

Purpose

This document is aimed at providing you with key information regarding this specific investment product and should not be taken as marketing material. It is a legal requirement to provide this information in order to help you understand the nature, risks, costs, potential gains and losses related to this product and to enable you to compare this product against other products on offer.

Contract for difference ("CFD") on a commodity is offered by **Admiral Markets Cyprus Ltd.** ("AM", "we" or "us"), a company registered in Cyprus and regulated by the Cyprus Securities and Exchange Commission (CySec) – license number 201/13. The registered office for Admiral Markets Cyprus Ltd. is: Office 103, 5 Limassol Avenue, 2112 Nicosia, Cyprus. Please call +35722205973 or go to www.admiralmarkets.com.cy for more information.

This document was last updated on 01 August 2018.

 **You are about to purchase a product that is highly sophisticated and may be difficult to understand.**

What Is This Product?

Type A contract for difference ("CFD") is a leveraged contract entered into with AM on a bilateral basis. It allows an investor to speculate on rising or falling prices in an underlying commodity.

An investor has the option to buy (or go "long") the CFD in an attempt benefit from rising commodity prices; or to sell (or go "short") the CFD to benefit from falling commodity prices. CFD price is derived from that of the underlying commodity, which can either be the current ("cash") price or a forward ("future") price. For example, if an investor is long an oil CFD and the price of oil rises, the value of the CFD will increase in turn. Once the contract is over, AM will pay the investor the difference between the closing value of the contract and the opening value of the contract, i.e. the investor's profit. On the other hand, if an investor is long and the cash price of gold falls, the value of the CFD will also decrease – so, at the end of the contract the investor will pay AM the difference between the closing value of the contract and the opening value of the contract. CFDs referencing the underlying commodities' future price works in an almost identical fashion, bar the fact that such contracts have a pre-defined expiry date – detailing the point at which the contract will close automatically. CFDs of commodities must always be settled financially, and cannot be settled by the physical or deliverable settlement of any other commodity(ies). CFD leverage also has a magnifying effect on both profits and losses.

Objectives

The objective of the CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying commodity (whether that be upwards or downwards), without the need to actually buy, sell or otherwise transfer the physical commodity. The exposure is leveraged since the CFD only requires a small proportion of the notional value of the contract to be put down upfront as initial margin and is one of the key features of trading CFDs.

For example, if an investor buys 1.0 CFDs, each representing 100 troy ounces of gold, with an initial margin amount of 5.0% and an underlying commodity price of USD 1,200, the initial investment will be USD 1,200 x 1.0 x 100 x 5.0% = USD 6000. The effect of leverage, in this case 1:20 (1 / 5.0%) has resulted in a notional value of the contract of USD 120,000 (USD 1,200 per troy ounce x 1.0 contracts x 100 troy ounces per contract). Which means that for each 1 pip change in the price (i.e. a change by 0.01) of the underlying commodity, the value of the CFD changes by USD 1.0. So, if the investor is long and the market increases in value, a USD 1.0 profit will be made for every 1 pip increase in that market. Conversely, if the market decreases in value, a USD 1.0 loss will be incurred for each pip that the market decreases in value by. On the other hand, if an investor holds a short position, a profit is made in line with any decreases in that market, and a loss for any increases seen there.

Cash CFDs do not have pre-defined maturity dates and are therefore open-ended. Conversely, as mentioned above, a future CFD has a predefined expiry date. The length of the holding period for both of these CFD types is generally limited by the expiration date and remains at the discretion of each individual investor, based on their trading strategy, style and intended outcome – there is no recommended length for this period of time.

Automatic closure of a CFD may occur if an investor fails to deposit additional funds with which to meet the margin requirement as a result of a negative price movement. This will happen when an account's valuation (equity) decreases to a certain percentage of the initial margin amount. In the case of future CFDs, investors will be given the option to trade the next front month contract – e.g., prior to closing out a November contract, AM provides a December contract.

The Intended Retail Investor

This product is intended for investors who already have an understanding and previous experience in dealing with leveraged products. Commonly, before committing any capital investors will already understand how prices of CFDs are derived, have a clear grasp of the concepts of margin and leverage and understand the fact that all deposits to the trading account may be completely lost. They should also understand the risk/reward profile of the product when compared to that of share dealing. It is also obligatory for investors to have the appropriate financial means and ability to bear a loss of the initial amount invested.

What Are the Potential Risks and Returns?

Risk Indicator

 The risk indicator assumes that you may not be able to buy or sell your CFD at the price you wanted to due to volatility of the market or you may have to buy or sell your CFD at a price that significantly impacts how much you get back.



The risk indicator above is a summary of the level of risk that this product has when compared to other products. It signifies how likely it is that the product will lose money because of market movements or because we are not able to pay you.

We have deemed this product to be 7 out of 7, which is the highest-possible risk class. This rates the potential losses from future performance of the product at a very high level.

CFDs are leveraged products that, due to movements within the underlying market, can rapidly generate losses. Losses may amount to the total value of an initial investment. There are no means of protection of your capital against market risk, credit risk or liquidity risk.

Be aware of currency risk. It is possible to buy or sell CFDs in a currency which is different to the base currency of your account. The final sum you may receive in return depends on the exchange rate between the two currencies. This risk has not been considered in the risk indicator you can see above.

Conditions in the market may mean that your CFD trade on a commodity is closed at a less favourable price, which could significantly impact the level of returns you receive. We reserve the right to close your open CFD contract if you do not maintain the minimum margin that is required, if you are in debt to AM, or if you contravene market regulations. This process may be automated.

Future market performance is not protected against, so you could lose some or all of your investment. If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from an investor compensation fund (see the section "What happens if Admiral Markets Cyprus Ltd. is unable to pay you"). The risk indicator you can see above does not consider these protections.

Performance Scenarios

The scenarios outlined in this section are designed to show you how your investment could perform. It would be good practice to compare them with the relative scenarios of other products. These scenarios are an estimate of future performance based on past evidence on how the value of this investment may vary, and are, by no means, an exact indicator. Any returns you receive depend on how the market performs and how long you hold the CFD for. The stress scenario signifies what you may receive in extreme market circumstances and does not take into account a situation where we are not able to pay you.

The following assumptions have been used to create the scenarios in Table 1:

Commodity CFD (held intraday)		
Commodity opening price:	P	1 200
Trade size:	TS	100
Margin:	M	5 %
Margin requirement (USD):	$MR = P \times TS \times M$	6 000
Notional value of the trade (USD):	$TN = MR / M$	120 000

Table 1

LONG Performance scenario	Closing price (bid)	Price change	Profit/Loss (USD)	SHORT Performance scenario	Closing price (offer)	Price change	Profit/Loss (USD)
Favourable	1 218	1.5 %	1 800	Favourable	1 182	-1.5 %	1 800
Moderate	1 206	0.5 %	600	Moderate	1 194	-0.5 %	600
Unfavourable	1 182	-1.5 %	-1 800	Unfavourable	1 218	1.5 %	-1 800
Stress	1 140	-5.0 %	-6 000	Stress	1 260	5.0 %	-6 000

The figures shown include all product costs. If you have been sold this product by someone else, or have a third party advising you about this product, these figures do not include any costs that you may need to pay to them. Your personal tax situation, which may also affect how much you get in return, is also not taken into account here.

What Happens If Admiral Markets Cyprus Ltd. Is Unable to Pay Out?

If AM is unable to meet its financial obligations to you, you may lose the value of your investment. However, AM segregates all retail client funds from its own money, in accordance with the CySEC rules. AM also participates in the Investor Compensation Fund (ICF) which covers eligible investments up to EUR 20,000. Individuals are eligible under the ICF scheme and smaller businesses may also be eligible. Generally-speaking, larger businesses are excluded from the ICF scheme. See more in our [Company Information](#) document.

What Are the Costs?

Trading a CFD on an underlying commodity incurs the following costs:

This table shows the different types of cost categories and their meaning			
Cash and Futures	One-off entry or exit costs	Spread	The difference between the buy price ("offer price") and the sell price ("bid price") is called the spread. This cost is realised each time you open and close a trade.
		Currency conversion	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 using the median prices of applicable FX pairs in the trading platform, where the median price is calculated as (offer price - bid price) / 2.
Cash only	One-off entry or exit costs	Commission	A commission fee is charged on per-trade basis on some of our commodity CFD products, for more details please visit the Commissions section on our website.
Cash only	Ongoing costs	Daily holding cost	A fee is charged to your account for every night that your position is held. This means the longer you hold a position, the more it costs.
Cash and Futures	Incidental costs	Distributor fee	We may from time to time share a proportion of our spread, commissions and other account fees with other persons, including a distributor that may have introduced you.

How Long Should I Hold it and Can I Take Money Out Early?

As stated above, these products have no recommended holding period, nor cancellation period and, therefore, no cancellation fees. Opening and closing of a CFD on a commodity can be done at any time during market hours. Please note that holding a CFD on a commodity for a long term may incur substantial daily holding costs.

How Can I Complain If I Need To?

If you are dissatisfied with any aspect of the service provided to you by Admiral Markets Cyprus Ltd., you may, in the first instance, contact our Client Management Team by phone: +35722205973; by email: compliance@admiralmarkets.com.cy; or in writing: Admiral Markets Cyprus Ltd., Office 103, 5 Limassol Avenue, 2112 Nicosia, Cyprus.

You can also refer to the European Commission's Online Dispute Resolution Platform.

Other Relevant Information

If there is a lag between the time you place your order and the moment it is executed, your order may not be executed at the price you expected. You should ensure that your Internet connection is sufficiently strong enough before trading. The [Documents and Policies](#) section of our website contains important information regarding your account. You should ensure that you are familiar with all the terms and policies that apply to your account.

Our contract specifications contain additional information on trading a CFD on an underlying commodity. These can be found on the trading platform and on the website www.admiralmarkets.com.cy.