


Key Information Document – CFDs on Commodities

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

**Product Name** Contract for difference (“CFD”) on commodities.  
**Product manufacturer** Magic Compass Ltd (hereinafter the “Company”), authorised and regulated by the Cyprus Securities and Exchange Commission (License Number: 299/16). The Company is located 9, Agios Athanasios, 4106 Limassol, Cyprus.  
**Further information** about Magic Compass Ltd and our products refer to the Company’s website. You can contact us using the details on our website <https://www.magiccompass.com/> or by calling +357 25 023 880. This document was last updated on 7th of June 2023.



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

What is this product?

**Type**  
This document relates to the product known as 'Contract for Difference', most commonly known as a CFD. A CFD on a commodity is a leveraged product allows you to obtain an indirect exposure to a commodity (e.g., Gold, Silver, Oil, etc.) by speculating on rising or falling prices. This means that you will never own the commodity, but you will make gains or suffer losses as a result of price movements in the underlying asset to which you have the indirect exposure. A commodity is a raw material or primary agricultural product used in commerce. For any CFD two prices are quoted: (a) the higher price ('Ask'), at which the investor can buy ('go long') and (b) the lower price ('Bid') at which investor can sell ('go short'). The difference between the two is the Spread. The leverage embedded with CFDs has the potential to magnify your profits or losses. You can visit our Company’s website ([metals](#) and [energy](#)) for additional information on the commodities available to you.

**Objectives**  
The objective of trading CFDs is to speculate on price movements (generally over the short term) in an underlying asset by obtaining an indirect exposure to the underlying asset. Your return depends on movements in the price of the underlying asset and the size of your stake. For example, if you believe the value of a commodity is going to increase, you would buy a number of CFDs (this is also known as "going long"), with the intention to later sell them when they are at a higher value. The difference between the price at which you buy and the price at which you subsequently sell equates to your profit, minus any relevant costs (detailed below). If you think the value of a commodity is going to decrease, you would sell a number of CFDs (this is also known as "going short") at a specific value, expecting to later buy them back at a lower price than you previously agreed to sell them for, resulting in us paying you the difference, minus any relevant costs (detailed below). However, in either circumstance if the commodity moves in the opposite direction and your position is closed, either by you or as a result of a margin call (detailed below), you would owe us the amount of any loss you have incurred together with any costs.

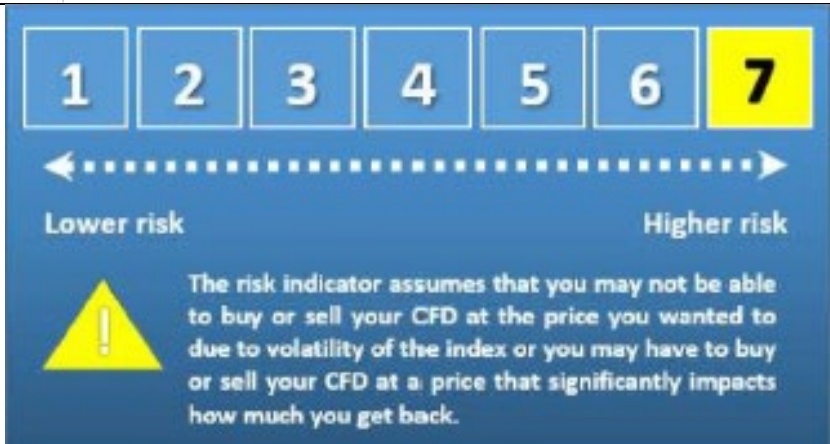
**Intended Retail Investor**  
Trading these products will not be appropriate for everyone. We would normally expect these products to be used by persons who:

- (i) have a high-risk tolerance;
- (ii) are trading with money they can afford to lose;
- (iii) have experience with, and are comfortable trading on, financial markets and, separately, understand the impact of and risks associated with margin trading; and
- (iv) want to generally gain short term exposures to financial instruments/markets, and have a diversified investment and savings portfolio.

**Term**  
CFDs on commodity have no fixed maturity/expiry date or minimum holding period. You decide when to open and close your positions. You shall have sufficient funds to maintain the margin requirement to hold a position, otherwise the position will be auto closed. However, in case the account falls into the negative balance, retail clients have negative balance protection on their trading account.

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 of the product at a 'very high' level, as poor market conditions may impact our capacity to pay you. This risk is not considered in the indicator shown above.

We provide Negative Balance Protection to our clients, meaning that **you will never be able to lose more funds than the amounts invested with us**. Please note that there is no capital protection against market risk, credit risk or liquidity risk.

Trading risks are magnified by leverage. Values may fluctuate significantly in times of high volatility or market/economic uncertainty; such swings are even more significant if your positions are leveraged and may also adversely affect your position. As a result, margin calls may be made quickly or frequently, and in the event of default, your positions may be closed out. Trade only after you have acknowledged and accepted the risks. you should carefully consider whether trading in leveraged products is appropriate for you.

The tax regime of the country in which you are domiciled may impact your return.

**Be aware of currency risk.** It is possible to buy or sell CFD on commodity 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.

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 the company is unable to pay out'). The indicator shown above does not consider this protection. For more information on the risks associated with trading the product, please see our [Risk disclosure & warning Notice](#).

Performance Scenarios

**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.**

This key information document is not specific to a particular product. It applies to a CFD on any commodity. However, each CFD you enter into with us is specific to you and your choices. You will be responsible for choosing the underlying commodity; when you open and close your position; the size of your position and your margin; and whether to use any risk mitigation features we offer (such as stop loss orders).

Example:

0.5 CFD on XAUUSD							
XAUUSD held intraday							
Opening Price	P	1,664.94					
Traded Size	TS	50 ounces (0.5 lot)					
Margin %	M	5%					
Margin Requirements (\$)	MR=P*TS*M	4,162.36					
Notional Value of the trade (\$)	TN=P*TS	83247.1					
LONG		SHORT					
Performance Scenario		Closing Price	Price Change	Profit/Loss	Performance Scenario		Profit/Loss
Favourable		1,689.92	1.50%	\$1,248.71	Favourable		\$1,248.71
Moderate		1,669.10	0.25%	\$208.12	Moderate		\$208.12
Unfavourable		1,656.62	-0.50%	-\$416.24	Unfavourable		-\$416.24
Stress		1,623.32	-2.50%	-\$2,081.18	Stress		-\$2,081.18

The stress scenario above shows how potential profit and loss under different scenarios. 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. In any case, your profit or loss depends on how the market behaves and how long you hold the CFD. The stress scenario shows what you might get back during extreme market circumstances, when the market is very volatile.

The figures shown include all the costs of the product itself. The figures do not take into account your personal tax situation, which may also affect how much you get back. This performance scenario assumes you only have one position open, and does not take into account the negative or positive cumulative balance you may have if you have multiple open positions with us.

**What happens if Magic Compass Ltd is unable to pay out?**

If the company is unable to meet its financial obligations to you, this could cause you to lose the value of any CFD you have with the company. The company segregates your funds from its own money in accordance with the CySEC Safeguarding of Client Funds. Should segregation fail, you may be eligible for compensation from the Investor Compensation fund (ICF), which provides compensation for retail investors for eligible investment up to the amount of 20,000 EUR or 90% of the cumulative covered claims of the covered investor, whichever is lowest. If you wish to get more information on the ICF please click [here](#).

**What are the costs?**

Please familiarize yourself with list below about our one-off and ongoing costs involved when you trade CFD products:

One off costs	Spread	The difference between the buy price and the sell price is called the spread. This cost is realised each time you open and close a trade.
	Commission	The commission you pay when you buy and sell an instrument.
	Currency Conversion	It is the cost of converting realised profit and losses, adjustments, fees and charges that are dominated in a currency other than the base currency of your trading account
Ongoing costs	Swap/Rollover/Daily holding cost	It is a fee or swap cost for keeping your position overnight. Open positions are rolled over daily till you decide to close the positions.

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

**Recommended holding period: N/A**

This product does not have a minimum recommend period and will expire when you choose to exit the product or in the event you do not have available margin. You can open and close a CFD at any time during market hours. CFDs are intended for short term trading, in some cases intraday and are generally not suitable for long term investments.

**How can I complain?**

If you wish to make a complaint, you can contact us at +357 25023880, or by email at [complaints@magiccompass.com](mailto:complaints@magiccompass.com). You may also refer to our [Complaints handling Policy](#) available on our website. If you do not feel your complaint has been resolved satisfactorily, you may contact the Financial Ombudsman of the Republic of Cyprus. Please see [www.financialombudsman.gov.cy](http://www.financialombudsman.gov.cy) for further information.

**Other relevant information**

You will find detailed information on our products by reviewing the instruments section on the Company’s website. You should ensure that you read the [Trading Terms and Conditions](#), [Order Execution Policy](#) and [Risk Disclosure and Warning Notice](#) displayed in the Legal Documentation section of our website. Such information is also available on request.