



Key Information Document – CFD on a Commodity

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

This CFD on a commodity is offered by **ALFORBFX LIMITED**, (“ALFORBFX”, “we” or “us”), which is authorised and regulated by the Financial Conduct Authority.

Website: www.alforbfx.com | Email: support@alforbfx.com | Telephone number: +97145523434 This document was created/ last updated on 11 November 2024.



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

What is this product?

Type

A contract for difference (“CFD”) is a leveraged contract entered into with ALFORBFX on a bilateral basis, settled in cash. It allows an investor to speculate on rising or falling prices on an underlying commodity. An investor has the choice to buy (or go “long”) the CFD to benefit from rising commodity prices; or to sell (or go “short”) the CFD to benefit from falling commodity prices. The price of the CFD on a commodity is derived from the price of the underlying commodity price, which may be either the current spot price or the future’s price.

CFDs are leveraged products and leverage is customized and set by the client. At the end of the day any open positions are rolled over and charged a daily swap fee. Please note that margin trading requires extra caution, because whilst you can realize large profits if the price moves in your favor, you risk extensive losses if the price moves against you. Failure to deposit additional funds in order to meet the maintenance margin requirement as a result of a negative price movement may result in the CFD being auto-closed. This will occur when your remaining account equity falls below the maintenance margin requirement.

The CFD on spot commodity does not have a pre-defined maturity date and is therefore open-ended; by contrast, a CFD on a commodity future has a pre-defined expiry date. CFD on a commodity future at expiry cannot be rolled over and your position is still open at expiry it will be auto-closed at the last available market price. ALFORBFX retains the ability to unilaterally terminate any CFD contract where it deems that the terms of the contract have been breached.

Objectives

The objective of the CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying commodity (whether up or down), without owning the physical commodity. 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. For example, if an investor buys 1 lot of CFD (1 lot equals 1000 barrels) on Brent oil with an initial margin amount of 10% and an underlying Brent oil price of \$50, the initial investment will be \$5000. ($10\% \times 1000 \times 50$). The effect of leverage, in this case 10:1 ($1 / 0.1$) has resulted in a notional value of the contract of \$50,000 ($\50×1000). This means that for each 1-point change in the price of the underlying commodity the value of the CFD changes by \$10 ($1000 \times \0.01). 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.

CFDs in general do not have a 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.

Intended Retail Investor

CFDs are intended for investors who have knowledge of, or are experienced with, leveraged products and that understand how the prices of CFDs are derived, the key concepts of margin and leverage, the fact that losses may exceed deposits and have the appropriate financial means to bear losses of the entire amount invested.

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

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 movements can generate losses rapidly. 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 a commodity 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.

Leveraged trading magnifies the losses of price movements and failure to deposit additional funds may result in the CFD being auto-closed. You are also subject to risks related to internet failures, communications failures and delays or account password theft.

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 below 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:

Commodity CFD (held intraday)		
Commodity opening price:	P	\$50
Trade size (per CFD):	TS	1,000
Margin %:	M	10%
Margin Requirement:	$MR = P \times TS \times M$	\$5,000
Notional value of the trade:	$TN = MR/M$	\$50,000

Table 1:

LONG Performance scenario	Closing price	Price change	Profit/Loss	SHORT Performance scenario	Closing price	Price change	Profit/Loss
Favourable	50.75	1.5%	\$750	Favourable	49.25	-1.5%	\$750
Moderate	50.25	0.5%	\$250	Moderate	49.75	-0.5%	\$250
Unfavourable	49.25	-1.5%	-\$750	Unfavourable	50.75	1.5%	-\$750
Stress	47.5	-5%	-\$2,500	Stress	52.50	5%	-\$2,500

***The loss is restricted to your account balance as we offer negative balance equity protection.**

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 happens if ALFORBFX is unable to pay out?

If ALFORBFX is unable to meet its financial obligations to you, you may lose the value of your investment. However, we segregate all retail client funds from our own money in accordance with our regulatory requirements. ALFORBFX also participates in the Financial Services Compensation Scheme ('FSCS'), which covers eligible investments up to 85,000 GBP per person, per firm. More information on the FSCS can be found on their website [here](#).

What are the costs?

Before you begin to trade CFDs on commodities you should familiarise yourself with all one-off and ongoing costs for which you will be liable. These charges will reduce any net profit or increase your losses. For more information please visit our [website](#).

This table shows the different types of cost categories and their meaning

One-off costs	<i>Spread</i>	All our platforms	The difference between the buy and sell price is called the spread.
	<i>Commission</i>	Applicable only on CFDs on spot metals traded on cTrader.	This is a commission charged when you buy and sell a CFD on spot metals based on the notional value of the trade.
	<i>Currency conversion</i>	All our platforms	The fee charged for converting realised profit/ loss from the instrument currency to the account currency.
Ongoing costs	<i>Financing costs</i>	All our platforms	The financing cost for every day you keep the position open. Depending on the position held (e.g. long or short) and our prevailing interest rates, your account may be credited or debited with the financing cost.

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 and no cancellation period. You can open and close a CFD on a commodity at any time during the market trading hours of each CFD.

How can I complain?

If you wish to make a complaint, you can submit it by email to support@alforbfx.com. For more details please see our '[Complaints Handling Procedure](#)'. If you are not satisfied with our final response to your complaint, then you can contact the [Financial Ombudsman Service](#).

Other relevant information

We draw your attention to the following information documents required to be made available by Law, which are available [here](#).

Client Agreement - the contract based on which we provide investment services to you and contains the terms and conditions that govern our business relationship.

Order Execution Policy - it summarizes the process by which we execute your orders. Further, it describes the various types of orders and how they are executed on all the trading platforms offered by us, the required maintenance margin per platform and the treatment of corporate actions.

Risk Disclosure Notice - it summarizes the main risks when investing in CFDs.

Conflict of Interest Policy - it outlines the manner in which we identify, manage or control any conflicts of interest that may arise during the course of our business activities.

Privacy Policy - it explains how we deal with certain information you provide us with.