



Key Information Document (KID)

CONTRACT FOR DIFFERENCE ON ETFs

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

The Manufacturer of this product is **eToro (Europe) Limited (“eToro EU”)** (<https://www.etoro.com>), a company registered in the Republic of Cyprus and regulated by the Cyprus Securities and Exchange Commission. You can contact **eToro EU** on <https://www.etoro.com/support/> for more information. This KID was created / last updated on 9 March 2018.

ALERT

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

WHAT IS THIS PRODUCT?

TYPE: This is a ‘Contract for Difference’ (“CFD”). It allows you an indirect (also described as “synthetic”) exposure to an underlying Exchange Traded Fund (ETF). You will have no direct interest in the underlying ETF. Accordingly, you can make gains or suffer losses as a result of price or value movements in relation to the underlying product or financial instrument to which you have the indirect exposure.

ETFs - Exchange Traded Funds. An Exchange Traded Fund is an investment fund that trades on a stock exchange as a single security. It is designed to track an underlying benchmark. ETFs are open-ended, which means ETF shares can be created as necessary to meet demand. An ETF can track different asset types, i.e. Equities (including specific sectors or different regions or countries), Fixed Income, Commodities, Property, Volatility etc.

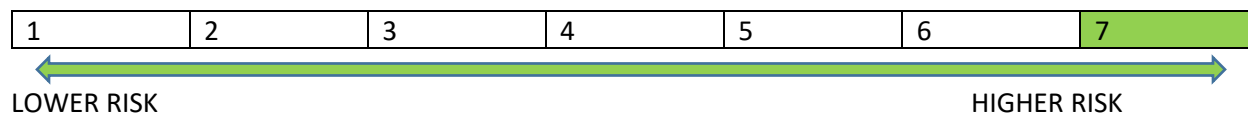
OBJECTIVES: The objective of trading CFD is to gain exposure to fluctuations related to the underlying index without owning it. Your return depends on the size of the performance (or movement) of the underlying index and the size of your position. For example, if you believe the value of an ETF is going to increase, you would buy a number of CFDs (“going long”), with the intention to later sell them when they are at a higher value. The difference between the buy price and your subsequent sell price would equate to your profit, minus any relevant costs. This product is commonly traded on margin. Margin refers to the use of a small amount of capital to support an investment of a larger exposure. Please note that margin trading requires extra caution, because whilst you can realize large profits if the price moves in your favour, you risk extensive losses if the price moves against you.

INTENDED RETAIL INVESTOR

Trading in this product will not be appropriate for everyone. This product would commonly be used by persons who want to generally gain short term exposures to financial instruments; are trading with money which they can afford to lose; have a diversified investment and savings portfolio; have a high risk tolerance; and have a good understanding of the impact of and risks associated with trading on margin.



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 at a 'very high' level. Be aware of currency risk. You may 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 further payments to pay for losses. Trading risks are magnified by leverage – the total loss you may incur may significantly exceed the amount invested. 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 and any shortfall will be borne by you. Trade only after you have acknowledged and accepted the risks. You should carefully consider whether trading in leveraged products is appropriate for you.

PERFORMANCE SCENARIOS

There are a number of types of trading risk, including leverage risk, which you should be aware of before beginning to trade. Factors that affect the performance of this product include but are not limited to:

- ✓ Leverage risk
- ✓ Foreign exchange risk
- ✓ Market risk
- ✓ Unregulated market risk
- ✓ Market disruption risk
- ✓ Counterparty risk
- ✓ Online trading platform and IT risk
- ✓ Conflicts of interest
- ✓ Applicable Tax/Fiscal procedures according to investor's typology and/or nature of capital gains / revenue

The investor may incur into bigger losses than the invested amount. Such losses are more pronounced in proportion to more significant price depreciation of the underlying assets, in the time lapse between the buying date and the selling date of the CFD on ETF.

WHAT HAPPENS IF ETORO (EUROPE) LTD IS UNABLE TO PAY OUT?

eToro EU is a member of the Investor Compensation Fund for Customers of Cypriot Investment Firms (CIFs) (the "Fund"). The objective of the Fund is to secure any claims of covered clients against members of the Fund and to compensate covered clients for any claims arising from malfunction by a member of the Fund in fulfilling its obligations whether that obligation arises from legislation, the client agreement or from wrongdoing on the part of the member of the Fund. The payment of compensation by the Fund to the clients of its members is subject to the existence of a well-founded claim by the clients against the member of the Fund. The Fund does not cover institutional or professional investors/clients and the total payable compensation to each covered client may not exceed EUR 20,000, irrespective of the number of accounts held, currency and place of offering the investment service.



Please visit <https://www.etoro.com/en/wp-content/uploads/legal/investors-compensation-fund-etoro-eu.pdf> for more information.

WHAT ARE THE COSTS?

Before you begin to trade CFDs on ETFs you should familiarize 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. For more information about the composition of costs please visit [eToro website](#) . CFDs on ETFs are not suited to the long-term investor. If you hold a CFD open over a long period of time the associated costs such as Overnight Fees/Credits will apply. All negative numbers refer to a fee; all positive numbers show a credit. The daily fee/credit will be multiplied threefold for positions carried over Wednesday nights. The fees/credit will be charged/credited at 17:00 New York time for any position open at this time.

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

CFD does not have any recommended holding period, and generally is used for short time trading. There is no any lock-up period and the Investor can liquidate the trading position and monetize the financial result at any time after opening of the trading position.

HOW CAN I COMPLAIN?

If you have any questions that we can help you with, we have multiple tools for you to use, such as Frequently Asked Questions (FAQ), referring your enquiry via a Ticket system for the Customer Service department, or via a chat with a Customer Service representative.

If we are unable to answer your question or you feel that our answer is unsatisfactory, you may open an official complaint by filling in the required form found on the bottom of the text. We will do everything we can to address your complaint within 48 hours and provide you with a response. We will keep you updated on the progress of your complaint and a full written response will be provided to you no later than eight weeks from the date that we received the complaint.

If you then feel that your complaint was not resolved satisfactorily by us, within three (3) months of our final response letter, you are able to refer your complaint:

- to the **FINANCIAL OMBUDSMAN SERVICE**

Complaints can be addressed to the Financial Ombudsman to the following address:

Office address: Lord Byron Avenue 13, 1096, Nicosia, Cyprus, OR P.O. 25735, 1311, Nicosia, Cyprus

By fax: 00357 22 660 584 or 00357 22 660 118

By email: complaints@financialombudsman.gov.cy

The complaint form must be accompanied by the evidence of the paid fee (€20);

- to the **CYPRUS SECURITIES AND EXCHANGE COMMISSION**

Complaints can be addressed to the CYPRUS SECURITIES AND EXCHANGE COMMISSION (CYSEC), via the procedures and forms sited on the following e-address: <http://www.cysec.gov.cy/en-GB/complaints/cifs/>

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. Ensure your internet signal strength is sufficient before trading.