

Key Information Document

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of the Republic of Bulgaria under UIN 123560824

EBH
EUROPEAN BROKERAGE HOUSE

Purpose

This document provides you with key information about this investment product. This is not marketing material. This 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

Name of Product: Contract for Difference on indices

Issuer: European Brokerage House Ltd., which is authorised and licensed by Financial Supervision Commission, Bulgaria, under license RG-03-197 / 31.03.2020

Website: <https://www.ebhforex.com>

Phone: +359 24374073

E-mail: webmaster@ebhforex.com

Alert

You are about to purchase a product that is not simple and may be difficult to understand. The product may not be suitable for every retail investor. You can lose all the invested amount.

Description of the product

You are about to trade with a Contract for Difference (CFD) with the underlying instrument being linked to an index.

Type

Contracts For Difference (CFDs) are derivative financial instruments which are traded outside regular exchanges (over the counter). CFDs allow you to obtain indirect exposure of the underlying asset such as currency pair, index, commodity or other types of assets. For CFDs on indices in particular, the value of the trade derives from the difference in the spot price of the respective index. CFDs are leveraged products, enabling investors to make transactions with only a small margin (see the example below).

Objectives

By trading a CFD you gain an indirect exposure to the underlying financial instrument without owning it. Through your trading with us, you receive by us exposure to the performance of the underlying asset, but you do not receive any ownership or other such rights to such underlying asset. This product is suitable for short-term investments, namely speculation and hedging.

Speculation example:

If you believe that the underlying index, S&P 500 for example, will rise in the near future you can buy a CFD on S&P 500, SPXUSD., and when the price moves in your direction, you can “close” this position by selling the contract and make a profit. However, if the market moves in the opposite direction, it can result in a loss.

Hedging example:

If you own individual shares included in the index or another derivative instrument on the index, you may be exposed to market risk. To mitigate that risk, you may use a CFD on that index by opening a position in the opposite direction of your portfolio holdings.

Intended retail investor

The best suitable retail investors are those with a relatively short-term investment horizon, good knowledge and experience of leveraged products and are financially able to bear the risk of total loss of their investment amounts.

Term

CFDs on indices have no maturity date. After a position is open, it can be closed only by the client or by the Company in certain cases. Every open position is rolled onto the next day and charged with swap fees or other corporate action costs, such as dividends (see below). The Company may terminate the product under special conditions like restructuring the contract, lack of liquidity, force majeure or regulatory restrictions. You should be aware that if your margin level falls below 50%, you will receive a margin call and your positions will start liquidating, without further notice, starting with the highest losing positions.

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

Risk Indicator



This product does not provide capital protection against market, credit or liquidity risk. The indicator above indicates the level of risk this product possesses compared to other products. This product is classified with the highest risk class 7 of 7, due to their nature. Underlying price movements and the leverage effect, when moving against your positions, can **generate losses rapidly** and the **total loss** can be significant and lead to depletion of your investment account.

Currency risk

This type of risk arises when the client opens a position in a currency which is different from the base currency of the account, so the final return on investment could be different. This risk is not part of the risk indicator shown above. For further information, please see our risk disclosure on our website.

CFD on indices specific risks

- Indices consist of a portfolio of shares. If one or more share/s distribute dividends, according to the cap of the share/s in the portfolio, positive or negative cash dividend adjustment depending on the direction of your trade, may be applied to neutralise the economic effect that may affect the price of the underlying share on the ex-dividend date.
- Therefore, where you have open positions that you do not wish to receive cash dividend adjustment, you shall close them before end-of-day.
- A corporate action may be applied to the underlying instrument. In such a case, the Company reserves the right to perform any necessary adjustment to the value and the size of the position held on the CFD, aiming to neutralise the economic effect of the corporate action on the CFD price.

Performance Scenarios

This Key Information Document is not specific to a particular index. For each trade, a client can choose from a list of underlying indices. The table below shows what could happen to an initial investment of USD 1,000 (Equity) at a margin of 5% (1:20 leverage), if certain scenarios occur. Due to their short-term objective, the holding period of a position is set to one business day including overnight cost (swap). Bear in mind that swaps, if positive, can be added to your equity.

| CFD on indices (SPXUSD., held overnight) | | |
|---|------------|--------------|
| | Buy (Long) | Sell (Short) |
| Balance (USD) – Equity [E] | 1,000 | |
| Opening Price [OP] | 2901.25 | 2901.75 |
| Trade size of 0.1 lot [TS] | 1 | 1 |
| 1 lot = 10 contracts | | |
| Notional value of the trade (USD) [OP * TS] | 2,901.25 | 2,901.75 |
| Margin (%) [M] | 5.00% | 5.00% |
| Margin Requirement (USD) [OP * TS * M] | 145.0625 | 145.0875 |
| Commission for 0.1 lot [C] – 1 lot = 10 contracts | 0.00 | 0.00 |

| | | |
|--|----------|----------|
| Spread cost [S] | -0.5 | -0.5 |
| Ongoing Costs, e.g. Roll-over: | | |
| Daily Premium (USD) [R] | -0.496 | 0.264 |
| Costs summary [C + S + R] | -1.00 | -0.24 |
| Effect on costs over return [[C + S + R] / TS * 100] - 1-day rollover | -0.0343% | -0.0081% |

| SHORT POSITION | | | | | | |
|-------------------|----------------|----------------|----------------|--------------|---------------|----------------|
| Market Conditions | Closing Price | % Price change | Profit/Loss | Costs | Balance | % ROI |
| Optimistic | 2879.49 | 0.75% | 21.76 | -1.00 | 1,020.76 | 2.08% |
| Moderate | 2891.10 | 0.35% | 10.15 | -1.00 | 1,009.16 | 0.92% |
| Pessimistic | 2928.81 | -0.95% | -27.56 | -1.00 | 971.44 | -2.86% |
| Stress* | 3046.31 | -5.00% | -145.06 | -1.00 | 853.94 | -14.61% |

| LONG POSITION | | | | | | |
|-------------------|----------------|----------------|----------------|--------------|---------------|----------------|
| Market Conditions | Closing Price | % Price change | Profit/Loss | Costs | Balance | % ROI |
| Optimistic | 2923.51 | 0.75% | 21.76 | -0.24 | 1,021.53 | 2.15% |
| Moderate | 2911.91 | 0.35% | 10.16 | -0.24 | 1,009.92 | 0.99% |
| Pessimistic | 2874.18 | -0.95% | -27.57 | -0.24 | 972.20 | -2.78% |
| Stress* | 2756.66 | -5.00% | -145.09 | -0.24 | 854.68 | -14.53% |

The stress scenario shows what return on investment might occur during extreme market conditions (crisis). Those types of market conditions could lead to full loss of your investment account and further. In case of negative balance, however, EBH enforce negative balance protection rules (you can't lose more than you invest).

The represented scenarios are illustrative. You can compare them with other products' scenarios. In the above table, all costs related to the product are included. Costs like agent or distributor fees (in case you have one) or money transfer fees are not included. Taxes which can be incurred by your government are also not included in the examples above.

What happens if the Company is unable to pay out?

In the event of our financial default, you may seek compensation from the Investor Compensation Fund ("ICF") of Bulgarian investment firms. The maximum compensation is 90% of your account balance, but no more than BGN 40,000 (or the equivalent in foreign currency). ICF Rules apply, including concerning your categorisation. In general, retail clients are covered by the ICF.

Fees and Charges

- We do not pay any interest on any clients' money you may have in your account with us.
- Please consult your own advisor to understand the nature of our below costs and charges:

| THIS TABLE SHOWS THE DIFFERENT TYPES OF COST CATEGORIES AND THEIR MEANING | | | |
|---|---------------------|-------------------|---|
| One-off costs | Spread | All our platforms | The difference between the Bid and Ask price is called the spread. |
| | Commission | All our platforms | This is a commission charged when you buy and sell a CFD on an instrument we offer based on the notional value of the trade. For additional information, please look at our tariff of services. |
| | Currency conversion | All our platforms | The fee charged for converting realised profit/ loss from the instrument currency to the account currency. |
| Ongoing costs | Financing costs | 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. On CFDs on indices in the ongoing cost may also appear corporate action costs, e.g. dividends. |

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

- A short holding period is recommended due to the speculative nature of the product.
- You can only exit an open trade by entering into an opposite trade, during the trading hours of the market of the underlying instrument being made available by us on our website and trading platforms.
- You can request to withdraw your money at any time. We strive to process all withdrawal requests within 24 hours irrespective of payment method. Please look at our tariff of services on our website for more information about transaction fees.

How can I complain?

Investors can complain with EBH about this Product in one of the following ways:

- by our chat services at www.ebhforex.com;
- by e-mail at compliance@ebhforex.com;
- in person in the office located at: Sofia 1303, Bulgaria, Vazrazhdane District, 33 Shar Planina Str., fl. 2, office 8;
- by post at Sofia 1303, Bulgaria, Vazrazhdane District, 33 Shar Planina Str., fl. 2, office 8;

For further information on complaints, please read the Complaints Handling Policy of EBH which can be found at our website.

Investors can complain about this Product with the Bulgarian Financial Supervision Commission by e-mail at delovodstvo@fsc.bg.

Other relevant information

This Key Information Document does not cover all information relating to this investment product. Additional information about this product is available on our website.

European Brokerage House (EBH) reserves the right to establish special margin requirements for individual trades, jurisdictions and positions, in good faith and with reasonable cause. In case of such changes, EBH is obliged to inform the clients by sending a message to the email address specified by him/her, or the website.



EUROPEAN BROKERAGE HOUSE OOD

Sofia 1303, Bulgaria, Vazrazhdane District, 33

Shar Planina Str., fl. 2, office 8

web: www.ebhforex.com

email: info@ebhforex.com