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Amana Capital Ltd

Key Information document

CFD on an FX pair

Amana Capital Ltd

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.

CFD on an FX pair offered by Amana Capital (“Amana”, “we” or “us”), a company which is authorised and regulated, in Cyprus, by the Cyprus Securities and Exchange Commission, License No **155/11**. For more information visit our website https://www.amanacapital.com.cy/

This document was last updated on 20 October 2019.

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

What is this product?

Type – CFD on an FX pair

CFD stands for Contract for Difference and is a leveraged contract entered into with Amana on a bilateral basis, settled in cash. CFD trading allows an investor to speculate based on the rise or fall in prices of global financial markets. The contract is settled using cash, instead of physical goods or securities and this is an easier approach to settlement, which brings favourable tax conditions and the ability to speculate on declining prices.

Foreign Exchange (Forex) is the simultaneous buying of one currency and selling of another. Currencies are traded in pairs, for example - Euro/US Dollar (EUR/USD). Forex contracts offered by Amana Capital are also known as Contracts for Differences (CFDs) on Forex. The first currency referenced in a currency pair is known as the base currency (EUR) and the second (USD) is known as the Quote currency. The price of the CFD on an FX pair is derived from the price of underlying FX pair, which is the current spot price.

Objectives

CFD contracts provide access to leverage, and this allows investors to generate high returns with a small initial deposit. However, leverage can also lead to the loss of the total amount invested.

All products offered by Amana Capital LTD are traded on leverage. Leverage effectively allows clients to trade a notional amount that is much bigger that their initial cash deposit, without owning the physical FX pair. This exposes the clients to higher risk but at the same time permits clients to exploit investment opportunities without having to deposit the full amount of capital as they would have done in the cash market to take an equal size position. For example, Investors purchases 5 EURUSD contracts (5 lots long EUR) at $1.1855 (position EUR 500,000 or USD 592,750), but only deposit 3.33%, or EUR 16,650 towards this transaction. This is attractive to people who do not want to hold the position for the long term, and provides for leverage when trading. In this case the client has only paid EUR 16,650, if the EUR goes up 50 bps the next day, and they sell, they will have made a USD 2,500 (EUR 2,100) profit on a EUR 16,650 investment, or 12.6% return (less any possible roll-over costs). If they had been cash buyers of the EURUSD for EUR 5,000 they would have made USD 25 (EUR 21.9) or 0.44% return. A 3.33% margin provides a trading leverage of 33.3 times the initial deposit or 1:30.

The spot CFD does not have a pre-defined maturity date and is therefore open-ended; by contrast, a future CFD has a pre-defined expiry date. There is no 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.

If the market moves against the investors position and the Equity Balance falls below the Initial Margin requirement the client has the option to:

- Close one or more of the open position(s), in order to reduce the Initial Margin requirement to the required level;

- Place a "stop loss" order with us to try and avoid a deficit balance on your account; and/or,

- Remit further funds to the account as deposit in order to maintain the Initial Margin requirements.

Investors must maintain the margins listed in an account at all times. If the funds in the account fall below this margin, investors will be subject to a margin call to either deposit more funds to cover positions or close positions. Investors have to monitor their account since if the funds fall below the margin the system will automatically close/liquidate the position.

Intended retail investor

CFDs are intended for investors who have the necessary experience and knowledge in order to understand the risks involved in relation to leveraged products. Likely investors will understand how the prices of CFDs are derived, the key concepts of margin and leverage and the fact that capital loss may occur. Investors should also have appropriate financial means and the ability to bear the loss of the initial amount invested.

What are the risks and what could I get in return?	
Risk Indicator 1 2 3 4 5 6 **7** Lower risk ← → Higher risk 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 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 of the product at a very high level.

CFDs are leveraged products that, due to underlying market movement, can generate losses rapidly. **You may lose all your invested capital**. There is no capital protection against market risk, credit risk or liquidity risk.

Be aware of currency risk: It is possible to buy or sell CFDs on an FX pair 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 trade on an FX pair is closed at a less favourable price, which could significantly impact how much you get back. We may close your open CFD contract if you do not maintain the minimum margin that is required, if you are in debt to Amana, 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 the section "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. 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 and 2:

FX pair CFD intraday (opened and closed the same day)		
FX opening price	P	1.1855
Trade size (Per CFD)	TS	100,000.00
Margin	M	3.33%
Margin requirement	MR=P*TS*M	3,947.72
Notional value of the trade	NV=MR/M	$118,550.00
Client equity	-	$10,000.00

Table 1: Long (Buying position)

Performance scenario	Closing price	Price change (%)	Profit/ Loss	New client equity	Client equity change (%)
Favourable	1.1945	0.76%	$900.00	$10,900.00	9.00%
Moderate	1.1860	0.04%	$50.00	$10,050.00	0.50%
Unfavourable	1.1795	-0.51%	-$600.00	$9,400.00	-6.00%
Stress	1.1505	-2.95%	-$3,500.00	$6,500.00	-35.00%

Table 2: Short (Selling position)

Performance scenario	Closing price	Price change (%)	Profit/ Loss	New client equity	Client equity change (%)
Favourable	1.1765	0.76%	$900.00	$10,900.00	9.00%
Moderate	1.1850	0.04%	$50.00	$10,050.00	0.50%
Unfavourable	1.1915	-0.50%	-$600.00	$9,400.00	-6.00%
Stress	1.2205	-2.87%	-$3,500.00	$6,500.00	-35.00%

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 consider your personal tax situation, which may also affect the return on your investment.

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.

What happens if we are unable to pay out?

If Amana is unable to meet its financial obligations to you, you may lose the value of your investment. However, Amana segregates all retail client funds from its own money in accordance with the CySEC's Client Asset rules.

Amana also is a member of the Investor Compensation Fund (ICF) which covers eligible investments up to twenty thousand Euro (€20.000) per client or 90% of the covered investor's claim, whichever is lower, regardless of how many trading accounts the client has, their base currencies, and the place where the investment service is provided. See here for more details.

What are the costs?

Trading a CFD on an underlying FX pair incurs the following costs
Please see https://amanacapital.com.cy/products

This table shows the different types of cost categories and their meaning			
Cash and Futures	One-off entry or exit cost	Spread	The spread is the difference between the buy and sell price
		Currency conversion and transfer fees	Currency cost is the conversion of the received funds to the currency that the client's account currency is denominated by. In addition, there is a transfer fee that the bank or credit card companies charge on deposits and withdrawals
Cash	Ongoing cost	Daily holding cost (swap)	The cost of holding a position overnight, the swap can be in favour or against the client. The longer the client holds the position the higher the swap cost will be
Cash and Futures	Incidental cost	Introducing broker/company commission	The fee/commission of the person/company who introduced the client to the company. Or a commission imposed on some products

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

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

How can I complain?

You may raise a complaint by emailing complaintcy@amanacapital.com or in writing to the Compliance Department at Amana Capital Ltd, 12 Archiepiskopou Makariou III, Kristelina Tower, Office 302, Mesa Geitonia

4000, Limassol, Cyprus. If you do not feel that your complaint has been resolved satisfactorily, you may refer your complaint to the Financial Ombudsman Service. Full details are contained within our internal complaints procedure.

Please see our complaints instruction form for more details.

Other relevant information

Further information with regards to this product can be found on our website in our Product Schedule:

You should ensure that you read our legal documents, which include the Client Agreement, Risk Disclosure, and Order Execution Policy. Such information is also available on request.