

Key Information Document (KID) - Cryptocurrencies

**Purpose**

This document provides you (the “Client”) 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.

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. Please visit our website for the precise percentage of retail investor accounts that lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.

CFDs on Cryptocurrencies are offered by L.F. Investment Limited (the “Company”, “we” or “us”), registered in the Republic of Cyprus, with registration number [Insert]. The Company is authorised and regulated by the Cyprus Securities and Exchange Commission in the Republic of Cyprus, with license number 271/15. For further information please call +44 14 46 506 711 or go to [www.purple-trading.com](http://www.purple-trading.com).

This document was last updated on 1<sup>st</sup> of May 2023.

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

**What is the product**

**Type:** This investment product is a Contract for Differences (“CFD”). A CFD is an Over the Counter (“OTC”) leveraged financial instrument and its value is determined based on the value of an underlying asset. The investor makes a profit or a loss on the CFD based on the direction chosen (Buy or Sell) and the direction of the value of the underlying asset. The CFD is settled in cash only and the investor has no rights whatsoever on the actual underlying asset.

**Objectives:** The objective of the CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying market (whether up or down), without actually needing to buy or sell the underlying market. 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. In the case of Cryptocurrencies, the prices are determined by demand and supply on cryptocurrency exchanges denominated in USD or another currency if indicated. Prices of this specific investment product may be obtained either by liquidity providers who obtain such prices from the market data aggregators or directly from the relevant cryptocurrencies exchanges. The market for cryptocurrencies is open 7 days a week from Sunday 23:05 CET until Friday 22:00 CET.

In order to purchase the specific CFD, the investor must have sufficient margin in his account. The required margin for CFDs on Cryptocurrencies is [100] %. This means that in order to open a transaction of €10,000 (deal size) the investor will need to have a minimum margin of €[10000] in his account. The maximum leverage offered by the Company for CFDs on cryptocurrencies is up to 1: [2]. Margin requirements may be decreased at the investor’s request, subject to fulfillment of certain criteria whereas margin requirements may be increased at the Company’s discretion in cases of extreme market volatility.

The profit or loss is determined according to the following formula:

**For Buy (Long) positions:** Deal size (in units of base asset) x [Close Bid – Open Ask] = P/L (in units of the other asset)

**For Sell (Short) positions:** Deal size (in units of base asset) x [Open Bid – Close Ask] = P/L (in units of the other asset)

The P/L from the closed positions is then converted into the base currency of the investor’s account, if different. This is done on the basis of the relevant Bid/Ask rate of the two currencies at the time the position is closed.

The P/L is also affected by the fees charged, as detailed below.

The P/L is calculated by, and shown on, the trading platform on a continuous basis, and losses on the positions will affect the investor’s margin. Should the investor’s margin reach 0 (zero), all investor’s positions will automatically close which means that the investor will realize the losses. Therefore, it is important to maintain such level of margin to support the investor’s open positions.

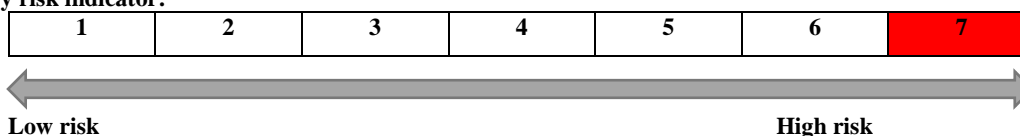
**Intended Retail Investor:** CFDs are intended for investors who wish to make directional transactions and take advantage of short term price movements on the rates of cryptocurrencies and have the ability to sustain the risk of loss of their entire investment amount within a short period of time. Those investors have knowledge of, or are experienced with, leveraged products and have a full understanding on how the prices of CFDs are derived as well as the key concepts of margin and leverage.

**Insurance Benefits:** None.

**Term:** There is no predetermined investment holding period or contract expiration implicit in this instrument - it is an open-ended investment to be bought and sold at your discretion. Please consult the Company’s website for trading times.

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

**Summary 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 of the product at a very high level.

This risk indicator assumes that you keep the product for up to 24 hours. You may not be able to end the product easily or you may have to end at a price that significantly impacts the return on your investment. CFDs may be affected by slippage or the inability to end the product at a desired price due to unavailability of such price in the market. CFDs are OTC products and cannot be sold on any exchange, MTFs or other trading venue. There is no capital protection against market risk, credit risk or liquidity risk.

The prices of the underlying cryptocurrencies may fluctuate significantly in a short period of time. If the change in price is against the direction chosen by the investor, then the investor can experience significant losses over a short period of time up to a maximum of the amount held as margin in the investor's account. However, the investor will never owe to the Company any amount in excess of the available funds in the account in light of the contractual "Negative Balance Protection". Market conditions may mean that your CFD trade is closed at a less favorable price, which could significantly impact how much you get back.

This product does not include any protection from future market performance so you could lose some or all of your investment.

**Performance Scenarios (assuming no Overnight Financing effects):**

**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. Actual returns could be lower.**

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.

Below are examples of performance scenario of a deal in CFD based on Bitcoin.

CFD on a Cryptocurrency (held intraday)							
BTC/USD pair opening price:	(P)						[25000.00]
Trade size (per CFD):	(TS)						1 LOT (1 coin)
Margin %:	(M)						100%
Leverage:	(L)						1:1
Margin Requirement (\$):	MR = P x TS x M						[\$25000]
Notional value of the trade (\$):	TN = MR x L						[\$25000]
BUY/LONG Performance Scenario	Closing Price (inc. avg. spread of 10.59 USD)	Price change	Profit/Loss	SELL/SHORT Performance Scenario	Closing price(inc. avg. spread of 10.59 USD)	Price change	Profit/Loss
<b>Favourable</b>	[25739.41]	3%	[\$739.41]	<b>Favourable</b>	[24260.59]	-3%	[\$739.41]
<b>Moderate</b>	[25364.41]	1.5%	[\$364.41]	<b>Moderate</b>	[24635.59]	-1.5%	[\$364.41]
<b>Unfavourable</b>	[24239.41]	-3%	[-\$760.59]	<b>Unfavourable</b>	[25760.59]	3%	[-\$760.59]
<b>Stress</b>	[23489.41]	-6%	[-\$1510.59]	<b>Stress</b>	[26510.59]	6%	[-\$1510.59]

\* Note that due to the company's Negative Protection Balance policy, Clients will not lose more than they have deposited.

**What happens if Company is unable to pay out?**

In the event that the Company becomes insolvent and is unable to pay out to the investors, Retail Clients may be eligible to compensation of up to €20,000 by the Investor Compensation Fund set up by the Cyprus Securities and Exchange Commission.

**What are the Costs**

The Reduction in Yield ("RIY") shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs. The Company charges a spread when an investor buys a CFD. A spread is the difference between the Sell ("Bid") and Buy ("Ask") price of the CFD which is multiplied by the deal size. The spread of each underlying asset is detailed on the Company's website, but each investor may have different spreads on all or some of the underlying asset based on the investor's history, volume, activities or certain promotions.

For further information, please refer to our [Terms and Conditions](#).

**Cost over time:**

Investment [EUR 10000] Scenarios	If you cash in after [1] year		
<b>Total costs</b>	Scenario: 0.01 lot BTC/USD	One-off costs: <b>Spread</b> =10.59 USD / lot = 0.11 USD	Ongoing costs (per day): <b>Swap</b> = lots * contract size * swap points * point size = 0.01 * 1 * -2092.9208 * 0.01 = 0.21 USD



	held 1 year. market price = 27 465.3 USD	<b>Typical commission</b> =0.12 % * nominal trade value = 0.12 % * 0.01 * 27465.3 = 0.33 USD	<b>swap yearly</b> = 365 * 0.21 = 76.65 USD <b>Total costs</b> =77.09 USD = 70.53 EUR
Impact on return per year	0.71%		

The below table portrays an illustration of types of costs along with their meaning:

This table shows the different types of cost categories and their meaning				
<b>One-off costs</b>	<b>Spread, Commission</b>		<b>One-off exit costs</b>	The difference between the buy price and the sell price. The cost related to the spread is realized each time you open a new trade. Applicable in certain types of accounts. More information can be found on the Company's website. For example, if the BTCUSD is trading at 6705.000, our offer price (the price at which you can buy) might be 6730.000 and our bid price (the price at which you can sell) might be 6680.000. The impact of the costs of exiting your investment when it matures. For more information see the Company's <a href="#">website</a> .
<b>Ongoing costs</b>	<b>Daily Holding Costs</b>		<b>One-off exit costs</b>	The interest paid for holding a position overnight. It is a credit or debit as a result of daily interest rates. When you hold positions overnight, they are either credited or debited interest based on the rates at the time. Rollover can add a cost or profit to your trade. For example, Trade size of BTCUSD is 1 lot (1 contract), Day closing Rate is 6750.000, Daily holding cost % is -30% then the fee will be $1 \times 6750.000 \times (0.001 / 0.001) \times (-30 / 100 / 360) = -€5.63$ . The impact of the costs of exiting your investment when it matures. For more information see the Company's <a href="#">website</a>
<b>Portfolio Management fees</b>	<b>Performance fee</b>		<b>Incidental cost</b>	Depending on a particular strategy, performance fee is charged from the trading account where the account equity outperformed the current HWM level. For example, current equity is \$2560, HWM is \$2000 and performance fee is 10% then the performance fee is calculated by the following $(2560 - 2000) \times 0.1 = \$56$ . For more details see <a href="#">Terms for Strategies</a> .
	<b>Front fee</b>		<b>One-off entry costs</b>	Depending on a particular strategy and its conditions whether the front fee will be charged or not. Front fee is charged only when a client makes a deposit or internal transfer to the trading account which is connected to the strategy. For example, client makes deposit of \$1000 to the connected trading account, front fee is 5% so the final charged amount is calculated the following $1000 \times 0.05 = \$50$ . For more details see <a href="#">Terms for Strategies</a> .
	<b>Management fee</b>		<b>Recurring Cost</b>	Depending on a particular strategy and its conditions whether the management fee will be charged or not. Management fee is charged based on the end of month equity and number of days during which the account was connected to the strategy in the past month. For example, the client's account end of month equity is \$1000, the account was connected to the strategy for 15 days in the past month, management fee is 10% per month so the final amount to be charged is calculated the following $(15 / 30) \times 10 / 100 \times 1000 = \$50$ . For more details see <a href="#">Terms for Strategies</a> .

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

Recommended (required minimum) holding period: None.

There is no recommended holding period or minimum holding period. There are no consequences for you choosing to close your position other than ending your exposure to the underlying at that time. Early termination may occur in the event your account has insufficient funds to support the margin requirement for your position, as a consequence of certain corporate actions, or if the Company for other reasons decides to discontinue the CFD, or if the Company were to become insolvent.

**How can I complain?**

If you wish to make a complaint you should contact our Customer Support Team by emailing [complaints@purple-trading.com](mailto:complaints@purple-trading.com) indicating your name, account number and nature of the complaint. If you do not feel your complaint has been resolved satisfactorily, you can refer your complaint to the Cyprus Financial Ombudsman Service. See <http://www.financialombudsman.gov.cy> for further information.

**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. The Trading Terms & Conditions as well as all related Policies and other Disclosure Documents of our website contain important information regarding your account. You should ensure that you are familiar with all the terms and policies that apply to your account. This key information document does not contain all the information relating to the product. For other information about the product and the legally binding terms and conditions of the product, please refer to our website at <https://www.purple-trading.com>.

