- TERAFOXUK does not segregate all professional client funds from its own money in accordance with FCA’s Client Asset rules. Where you are required to provide us with variation margin, such money will cease to be client money and we will transfer the money out of the client segregated account. We will hold the variation margin under a title transfer collateral arrangement (TTCA).
- **Margin Risk:** We may close your open CFD trade if you do not maintain the minimum margin that is required, if you are in debt to us, or if you contravene market regulations. This process may be automated.
- **Gap/Slippage Risk:** Markets are sometimes very volatile, especially during data announcements and volatility tend to rise under unexpected developments regarding a currency. The quoted prices may move sharply from one level to the next, implying that your order may be executed at a worse price than you had intended.
- **Technical Risks:** Trading largely depends on technology; i.e., PC, mobile phone, tablets and internet are used to connect and trade for your own account. Therefore, disruptions in said services may lead to delays in the opening and closing of transactions. TERAFOXUK assumes no responsibility under these circumstances.

SCENARIO ANALYSIS

EURUSD		Notional Value: €100,000			Symbol Leverage:1:200		
		Initial Margin: €500			20% stop out level		
		Minimum Margin: €100 -->					
		FOR LONG POSITIONS			FOR SHORT POSITIONS		
Scenario		Absolute	% of Notional	% of Initial Margin	Absolute	% of Notional	% of Initial Margin
Stress	What you might make (lose)	(€1,438.94)	-1.4%	-287.8%	(€1,438.58)	-1.4%	-287.7%
Unfavourable	What you might make (lose)	(€633.11)	-0.6%	-126.6%	(€632.94)	-0.6%	-126.6%
Moderate	What you might make (lose)	€0.00	0.0%	0.0%	€0.00	0.0%	0.0%
Favourable	What you might make (lose)	€588.74	0.6%	117.7%	€588.59	0.6%	117.7%

This analysis is aimed at showing you potential gains or losses over one day under different scenarios. Each scenario represents an estimate of future performance based on five years of daily historical price data for EURUSD. The market may perform differently in the future. Intra-day movements may exceed daily movements. Your return, both negative and positive, will vary depending on how the market performs and how long you hold the CFD. Your contract may be closed automatically if you do not maintain sufficient margin in your account. Stress scenario shows what you might get back in extreme market circumstances; however it is not the worst case scenario. The figures do not take into account your personal tax situation.

COSTS

- (1) **Spread:** the difference between the buy and sell price (or bid and ask price). This cost is realised each time you open and close a position. Our raw spreads are variable. Plus, we put a mark-up on raw spreads, which are fixed. Since we are not market makers, our spreads fluctuate related to the spreads we get from our liquidity providers. For instance, in our example under scenario analysis, entry and exit cost (spread cost) for 1 lot would be \$2.
- (2) Financing costs, or **swap charges:** A swap is charged every day to your account for positions carried overnight. Sometimes swap are debited and sometimes credited, depending of your position being long or short as well as the relative interest rates of the countries of the currencies involved in the trade. The current swap fees can be referenced within the trading platform in the symbol specification section. As swap costs are charged overnight, the longer you hold your position, the larger it gets. TeraFX will not cover deposit and withdrawal fees from payment service provider/bank for amounts below 100 in your account currency.
- (3) **Currency conversion** is also a cost for the trades that are denominated in a currency other than the base currency of your account because any cash, realised profit and losses, adjustments, fees and charges that are denominated in a currency other than the base currency of your account, will be converted to the base currency of your account.
- (4) **Rollover costs** (Futures only): We charge you to roll over a futures contract into the next month or quarter, equal to the applicable spread to open and close a trade.
- (5) **Occasional costs:** 10 (in your account currency) fee for inactivity 12 months, this charge will not place account into negative but account may be closed when balance is zero and no trading for 12 months. 25USD one off withdrawal fee if no trades were made on the account and full deposit is requested for withdrawal.

COMPLAINTS

The Company has established and maintains a Complaints Handling Procedure. If you wish to submit a complaint, you can send an email to compliance@terafx.co.uk or in writing to Tera Europe Limited, Office 701, One Canada Square Canary Wharf E14 5AA, UK If you remain dissatisfied with our final response, you have the rights to complain to the Financial Ombudsman Service, subject to you trading in a *personal capacity*. Please find a copy of the Financial Ombudsman Service's consumer leaflet at <http://www.financial-ombudsman.org.uk/publications/consumer-leaflet.htm#c>. For more information, please refer to their website: www.financial-ombudsman.org.uk or read our summary booklet [here](#). The Financial Ombudsman Service's contact details are:

Email: complaint.info@financial-ombudsman.org.uk. Address: The Financial Ombudsman Service Exchange Tower London United Kingdom E14 9SR

OTHER RELEVANT INFORMATION

This document is a detailed summary of this product group. Please send an email to customerservices@terafx.co.uk for more detailed information and for additional inquiries. You may find our product specifications (trading hours, swap and margin calculation, leverage, contract sizes, etc.) on our website at www.terafx.com/Products.