

KEY INFORMATION DOCUMENT

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, costs, risks and rewards of this product and to help you compare it with other products.

PRODUCT

Name of the product: CFD on Exchange Traded Funds (ETF)

Issuer of this product: BenchMark Finance AD

Contacts: +359 2 962 57 95; www.benchmark.bg; www.benchmarkfx.co.uk

BenchMark Finance AD is under the supervision of: Financial Supervision Commission, Bulgaria, <https://www.fsc.bg/en/>

This Key Information Document was published on 28.01.2025.

ALERT

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

WHAT IS THIS PRODUCT?

Type

This product is intended for investors who already have an understanding and previous experience in dealing with leveraged products. Commonly, before committing any capital investors will already understand how prices of CFDs are derived, have a clear grasp of the concepts of margin and leverage and understand the fact that all deposits to the trading account may be completely lost. They should also understand the risk/reward profile of the product when compared to that of share dealing. It is also obligatory for investors to have the appropriate financial means and ability to bear a loss of the initial amount invested.

The Product is a Contract for Difference (CFD) which is a type of derivative financial instrument based on the price of underlying Exchange Traded Fund (ETF). This is a leveraged Product which is traded on an OTC (over-the-counter) market. Visit www.benchmarkfx.co.uk for further information in relation to the underlying funds available. The Product allows investors to speculate on the fluctuations in the price of their chosen funds.

Term

The Product is open-ended and has no maturity. CFD on Exchange Traded Funds is an execution-only product and generally therefore has no recommended holding period. CFD on ETF trades do not settle. Instead, open positions held at the end of a trading day are rolled forward to the next available business day. You can open or close a position during the trading hours or the extended trading hours (if available). BenchMark Finance AD has the right to terminate the product offering unilaterally. BenchMark Finance AD cannot automatically discontinue the product.

Objectives

The objective of Product is to gain exposure to fluctuations related to the underlying Exchange Traded Fund (ETF) without owning it.

The objective of the CFD is to enable an investor to gain leveraged exposure to the movement in the value of the underlying fund (whether that be upwards or downwards), without the need to actually buy, sell or otherwise transfer the underlying fund or its components. The exposure is leveraged since the CFD 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 CFDs. Trading CFD can cause as well profit or loss to your account. This product does not require initial payments.

For example, if an investor buys 20 000 CFD units, each representing a single fund, with an initial margin amount of 20% and an underlying fund price of USD 50, the initial investment will be $USD\ 50 \times 1 \times 20\ 000 \times 20\% = USD\ 200\ 000$. The effect of leverage, in this case 1:5 (1 / 20%), has resulted in a notional value of the contract of $USD\ 5 \times 20\ 000 = USD\ 100\ 000$. This means that for each point change (i.e. a change by 0.01) in the price of the underlying fund the value of the CFD changes by USD 200. For instance, if the investor is long and the market increases in value, a USD 200 profit will be made for every 1 point increase in that market. However, if the market decreases in value, a USD 200 loss will be incurred for each point that the market decreases in value. On the other hand, 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 there. The CFD does not have a pre-defined maturity date and is therefore open-ended. The length of the holding period is at the discretion of each individual investor, based on their trading strategy, style and intended outcome – there is no recommended length for this period of time.

An investor has the option to buy (or go "long") the CFD in an attempt to benefit from rising ETF prices; or to sell (or go "short") the CFD to benefit from falling ETF prices. CFD price is derived from that of the underlying ETF price, which may be either the current ("cash") price or a forward ("future") price. For example, if an investor is long on TLT CFD and the price of the underlying ETF rises, the value of the CFD will increase in turn. Once the contract is over, BenchMark will pay the investor the difference between the closing value of the contract and the opening value of the contract, i.e. the investor's profit. On the other hand, if an investor is long and the cash price of the underlying ETF falls, the value of the CFD will decrease – so, at the end of the contract the investor will pay BenchMark the difference between the closing value of the contract and the opening value of the contract. CFDs referencing the underlying future price work in exactly the same way, however such contracts have a pre-defined expiry date – detailing the date upon which the contract will close automatically. Exchange Traded Funds CFDs must always be settled financially, and cannot be settled by the physical or deliverable settlement of any other asset(s). CFD leverage also has a magnifying effect on both profits and losses.

Intended Retail investor

Trading in this product will not be appropriate for everyone. The Product is targeted at individual investors having speculation or hedging objectives, and who have experience in trading derivatives on margin and are prepared to take a higher level of risk of loss for a higher potential return on the capital invested in the Product. This Product is commonly used by people who intend to make money from short-term investments in financial instruments/markets; use cash that they can afford to lose; have a diversified investment and savings portfolio; have high risk tolerance; and understand the impact and risks associated with margin trading.

WHAT ARE THE RISKS AND WHAT COULD I GET IN RETURN?

Risk indicator:



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 and poor market conditions are very likely to impact our capacity to pay you. Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depend on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

In some circumstances you may be required to make payments to pay for losses. The risk of trading increases as a result of the leverage – your maximum loss could exceed your investment. All retail investors are protected against negative balance, which means that all potential losses are limited to the amount of the retail client trading account used for CFD trading.

The above indicator does not cover the risks associated with trading in extended trading hours (if available), such as lower liquidity, higher volatility, wider spreads, differing quotes and/or changing prices.

In the event of default, BenchMark shall seek to immediately terminate, cancel and close-out all of part of any outstanding positions. Trade only after you have acknowledged and accepted the risks. You should carefully consider whether trading in leveraged products is appropriate for you.

You could lose all your investment if we could not pay what we owe you. However, your losses could be covered by a compensation scheme (see section "WHAT HAPPENS IF BENCHMARK FINANCE IS UNABLE TO PAY OUT"). This protection is not included in the above mentioned indicator.

The risk could be significantly higher if the Product is held longer than the recommended holding period of 1 day(s).

Performance scenarios

The scenarios shown in this section illustrate how your investment could perform. 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 keep the Product. This 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 are used for creating the scenarios in Tables 1 and 2:

Exchange Traded Funds (ETF) CFD with a holding period of 1 day		
Description	Abbreviation	Example value
Open price	P	50
Traded volume	TS	2 000
Margin percentage	M	20%
Margin requirement in USD	$MR = P \times TS \times M$	20 000
Nominal value of the transaction in USD	$TN = MR / M$	100 000

Table 1:

Performance with LONG positions	Closing Bid Price	Price change	P/L in USD
Favourable Scenario	50.75	1.5%	1500
Moderate Scenario	50.25	0.5%	500
Unfavourable Scenario	49.25	-1.5%	-1500
Stress Scenario	47.50	-5.0%	-5000

Table 2:

Performance with SHORT positions	Closing Bid Price	Price change	P/L in USD
Favourable Scenario	49.25	1.5%	1500
Moderate Scenario	49.75	0.5%	500
Unfavourable Scenario	50.75	-1.5%	-1500
Stress Scenario	52.50	-5.0%	-5000

WHAT HAPPENS IF BENCHMARK FINANCE IS UNABLE TO PAY OUT?

The investor may face financial losses due to the default of BenchMark Finance AD. The loss incurred as a result of default of BenchMark Finance AD is covered by a compensation scheme. The compensation is guaranteed by the Investor Compensation Fund with its registered address at 31 Tsar Shishman Str., Sofia, Bulgaria. (website: <https://sfund-bg.com/en/>). The compensations' maximum amount is 90% of the eligible investor's claim but not more than BGN 40000 / EUR 20000.

WHAT ARE THE COSTS?

There are financial costs (or gains), which must be paid (received) by the client, depending on the type of position the client has – long or short. When a client holds a position for next working day he owes/receives an overnight swap. The exact amount of the swap can be found under the product's specifications in the trading platform. Most of the specification can also be found on Benchmark's website <https://benchmarkfx.co.uk>. Before you begin to trade CFD on cryptocurrencies you should familiarise yourself with all commissions, fees, and other charges for which you will be liable. These charges will reduce any net profit or increase your losses.

CFD-s on Exchange Traded Funds (ETFs) involves the following costs:

Type		Long/Short position	Description
One-off costs	Entry costs	Spread	The impact of the costs you pay when entering your investment
		Commission	Fixed amount of money for buying a certain quantity of CFD shares.
	Exit costs	Spread	The impact of the costs of exiting your investment
		Commission	Fixed amount of money for buying a certain quantity of CFD shares.
Ongoing costs	Portfolio Transaction Costs	Not applicable	The impact of the costs of us buying and selling underlying investments for the product
	Other ongoing costs	Swap	The impact of overnight financing costs
Incidental costs	Performance fees	Not applicable	The impact of the performance fee
	Carried Interests	Not applicable	The impact of carried interest

HOW LONG SHOULD I HOLD IT AND CAN I TAKE MONEY OUT EARLY?

Recommended holding period: 1 day. The Product has no recommended holding period. The Product is highly speculative and the leverage effect impacts the returns, thus we advise the above recommended holding period. There are no penalties for cashing-in earlier than the recommended holding period. The costs on this Product are specified in section "WHAT ARE THE COSTS?" of this document.

HOW CAN I COMPLAIN?

Investors have the possibility to lodge a complaint with BenchMark Finance AD in relation to this Product in one of the following ways: by email at compliance@benchmark.bg; in person in the BenchMark Finance's [offices](#); by post at 32, Cherni Vrah Blvd., ent. A, Sofia, 1407, Bulgaria. Investors can lodge a complaint concerning this Product with the Bulgarian Financial Supervision Commission by email at: delovodstvo@fsc.bg. For further information on complaints please read the Complaints Handling Rules which can be found at: https://benchmarkfx.co.uk/_546.html.

OTHER RELEVANT INFORMATION

The Key Information Document does not cover all information relating to this Product. Additional information about this Product is available on our website:

https://www.benchmarkfx.co.uk/_546.html

Information about the trading conditions of the Product is available at:

https://www.benchmarkfx.co.uk/_478.html

BenchMark Finance reserves the right, at its own discretion and/or in accordance with decisions of ESMA and/or the national competent authorities of the Member States of the European Union, to establish special margin requirements for individual orders, clients and/or positions, as well as to impose other measures which are required by the applicable law. In the event of such changes, BenchMark Finance AD is obliged to inform the client by sending a message to the client's email address, or through the Electronic Trading Platform or the website.

Dividend distribution by the issuers of the underlying assets of this Product is an uncertain future event, and this is the reason why dividend adjustment payments for this Product are not included in the costs calculation (table "Composition of Costs"). In case of a short position (if allowed) in this Product, replacement dividend payments will be withheld.