

## Trade Nation UK

### Key Information Document – Foreign Exchange (FX) CFD

**Product Description:** A Foreign Exchange (FX) Contract for Difference (CFD) is quoted as a currency pair, for instance GBP/USD, the British Pound against the US dollar. The first currency listed is referred to as the base currency and the exposure of a CFD is reflected in the second currency quoted, otherwise known as the quote currency.

**Objective:** Allows investor to speculate on the price movement of an exchange rate without ever taking delivery of the currency over any period.

**Intended Retail Investor:** Small to large scale investors who want to speculate on movements in the foreign exchange market.

This document is put together by Finsa Europe Ltd, trading as Trade Nation, and provides you with key information about this investment product. It is required by law to help you understand the nature, risks, costs and potential losses in investing with these products and to help

you compare against other products before you make a decision to invest.

#### Nature of Product

A CFD is a contract under which the parties agree to exchange the difference, in cash, between the opening value and the closing value of the contract. CFDs are leveraged financial products, meaning that you only have to outlay a small percentage of the notional value of a transaction.

We offer a two-way price on a number of FX CFDs. For instance, GBP/USD 1.33560-1.33578. If you expected GBP to increase in value against the USD you would buy at 1.33578, if you expected it to depreciate you would sell at 1.33560. You nominate the number of contracts you wish to trade, with the value of each contract determined by the tradeable unit of the contract. For instance, in this case one contract would represent USD \$1 for each 0.0001 movement

in price on the Cloud Trade platform. Let's say you chose to buy 1 contract at 1.33578. This would equate to a notional value of USD \$13,357.8 (13357.8 units multiplied by 1 contract). In order to place the trade we would require margin on your account of up to 3.33% of the contract size in the first quoted currency in the pair, which would equate to £3,330 in this example.

In the above example, the value of your open position would increase by USD \$10 for every 0.0001 increase in price and decrease by USD \$10 for every 0.0001 fall in price. You can close your position at any time during our trading hours. Positions can be automatically closed if the available funds on your account fall below 50% of the required margin to have positions open. There are a number of different order types that you can place in connection to a trade to manage your risk such as stop loss, trailing stop loss and guaranteed stop loss orders.

## Risks of Product

Although CFDs allow you to speculate on the rise and fall of global financial markets at a relatively low cost, without ever owning the underlying asset, they are considered to be risky products:

**Counterparty risk** - CFDs are "over the counter" (OTC) products, which means that they are not traded on a licensed financial market, such as a Stock Exchange. They are a contract between you and us, which means you are exposed to the risk of us as the counterparty not fulfilling our obligations to you.

**Leverage risk** - The leverage nature of CFDs means that a relatively small move in the price can cause an immediate and substantial loss to you.

**Gapping risk** - Financial markets can be very volatile. Gapping refers to an occurrence whereby the quoted price moves sharply from one level to the next, through an order level meaning your order may be executed at a worse price than you had hoped, for which you may incur losses beyond expectation.

**Foreign Exchange risk** - CFDs are denominated in the currency of the relevant underlying market.

Whilst trading in foreign denominated CFDs you are exposed to the risk that the proceeds of the trade will not be worth as much as they would have been at the onset of trade due to an adverse movement in the exchange rate.

## Costs of Product

The principle cost or commission of trading CFDs is incorporated in what is known as the Spread, which is the difference between the sell and buy price. The Spread is fixed and can be viewed, along with other specific product information, in the Market Information Sheets which can be found on our website.

There is a cost of holding FX CFDs overnight, known as the Overnight Financing Charge. The effect of these adjustments is to mirror the effect of us financing the asset in the underlying market on your behalf. When holding long positions your account will typically be debited with the charge and, when holding short positions, it may lead to you being credited with the charge but it will depend on the relative interest rates of the countries of the currencies involved in the trade.

## How to complain

If you have a complaint about this product, you should contact us immediately at [support@tradenation.com](mailto:support@tradenation.com). We must give you a response within 8 weeks, but we will normally respond to complaints within 3 days or less.

You may take the complaint to the Financial Ombudsman Service: <http://www.financialombudsman.org.uk/>

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