Key Information Document – CFD ETFs

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. This Key Information Document ("KID") was last updated in July 2023.

Product
The manufacturer of this product is Finalto Financial Services Ltd ("Finalto FS" or "Company"). Finalto Financial Services Ltd is a regulated investment services firm, authorised and regulated by the Financial Conduct Authority ("FCA") under firm reference number 481853. Further information about Finalto Financial Services Ltd and our products can be found at **www.markets.com/uk** or by calling at +44 2031 500 380.

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

What is this product? You are about to trade in a Contract for Difference ("CFD") with the underlying instrument being linked to an Exchange Traded Fund ("ETF").

What is an ETF? - An ETF is an investment fund that trades on a stock exchange as a single security. It is designed to track an underlying asset type such as Equities, Indices, Commodities, Bonds etc.

What is CFD? - A CFD is a tradable instrument which represents a contract between two parties to exchange the difference between the current price of an underlying instrument and its price on the day the agreement expires. CFDs are leveraged products, enabling investors to make transactions with only a small margin (deposit). The underlying instrument is never actually owned by you and the profit or loss is determined by the difference between the buying and the selling price of the CFD, minus any relevant costs (detailed below).

What is the underlying instrument? - Finalto FS may offer CFDs on different underlying instruments. In this case it is a CFD linked to an ETF. The ETFs we currently offer as CFDs can be found in our **Website**.

So how do CFDs work? - When you enter into any order to Buy or Sell a CFD on one of our trading platforms, you trade with us as our 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. . Its return is mainly affected by the price and volatility of the underlying asset, the extent of leverage used by the investor and the associated costs of the trade. As an example – if you enter into a Buy trade for a CFD on MSCI Mexico when the underlying price of MSCI Mexico is USD 50.00, we will ask you to place a margin with us to enable you to trade. If the margin is say 1:5, this means that as a minimum you will need to place USD 10.00 with us. If the price of MSCI Mexico goes to USD 55.00, you will profit USD 5.00, minus any relevant costs (detailed below). If it reduces to USD 40.00, you will lose USD 10.00, plus any relevant costs (detailed below). When your account is close to margin call, we may notify you in advance. If your margin level falls below 50% (for retail customers this is fixed; professional customers may ask for lower margin stop out level) we will be forced to close your position. There is no capital protection against market risk, credit risk or liquidity risk. It is possible to lose all of the funds on your account. You will never lose more than the Equity of your trading account as we offer Negative Balance Protection (NBP) to you. If you are classified as a less experienced client (as per our internal classification) we may offer you a guaranteed stop loss per position which means that for each position entered, you will never lose more than your invested amount. For more information please refer to our **Order Execution Policy**.

Objectives - The objective of the CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying instrument (whether up or down), without owning it. This product is mainly appropriate for speculative investment purposes, short-term intraday trading or hedging. The exposure is leveraged since the CFD only requires a small proportion of the notional value of the contract to be put down as initial margin. You may be required to increase the margin due to market changes and that his/her position may be closed early if the margin call is not fulfilled. You should be aware that if your margin level falls below the Margin Close Out Level of 50%, you will receive a stop out or margin call and your positions will start liquidating, without notice by us to you, starting with the highest losses. Professional clients may request lower stop out level; it is in the Company's discretion whether to accept.

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 to medium 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 instruments; 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 - CFDs on ETFs generally have no expiration date and therefore it is up to you to open and close your position. CFDs in general do not have a recommended holding period and it is down to the discretion of each individual investor to determine the most appropriate holding period based on their own individual trading strategy and objectives. The CFD on an ETF does not have a pre-defined maturity date and is therefore open-ended. We retain the ability to unilaterally terminate any CFD contract in case of delisting, extraordinary events or for risk management purposes with immediate effect.

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

Risk Indicator

1	2	3	4	5	6	7

Lower Risk ← → Higher Risk

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 ETFs display a grade of 7 on a scale ranging from 1 to 7 (1 being the less risky category). They therefore exhibit (partly due to leverage) the highest risk characteristics.

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.

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.
- You do not own the underlying asset. Through your trade with us, you receive by us 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 lose 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.
- Prices of CFDs as well as their commercial terms like the spreads and Overnight Swap (Swap Fees) may vary to reflect periods of actual or expected heightened market volatility.
- Depending on the currency of your trading account and the currency of the underlying instrument you trade, your final return maybe exposed to the exchange rate risk between the two currencies (currency conversion).
- The tax legislation of your home country may have an impact on your return.

Investment performance information

A description of the main factors likely to affect future returns for the investor, identifying those most likely to determine the outcome of the investment and other factors which could have a material impact on performance;
Value of Exchange Traded Funds (ETFs) is linked to the performance (price action) of the bundle of financial instruments their portfolios are comprised by. Portfolios are typically made up of stocks or bonds or commodities and overall ETF performance and its price in the exchange will depend on the successful, or unsuccessful, choice of assets by the fund managers. Amongst other reasons, general market sentiment can also be a factor significantly affecting the exchange traded price of an ETF.

Identification of the most relevant index, benchmark, target, or proxy, as applicable, along with an explanation of how the PRIIP is likely to compare in terms of performance and volatility;
According to the ETF's portfolio composition, the relevant benchmark will vary. If ETF is comprised by shares that are constituents of a market benchmark like the S&P 500 index, then this index would be the most relevant index to be used as benchmark with regards to performance and volatility. Individual ETF components' Beta coefficient and the general ETF Beta coefficient can be used to analyse the volatility of ETF. By allocating funds to, for example, a large number of shares rather than one, an ETF may attempt to decrease the impact of volatility on its portfolio from a single share (diversification of risk).

What could affect my return positively?
Based on the composition of the ETF portfolio, higher returns may be generated when components are enjoying a market rally. When general market conditions are bullish (positive) for metals, for example, an ETF allocating its funds on such assets will see its value increase and this may lead to an increase of its trading price in the exchange where it is listed. It can, however, be the case where overall market sentiment is not positive, for instance, and while individual component trading prices are increasing, these increases may not be reflected on the ETF exchange traded price itself. A number of reasons other than market sentiment can also play a role (e.g. excessive market liquidity and ETF specific investment appetite, lack of alternatives, fear of missing out, memes trading, future expectations of investors etc).

What could affect my return negatively?
Based on the composition of the ETF portfolio, lower returns/loss may be generated when components are experiencing price declines. When general market conditions are bearish (negative) for metals, for example, an ETF allocating its funds on such assets will see its value decrease and this may lead to a decrease of its trading price in the exchange where it is listed. It can, however, be the case where overall market sentiment is not positive, for instance, and while individual component trading prices are decreasing, these decreases may not be reflected on the ETF price itself which could actually increase. A number of reasons other than market sentiment can also play a role and affect positively or negatively the ETF's price (e.g. public's perceptions, loss of confidence, and bad publicity around fund managers, lack of market liquidity leading to decreasing demand for ETFs etc).

What outcome the investor may expect where the PRIIP matures or is redeemed or encashed under severely adverse market conditions?
Based on the composition of the ETF portfolio, higher returns may be generated when components are enjoying a market rally. When general market conditions are bullish (positive) for metals, for example, an ETF allocating its funds on such assets will see its value increase and this may lead to increase of its trading price in the exchange where it is listed. It can, however, be the case where overall market sentiment is not positive, for instance, and while individual component trading prices are increasing, these increases may not be reflected on the ETF price itself. A number of reasons other than market sentiment can also play a role (e.g. bad publicity, fund managers challenged).

What happens if the Company is unable to pay out?
If Finalto FS is unable to meet its financial obligations to you, you may lose the value of your investment. However, Finalto FS segregates all retail client funds from its own money in accordance with the UK FCA's Client Asset rules. Finalto FS also participates in the UK's Financial Services Compensation Scheme (FSCS) which covers eligible investments up to £85,000 per person, per firm (subject to customer being considered an eligible claimant). See **www.fscs.org.uk**.

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 costs of us hedging the trading you undertake with us (if we choose to do so), the staff costs, our regulatory license costs, our funding costs as well as the marketing and distribution costs.
- We may also have trading gains from the trades that you enter with us.
- We do not pay any interest on any clients' money you may have in your account with us.
- Where your trading account has remained inactive for more than 1 year (365 days), we apply an inactivity fee of USD 10 per trading

account, per month, so as to meet the operational, administrative and compliance costs of maintaining your account. There are no changes if there is no balance in your account or if at least one trading account is active.

- Please consult your own advisor to understand the nature of our below costs and charges. For more information, please also refer to the **Costs & Charges Document** available in our website

<table>
<tr><td rowspan="3">One off costs - At the time of your trade</td><td>Commission</td><td>Not applicable</td></tr>
<tr><td>Spreads</td><td>Spread is the difference between the Bid price (selling price) and the Ask price (buying price) and reflects, in part, the spreads of the underlying exchange where the underlying instrument is traded on. Our spreads are variable or may be subject to a minimum. Please refer to our Website for more information on the spreads which we charge which may be substantial.</td></tr>
<tr><td>Currency conversion fees (Foreign exchange costs)*</td><td>When your account currency is different than the quoted currency of the underlying asset being traded, a Currency conversion fee (Foreign exchange costs) in the form of a fixed percentage on the conversion rate applicable at the time will be reflected as a mark-up in your account. The Currency conversion fee (Foreign exchange costs) is set at 0.6%. For more information please refer to the Order Execution Policy.</td></tr>
<tr><td rowspan="2">Ongoing charges</td><td>Overnight Swap (Swap Fee)*</td><td>We charge or credit you with Overnight Swap (Swap Fees) for facilitating you to maintain an open Buy or Sell position on CFDs. These are ongoing fees / credits for as long as you have open trades with us. The Overnight Swap (Swap Fee) is set as per the table below across all platforms. Please refer to our Order Execution Policy for more information on these fees.
<table>
<tr><td>Asset class</td><td>Fx</td><td>Indices</td><td>Oil</td><td>Shares</td><td>Commodities</td><td>Bonds</td><td>ETFs</td><td>Natural Gas</td><td>VIX Volatility Index</td></tr>
<tr><td>Amount</td><td>3.75%</td><td>3.75%</td><td>7%</td><td>6%</td><td>7%</td><td>3.75%</td><td>6%</td><td>10%</td><td>10%</td></tr>
</table></td></tr>
<tr><td>Transactions' Tax</td><td>You will be charged with a withholding tax when trading CFDs on US instruments (long positions only) equal to 30%. If you provide us with a W8 (or W9 as applicable) form indicating your tax residency, the applied tax will be based on any tax treaty between your tax residency and the US. Please refer to our Order Execution Policy for more information on these fees.</td></tr>
<tr><td>Incidental costs</td><td></td><td>Not applicable</td></tr>
</table>

*Where % is indicated, the actual monetary value depends on the specific trade.

Costs over time

Costs over time (30 Days)

Reduction in Yield (RIY) due to the impact of overnight charge:
Charges may vary depending on asset's quoted currency and its relevant interest rates

Cost over time (ETFs)	Buy Positions	Sell Positions
Nominal Amount (EUR)	10000	10000
Initial Margin	2000.00	2000.00
Holding Time (Days)	30	30
Overnight Swap (Swap Fees)	0.0333%	0.0278%
Total Cost (EUR)	99.90	83.40
RIY as a % of Notional Value	1.00	0.83
RIY as a % of Initial Margin	5.00	4.17

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

- The Company does not prescribe a holding period for any position whether this is a buy or sell position.
- CFDs are intended for short term trading, in some cases intraday and are generally not suitable for long-term investments. There is no recommended holding period and no cancellation period. You can open and close a CFD on ETFs at any time during the market trading hours of each CFD.
- You can only exit an open trade by entering into an opposite trade, only with us, during the trading hours of the market of the underlying instrument being made available by us on our **Website**.
- You can request to withdraw your money at any time. We will process all withdrawal requests within 24 hours irrespective of payment method. Minimum withdrawal amounts apply, depending on the mode of remitting funds to you (between USD 5 - USD 100). We do not charge any withdrawal fees, although some banks may charge transaction fees. Note that your request for withdrawal will be processed within the same day if received on a business Day within Office hours and by the Business Day following the day it was received but depending on the payment method, funds may take time to reach your account after we process the withdrawal request. We shall have no liability for delays caused by such third parties.

How can I complain?

We apply a comprehensive complaints management policy. You are entitled to submit a complaint at any time in your trading experience with us, where you may feel that our service has not met your satisfaction. When you wish to submit a formal complaint, you can do so by sending an email to **compliance@finalto.com** or in writing to Finalto FS, Broadgate Tower, 20 Primrose Street, London EC2A 2EW.

If upon receipt of our final response on your complaint you are not satisfied or in case no response is received within the 8 weeks' timeframe, you can refer your complaint to the Financial Ombudsman. See **www.financial-ombudsman.org.uk** for further information.

Other relevant information

We recommend that you read the **Order Execution Policy**, the **Client Agreement**, the **Costs and Charges Document** and our policies forming part of our **Legal Pack**, as well as the **Consumer Duty Page** available on our website at all times, which sets out all details of your trading and overall relationship with us.