



Key Information Document – Trading CFD Bond

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.

Product:

CFD Bond trading is offered by CFSM Trader Ltd, CFSM Trader Ltd. as a trading name of CFS Management Limited FCA authorised 171480, registered in England and Wales, number 02960433. Contact Number: +44 207 323 020 7 or go to <https://cfsmtrader.com/> for more information.

This document was latest review: May 2021.

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

What is this product?

Type

A Bond CFD is a leveraged contract entered into with CFSM Trader on a bilateral basis. It allows an investor to speculate on rising or falling prices in an underlying bond.

An investor has the choice to buy (or go “long”) the CFD Bond to benefit from rising bond prices; or to sell (or go “short”) the CFD Bond to benefit from falling bond prices. The price of the CFD Bond is derived from the underlying bond future, which may be either the undated or a forward price. For instance, if an investor is long the undated German Bund and the price of the underlying bond future rises, the value of the CFD Bond will increase - at the end of the contract CFSM Trader will pay 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 future falls, the value of the CFD Bond will decrease - at the end of the contract they will pay CFSM Trader the difference between the closing value of the contract and the opening value of the contract.

A CFD Bond referencing the underlying forward price works in exactly the same way except that such contracts have a pre-defined expiry date – a date upon which the contract either automatically closes or must be rolled into the next period. The leverage embedded within all CFD Bonds has the effect of magnifying both profits and losses.

Objectives

The objective of the CFD Bond is to allow an investor to gain leveraged exposure to the movement in the value of the underlying bond future (whether up or down), without actually needing to buy or sell the underlying future or the constituent asset. The exposure is leveraged since the CFD Bond 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 CFD Bonds.

By way of example, if an investor buys a CFD Bond at a size of \$10 per point and an initial margin amount of 0.5% and an underlying bond price of 16000, the initial investment will be £800 (0.5% x 16000 x \$10). The effect of leverage, in this case 200:1 (1 / 0.005) has resulted in a notional value of the contract of \$160,000 (800 x 200). This means that for each 1 point change in the price of the underlying market so the value of the CFD Bond changes by \$10. For instance, if the investor is long and the market increases in value, a \$10 profit will be made for every 1 point increase in that market. However if the market decreases in value, a \$10 loss will be incurred for each point the market decreases in value. Conversely, 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 in the market.

The undated CFD Bond does not have a pre-defined maturity date and is therefore open-ended; by contrast, a future spread bet has a pre-defined expiry date. As a result, there is no recommended holding period for either 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.

Failure to deposit additional funds in the case of negative price movement may result in the CFD Bond being auto closed. CFSM Trader also retains the ability to unilaterally terminate any CFD Bond contract where it deems that the terms of the contract have been breached.

Intended Retail Investor

CFD Bond is intended for investors who have knowledge of, or experience with, leveraged products. Likely investors will understand how the prices of CFD Bonds are derived and the key concepts of margin and leverage, and that losses may exceed deposits in a given position. They will understand the risk/reward profile of the product compared to traditional bond dealing, and desire short-term, high-risk exposure to the underlying asset. Investors will also have appropriate financial means, hold other investment types and have the ability to bear losses in excess of the initial amount invested

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

Risk indicator



CFS Management is registered in England and Wales with Registered number 02960433 and registered address 55 Riding House Street, London, England, W1W 7EE. CFS Management is authorised and regulated by the Financial Conduct Authority (Register number 171480).

<https://cfsmtrader.com>

CFSM Trader have classified this product as 5 out of 5, which is the highest risk class. This rates the potential losses from future performance of the product at a very high level.

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 CFSM Trader are not able to pay you.

CFD Bond is leveraged products that, due to underlying market movement, can generate losses rapidly. Losses can exceed the amount invested in a given position and you may be required to deposit additional funds in order to maintain your positions. There is no capital protection against market risk, credit risk or liquidity risk. It is possible to lose the total balance on your account.

Be aware of currency risk. It is possible to buy or sell CFD Bonds on a bond in a currency which is different to the base currency of your account. The final return you may get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

Market conditions may mean that your CFD Bond trade on a bond is closed at less favourable price, which could significantly impact how much you get back. We may close your open CFD Bond contract if you do not maintain the minimum margin that is required, if you are in debt to the company, or if you contravene market regulations. This process may be automated.

This product does not include any protection from future market performance 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 a consumer protection scheme (*see "what happens if we are unable to pay you"*). The indicator shown above does not consider this protection.

Performance scenarios

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 based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you hold the CFD Bond. 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.

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

Bond CFD (held intraday)		
Bond opening price:	P	16000

Margin %:	TS	10
Bet size (\$/pt.):	M	20%
Margin Requirement (\$):	$MR = P \times TS \times M$	\$32,000
Notional value of the trade (\$):	$TN = MR/M$	£160,000

Table 1

LONG Performance scenario	Closing price (inc. spread)	Price change	Profit/loss	SHORT Performance scenario	Closing price (inc. spread)	Price change	Profit/Loss
Favourable	16240	1.5%	\$2,400	Favourable	15760	-1.5%	\$2,400
Moderate	16080	0.5%	\$800	Moderate	15920	-0.5%	\$800
Neutral	16000	0.0%	£0	Neutral	16000	0.0%	£0
Unfavourable	15760	-1.5%	-\$2,400	Unfavourable	16240	1.5%	-\$2,400
Stress	15200	-5.0%	-\$8,000	Stress	16800	5.0%	-\$8,000

What happens if CFSM Trader is unable to pay out?

If CFSM Trader is unable to meet its financial obligations to you, you may lose the value of your investment. However CFSM Trader segregates all retail client funds from its own money in accordance with the UK FCA's Client Asset rules. CFSM Trader also participates in the UK's Financial Services Compensation Scheme (FSCS) which covers eligible investments up to £85,000 per person, per firm. See www.fscs.org.uk.

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

CFD Bond 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, no cancellation period and therefore no cancellation fees. You can open and close a CFD Bond on a bond at any time during market hours.

The figures shown include all the costs of the product itself. 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 cost that you pay to them. The figures do not take into account your personal tax situation, which may also affect how much you get back.

What are the costs?

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Trading a CFD Bond on an underlying bond incurs the following costs:

This table shows the different types of cost categories and their meaning			
Undated and Futures	One-off entry or exit costs	Spread	The difference between the buy price and the sell price is called the spread. This cost is realised each time you open and close a trade.
Undated and Futures	One-off entry or exit costs	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 and a currency conversion fee will be charged to your account.
Undated only	Ongoing Costs	Daily holding cost	An overnight 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.
Undated and Futures	Incidental costs		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.
Futures only	Other costs	Rollover costs	Equal to the applicable spread to open and close a trade.

Complaints

If you wish to make a complaint, you should contact our Compliance Department on +44 (0)207 323 0207, by emailing trading@cfsmtrader.com or in writing to Compliance Department e-mail compliance@cfsm.co.uk, 55 Riding House Street, London, WC1E 7DP, England. If you do not feel that your complaint has been resolved satisfactorily, you may refer your complaint to the Financial Ombudsman Service (FOS). See www.financial-ombudsman.org.uk for further information. If your complaint is about an advisory or discretionary manager is acting on your account, please contact the firm providing the service.

Other relevant information

If there is a time 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. Ensure your internet signal strength is sufficient

before trading. You should ensure that you are familiar with all the terms and policies that apply to your account. The Product Overview on our platform contains additional information on trading a CFD.



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