

- CFDs on BONDS

**Purpose**

This document provides you with key information about this financial 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.

**Product**

**Name of Product:** Contracts for Difference (“CFDs”) on Bonds.

**Product Manufacture:** Coverdeal Holdings Ltd. (“Company”), the owner of domain name globtrex.com, is a licensed Cyprus Investment Firm regulated by Cyprus Securities and Exchange Commission with authorisation number 231/14. Coverdeal Holdings Ltd. is located at Kristelina Tower, 12 Arch. Makarios III Avenue Office 201, 2nd Floor, Mesa Geitonia 4000 Limassol, Cyprus. Our telephone number is +357 25 63 50 40

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**Alert**

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

**What is this product?**

**Type**

This document is not specific to a particular product but it relates to products known as “Contracts for Difference on Bonds” or “CFDs on Bonds”. CFDs are tradable instruments that allow you to obtain an indirect exposure to the underlying asset (see below). CFDs are leveraged products, enabling investors to make transactions with a small margin (deposit). The underlying asset is never actually owned by you and your profit or loss is determined by the difference between the buying and the selling price of the CFDs, minus any relevant costs (detailed below). You will make gains or incur losses as a result of price movements in the underlying asset.

**Underlying Asset**

CFDs on Bonds have different type of bond futures as the underlying assets;

**So how do CFDs work?**

CFDs on Bonds are traded Over-The-Counter (OTC). When you enter into any order to Buy or Sell a CFD on one of our trading platforms, you trade with us as your counterparty. We are your Principal to each trade that you enter. Therefore, if your trade is profitable, we lose; if your trade is loss making, we earn a profit. Our profits or losses may be reduced by the level of hedging we may undertake to contain our trading risk.

The price of the CFD is derived from the price of the underlying bond future price. An investor has the choice to buy (or go “long”) the CFD to benefit from rising bond future prices; or to sell (or go “short”) the CFD to benefit from falling bond future prices. For instance, if an investor is long on German Bund Contract CFDs and the price of the underlying bond futures rises, the value of the CFD will increase - at the end of the contract the investor will make the difference between the closing value of the contract and the opening value of the contract. Conversely, if an investor is long and the price of the underlying bond futures falls, the value of the CFD will decrease - at the end of the contract the investor will lose the difference between the closing value of the contract and the opening value of the contract. The leverage embedded within all CFDs has the effect of magnifying both profits and losses. You will never lose more than the Equity of your trading account as we offer Negative Balance Protection.

**Objectives**

The objective of trading CFDs on Bonds is to speculate on price movements (generally over the short term) in an underlying asset, without actually buying or selling the underlying bond futures. Your return depends on movements in the price of the underlying Bond futures and the size of your position. Through your trading with us, you receive the exposure to the performance of the underlying Bond futures, but you do not receive any ownership or other rights to the underlying.

**Trading in CFDs on Bonds carries high level of risk and thus can generate great profits as well as great losses. You should never invest more than you are willing to lose, as it is possible to lose all your initial investment.** Prior to commencing trading in CFDs on Bonds it is prudent to consult with this KID and evaluate whether trading the CFDs on Bonds is appropriate for you.

**Intended retail investor**

Trading in this product is highly speculative and involves a significant risk of loss. This product is for clients with a relatively short-term investment horizon, and is not suitable for all investors but only for those who: i) understand and are willing to bear the risks involved, including the risks associated with margin trading; ii) possess the necessary experience and knowledge about trading in derivatives and the underlying assets and have for objective hedging and speculation over a short term, and iii) are financially able to bear the risk of a total loss of their invested amounts, subject to the negative balance protection mechanism offered by the Company.

**Term**

Bond Futures have an expiration date. Unless the relevant position in CFDs on a particular Bond is closed by you, the CFD is automatically rolled over to the next underlying Futures contract and price (the specific expiry date per underlying Future can be found in our Website). This is known as the Expiration Rollover. You should be aware that whenever an Expiration Rollover occurs we will charge or credit you an amount equal to the spread of the underlying Future being rolled over.

As per regulation we are required to close one or more of a retail investor’s open CFD positions when the sum of funds in the CFD trading account and the unrealised net profits of all open CFDs connected to that account falls to less than half of the total initial margin protection for all those open CFDs.

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

**Risk Indicator**

Lower Risk

Higher Risk

Typically lower rewards

Typically higher rewards

1	2	3	4	5	6	7
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**Signification of the indicator**

This indicator measures the level of risk at which your investment may be exposed. The risk category is not guaranteed and may shift over time. The lowest category does not mean <<risk-free>>. The CFDs on Bonds display a grade of 7 on a scale ranging from 1 to 7 (1 being the less risky category). They therefore exhibit (because also of leverage) the highest risk characteristics.

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

The Client could place Stop Loss order to limit potential losses and/or Take Profit order to collect profits. If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from the Investor Compensation Fund (see the section 'what happens if we are unable to pay you'). The indicator shown above does not consider this protection.

### General CFD Risks

- CFDs are complex financial instruments and are traded Over the Counter ("OTC"). You can only exit a position by trading with us, during the trading hours of the underlying instrument as stated on our Website. You cannot transfer your open positions/trades to any other firm. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess the exposure to risk.
  - You do not own the underlying asset. Through your trade with us, you receive by us the exposure to the performance of the underlying asset, but you do not receive any ownership or other rights to such underlying asset.
  - CFDs are leveraged products. You only need a small margin for getting exposure to the underlying asset. Leverage can magnify both your profits as well as your losses.
  - Statistically, because of leverage, a significant part of clients loses because leverage amplifies losses, leading to margin calls and closures of clients' open positions. We operate a Negative Balance Protection i.e. you cannot lose more than the Equity of your trading account, however you risk losing the capital invested with us.
  - CFD trading is undertaken on electronic platforms. There may be times that system or other breakdowns arise. This may affect your ability to trade, or our ability to offer continuous prices or create a need for subsequent adjustment of prices to reflect underlying exchange prices.
  - CFDs on certain instruments can be highly volatile. The prices of CFDs and the underlying instruments may fluctuate rapidly and over wide ranges and may reflect unforeseeable events or changes in conditions, none of which can be controlled by us. Under certain market conditions it may be impossible for a Client's order to be executed at the declared price.
  - Prices of CFDs as well as their commercial terms like the spreads maybe varied to reflect periods of actual or expected heightened market volatility.
  - Depending on the currency your trading account is denominated and the currency of the underlying instrument you trade, your final return maybe exposed to the exchange rate risk between the two currencies.
  - The tax legislation of your home Member State may have an impact on your return.
- The above list of risks is non-exhaustive. For the Company's Risk Disclosure Policy please visit the Company's website.

### Future specific risks

- Unlike the Bond Futures, the CFDs on Bonds do not have an expiration date. Unless the relevant CFDs positions are closed by you, the CFD on Bonds that have Bond futures as an underlying assets are automatically rolled over to the next underlying Futures contracts and the price is adjusted. This is known as the Expiration Rollover. You should be aware that whenever an Expiration Rollover occurs we will charge or credit you an amount equal to the spread of the underlying Future being rolled.
- Therefore, where you have open positions that you do not wish to have rolled over to reflect effectively the new tradable Futures contract, you should close your position(s) and/or cancel open orders before the rollover date.

### Performance Scenarios

The performance scenarios represent general situations of changes in the prices of CFDs in Bonds and their impact on the return of the Client's investment in monetary and percentage terms. These scenarios are general and applicable to CFDs on Bonds offered by the Company.

The example below involves Buying/Selling 0.5 lot ("Volume") on GER10YBond, with Contract Size of 1000 when its Price is EUR 150.00, using leverage 1:5. In this case, margin required for this transaction is:  $\text{Volume} * \text{Contract Size} * \text{Price} / \text{Leverage} = 0.5 * 1000 * 150 / 5 = 15000\text{EUR}$

Scenario	Invested (EUR)	Open Price	Close Price	One day Swaps	Net Profit/Loss	% change in equity
Favourable	15000.00	150.00	156.00	-0.64	2999.36	20%
Moderate	15000.00	150.00	153.00	-0.64	1499.36	10.00%
Unfavourable	15000.00	150.00	147.00	-0.64	-1500.64	10%
Stress	15000.00	150.00	138.00	-0.64	-6000.64	40%

The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products.

The scenarios presented are an estimate of future performance and are not exact indicators. Your profits and losses will vary depending on how the underlying market performs and how long you keep the position open.

The figures shown assume that EUR is your base currency. The figures do not take into account your personal tax situation which may also affect how much you can make. This performance scenario assumes you only have one position open, and does not take into account the negative or positive cumulative balance you may have if you have multiple open positions with us.

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

For CFDs on underlying assets, in case of our financial default you may seek compensation from the Investor Compensation Fund ("ICF") of Cyprus Investment Firms. The maximum compensation is Euro 20,000 irrespective of number of account held. ICF Rules apply, including with respect to your categorization and eligibility. In general, retail clients are covered by the ICF.

### Fees and Charges

- The charges you pay are used to cover the costs of our operational activities, including the costs of obtaining market / price data from the underlying exchanges, the staff costs, our regulatory license costs, our funding costs as well as the marketing and distribution costs.
- We do not pay any interest on any clients' money you may have in your account with us.
- Please consult your own advisor to understand the nature of our below costs and charges:

One-off Cost at the time of your trade	Spreads	Spread is the difference, usually indicated in pips, between the Bid and Ask price and reflects, in part, the spread of the underlying assets. The spread values vary for different accounts and depends on the volatility and liquidity of the underlying assets. Please refer to our <a href="#">Website</a> for more information on the spreads cost of which may be substantial.
On-going costs	Swaps	Swaps are the fees for keeping the position opened over-night. Swaps for the opened positions are calculated at 23:59:59 – 00:00:00 (EET), Monday to Friday. These are ongoing fees for as long as you have open trades with us. Swap rates are based on market interest rates, which may vary from time to time and are subject to changes according to Company's liquidity providers' rates. For positions held open over Friday, a triple swaps charged from Friday to Monday night as it includes the charges for the weekend. Swap rates for all the instruments can be found on our <a href="#">Website</a> . Please see our swap calculation formula below: Number of lots x Contract size x Swap rate x Number of nights = Swap value. Example: 1 x 1000 X -0.001280 x 3 = -3.84
	Expiration Rollover	The CFD is automatically rolled over to the next underlying Futures contract and price. Whenever an Expiration Rollover occurs we will charge or credit you an amount equal to the Spread of the underlying Future being rolled over. If the new contract trades at a higher price than the expiring contract, long position (buy) will be charged negative rollover adjustment and short position (sell) will be charged positive rollover adjustment. If the new contract trades at a lower price than the expiring contract, long position (buy) will be charged positive rollover adjustment and short position (sell) will be charged negative rollover adjustment.
Incidental cost	Inactivity fee	Inactivity fee is charged after the inactivity of 1 month: 15 USD per month or equivalent in other currency.
	Currency conversion rates	Investing in CFDs with an underlying asset listed in a currency other than your base currency entails a currency risk, due to the fact that when the CFD is settled in a currency other than your base currency, the value of your return may be affected by its conversion into the base currency.

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

- You can only exit an open trade by entering a closing trade, only with us, during the trading hours of the market of the underlying asset being made available by us on our Website
- This product generally has no fixed term, the CFDs on bonds are automatically rolled over to the next underlying Futures contract unless you close your position before that (See rollover expiration dates and explanation above). You should monitor the product to determine when the appropriate time is to close your position(s). If your margin level reaches or falls below the Margin Close Out Level of 50%, your positions will start liquidating, without notice by us to you, starting with the highest losses
- You can request to withdraw your money at any time. We will process all withdrawal requests within 24 hours irrespective of payment method.

#### How can I complain?

You are entitled to submit a complaint at any time, where you may feel that our service has not met your satisfaction.

Where any trading or other query has not been addressed or when you wish to submit a formal complaint at the initial or a subsequent stage, you can do so by completing the Online Complaint Form.

If you are not satisfied with our response to your complaint you can refer your complaint to the Financial Ombudsman of the Republic of Cyprus. For more information please visit <http://www.financialombudsman.gov.cy>

#### Other relevant information

We recommend to read the Terms and Conditions For any questions regarding the KID or any other documents please contact us through the Contact Us page.