

**KEY INFORMATION DOCUMENT – COMMODITIES CFD**
**Purpose**

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 it with other products.

**Manufacturer:**

Vstar& Soho Markets Limited, License no. 409/22

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**Supervised Authority:**

Cyprus Securities and Exchange Commission

19 Diagorou Str., 1097, Nicosia, Cyprus



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

**What is this product?**
**Type**

This investment product is a Contract for Differences (“CFD”) on Commodities. A CFD is an Over the Counter (“OTC”) leveraged financial instrument and its value is determined based on the value of an underlying instrument. The investor makes a profit or a loss on the CFD based on the direction chosen (Buy or Sell) and the direction of the value of the underlying instrument. The CFD is settled in cash only and the investor has no rights whatsoever on the actual underlying instrument.

**Objectives**

The objective of a CFD instrument, i.e. currency pairs, metals, commodities and indices), is to speculate on the performance of an underlying instrument without actually owning it. You will achieve profit if your speculation on the performance (positive or negative performance) was correct, with the difference between the opening price and closing price of the underlying instrument as the performance, or suffer a loss of a portion or all of your trading balance should the underlying instrument of the CFD perform against your speculation. When a position is closed, the investor gain the difference between the market value of the underlying instrument at the time of closing and opening a position, if:

When holding a long position (buying a CFD), the price at the time the position closes, is higher than the price at the time the position was opened, which is automatically converted to the trading account currency; or

When holding a short position (selling a CFD), the price, at the time the position closes, is lower than the price at the time the position was opened, which is automatically converted to the trading account currency.

The market for most instruments is open 24 hours a day, 5 days a week. For specific trading timetable please check our website <https://www.sohomarkets.eu>

In order to purchase the specific CFD, the investor must have sufficient margin in his account. The normal required margin for Commodities contracts is 10%. This means that in order to open a transaction of \$10,000 (deal size), the investor will need to have a minimum margin of \$1000 in his account. This represents a leverage of 1: 10. Margin requirements may be decreased at the investor’s request, subject to fulfillment of certain criteria whereas margin requirements may be increased at the Company’s discretion in cases of extreme market volatility.

The profit or loss is determined according to the following formula:

**For Buy (Long) positions:** Deal size (in units of base asset) x [Close Bid – Open Ask] = P/L (in units of the other asset)

**For Sell (Short) positions:** Deal size (in units of base asset) x [Open Bid – Close Ask] = P/L (in units of the other asset)

The P/L from the closed positions is then converted into the base currency of the investor’s account, if different. This is done on the basis of the relevant Bid/Ask rate of the oil at the time the position is closed.

The P/L is also affected by the fees charged by Vstar& Soho Markets Limited, as detailed below.

The P/L is calculated by, and shown on, the trading platform on a continuous basis, and losses on the positions will affect the investor’s margin. Should the investor’s margin reach 0 (zero), all investor’s positions will automatically close which means that the investor will realize the losses. Therefore, it is important to maintain such level of margin to support the investor’s open positions.

**Polish residents only:** In accordance with KNF requirements, should the investor’s exposure coverage [% of Equity / Net Exposure] reach 0.8 %, all investor’s positions will automatically close which means that the investor will realize losses.

**Intended Retail Investor**

CFDs are intended for investors who have knowledge of, or are experienced with, leveraged products. Likely investors will understand how the prices of CFDs are derived, the key concepts of margin and leverage and the fact they may lose all their invested capital in a short period of time. Investors should have a high-risk tolerance and willing to accept rapid price fluctuations



and the specific risk of leverage in exchange for the opportunity of higher returns. In addition, the investor must understand the risk/reward profile of the product compared to traditional share dealing.

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

#### Risk indicator



Low Risk

High Risk

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 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 rates the potential losses from future performance at a very high level.

This risk indicator assumes that you keep the product for up to 24 hours. You may not be able to end the product easily or you may have to end at a price that significantly impacts the return on your investment. CFDs may be affected by slippage or the inability to end the product at a desired price due to unavailability of such price in the market. CFDs are OTC products and cannot be sold on any exchange, MTFs or other trading venue. There is no capital protection against market risk, credit risk or liquidity risk.

Commodity CFDs may fluctuate significantly in a short period of time. If the change in price is against the direction chosen by the investor, then the investor can experience significant losses over a short period of time up to a maximum of the amount held as margin in the investor's account. However, the investor will never owe to the Company any amount in excess of the available funds in the account in light of the contractual "Negative Balance Protection". Market conditions may mean that your CFD trade is closed at a less favorable price, which could significantly impact how much you get back.

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

#### Performance scenarios (assuming no Overnight Financing effects):

**Warning: Market developments in the future cannot be accurately predicted. The scenarios shown are only an indication of some of the possible outcomes based on recent returns. Actual returns can be lower.** What you get will vary depending on how the market performs and how long you hold the CFD. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

Below are examples of performance scenario of a deal in CFD based on US COCOA.

US COCOA CFD		
Opening Price:	(P)	\$2550
Trade size (per CFD):	(TS)	1 LOT
Margin %:	(M)	10% (Leverage 1:10)
Margin Requirement (\$):	$MR=P \times TS \times M$	255
Notional value of the trade (\$):	$TN=MR/M$	2550

The below scenario is based on an account with 10,000 USD balance

Performance Scenario <u>Long (Buy)</u> Positions	Open Price	Closing Price	Account Performance %	Profit/Loss USD	Performance Scenario <u>Short (SELL)</u> Positions	Open Price	Closing Price	Account Performance %	Profit/Loss USD
Favorable	2550	2560	1%	100	Favorable	2550	2540	1%	100
Moderate	2550	2251	0.1%	10	Moderate	2550	2549	0.1%	10
Unfavorable	2550	2540	-1%	-100	Unfavorable	2550	2560	-1%	-100
Stress	2550	2510	-4%	-400	Stress	2550	2590	-4%	-400

**French residents only** – In accordance with the Autorité des marchés financiers (AMF) requirements, all CFD have an intrinsic protection and will be closed when losses reach the required margin for opening the position.

**Spanish residents only** - Trading CFD's, which are leveraged products, carries a high level of risk and can result in the loss of all the investment. Before deciding to trade, please understand all the risks associated with the OTC CFD's trading. Therefore, trading forex and CFD's is a difficult to understand product and, in general, is not appropriate for retail investors..

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

In the event that Vstar& Soho Markets Limited becomes insolvent and is unable to pay out to its investors, Retail Clients may be eligible to compensation of up to €20,000 or 90% of the cumulative covered claims of the covered investor (whichever is lower) by the Investor Compensation Fund set up by the Cyprus Securities and Exchange Commission.



### What are the costs?

Vstar& Soho Markets Limited charges a spread when an investor buys a CFD. A spread is the difference between the Sell (“Bid”) and Buy (“Ask”) price of the CFD which is multiplied by the deal size. The spread per each underlying instrument is detailed on the Company’s website but each investor may have different spreads on all or some of the underlying instrument based on the investor’s history, volume, activities or certain promotions.

The below table portrays an illustration of types of costs along with their meaning:

<b>One off costs</b>	<b>Spread</b>	The difference between the buy price and the sell price is called the spread. This cost is realized each time you open and close a trade.
	<b>Commission per volume trade</b>	Any cash, realized 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 and a currency conversion fee will be charged to your account.
<b>Ongoing costs</b>	<b>Daily holding Cost/Swap/Rollover</b>	Swaps are charges, which are incurred when a trade is kept overnight, to reflect the cost of funding your trade. Both long (‘buy) and short (‘sell) positions are subject to daily swap, which may be in favor of the client or against him/her depending on the instrument. Example: A Client, has a long position of 1 lot (1000) on US COCOA CFD open for weekend and his account is denominated in USD on a Wednesday. The swap rates are -8.48 points for short position and -10.88 for long position. Over the weekend swap is tripled; Therefore, the calculation will be as follows: $\text{Swap} = (0.001 * 1000 * -10.88) * 3 = \text{USD } -32.64$ The calculation form for swaps is as follows: $\text{Swap} = (\text{one point} / \text{exchange rate}) * (\text{trade size}) * (\text{swap value in points})$ . <b>Note:</b> Triple Swap Charges on Cryptos, Indices & Commodities are executed on Friday because there is no 2 day settlement period as on Currencies and Metals. Contract Size is 1 for markets except on Currencies which is 100,000: Means if you Buy 1 contract on USOIL you buy 1000 barrel the same applies to the other markets respectively.

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

Commodity CFDs are usually held for less than 24 hours. You can cash out the CFD at any point you wish during regular market hours, but it may not be at a price beneficial to you or your investment goals.

### How can I complain?

If you wish to make a complaint you should contact our Compliance Team on [compliance@sohomarkets.eu](mailto:compliance@sohomarkets.eu), by emailing or in writing indicating your name, account number and nature of the complaint. If you do not feel that your complaint has been resolved satisfactorily, you may refer your complaint to the [Financial Ombudsman](#) of the Republic of Cyprus.

### Other relevant information

If there is a time gap between the time you place your order and the moment it is executed, your order may not be executed at the price you expected. The Trading Terms & Conditions as well as all related Policies and other Disclosure Documents of our [legal section](#) from 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. This key information document does not contain all information relating to the product. For other information about the product and the legally binding terms and conditions of the product, please refer to our website at <https://www.sohomarkets.eu>

