

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.

Dynamic portfolio swaps (“DPS”) are offered by CMC Markets Germany GmbH (“CMC”), a company registered in Germany under registration number 114199. CMC Markets Germany GmbH (registration number 154814) is authorised and regulated by the Federal Financial Supervisory Authority (BaFin). CMC is part of the CMC Markets Group. Call +49 (0) 69 22 22 440 00 or go to cmcmarkets.de for more information.



This document was last updated on 12 December 2022

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

What is this product?**Type**

A dynamic portfolio swap (“DPS”) is an OTC swap agreement entered into with CMC on a bilateral basis. It allows a leveraged investment in several underlying assets as part of a portfolio. A DPS allows investors to take synthetic positions in a broad range of assets, including equities, indices, currencies, commodities, precious metals, interest rates and cryptocurrencies. The synthetic positions within the DPS are bundled into a portfolio. An investor has the choice to buy (or “go long”) within the DPS to benefit from rising prices in the underlying asset, or to sell (“go short”) within the DPS to benefit from falling prices in the underlying asset. For instance, if an investor goes long and the price of the underlying or underlyings rises, the value of the synthetic position will increase – and at the end of the contract, CMC will pay the difference between the closing value of the contract and the opening value of the contract. Conversely, if an investor goes long and the price of the underlying or underlyings falls, the value of the synthetic position will decrease – and at the end of the contract, they will pay CMC the difference between the closing value of the contract and the opening value of the contract. A synthetic position referencing the underlying future price works in exactly the same way, except that such contracts have a pre-defined expiry date – a date on which the contract either automatically closes or must be rolled into the next period. The leverage embedded within all synthetic positions has the effect of magnifying both profits and losses.

Objectives

The investment objective of the DPS is to allow an investor to gain leveraged exposure to movements in the value of the underlying asset (whether up or down), without actually needing to buy or sell the underlying asset or realise the profits or losses of the synthetic positions within the portfolio. The exposure is leveraged since the underlying synthetic positions only require a small proportion of the notional value of the contract to be put down upfront as initial margin. A realisation event for the DPS takes place each year on 31 December and, where necessary, at the discretion of the investor on a date of their choice. Open synthetic positions are closed and automatically reopened upon realisation. Open synthetic positions within the portfolio are subject to overnight holding costs. There is NO recommended minimum 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. An undated DPS contract does not have a pre-defined expiry date and is therefore open-ended. Undated contracts are subject to overnight holding costs. Forward DPS contracts have a pre-defined expiry date on which the investor can choose if they want to cash settle their position or roll their existing contract into the next period, e.g. from a January expiry to a March expiry. Rolling is at the discretion of the investor. Failure to deposit additional funds in the event of negative price movements may result in synthetic positions being closed automatically. This will occur if the balance available in the account is not enough to cover the margin requirement. CMC also retains the ability to unilaterally terminate any DPS contract where it deems that the terms of the contract have been breached.

Intended Retail Investor

DPSs are intended for investors who have knowledge of, or experience with, leveraged products and derivatives. Likely investors will understand how the prices of DPSs and synthetic positions are derived and the key concepts of margin and leverage. They will understand the risk/reward profile of the product compared to traditional share dealing, and desire short-term, high-risk exposure to an underlying asset. Investors will also have appropriate financial means, hold other investment types and have the ability to bear losses of the total amount invested.

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

Risk indicator

1 2 3 4 5 6 7

Niedrigeres Risiko Höheres Risiko

Dieser Risikoindikator beruht auf der Annahme, dass Sie das Produkt aufgrund der Volatilität des Basiswertes möglicherweise nicht zu dem von Ihnen gewünschten Kurs kaufen oder verkaufen können oder nur zu einem Kurs, der den Betrag, den Sie zurückerhalten, erheblich schmälert.

CMC schreibt keine Haltedauer für eine Position (Long/Short) vor. Kunden können einen Trade eröffnen/schließen, wann immer sie es für richtig halten, solange die Märkte geöffnet sind.

The summary risk indicator helps you to estimate the level of risk associated with 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.

DPSs are complex instruments and come with a high risk of losing money rapidly due to leverage. You should consider whether you understand how DPSs work and whether you can afford to take the high

DPSs are complex instruments and come with a high risk of losing money rapidly due to leverage. You should consider whether you understand how DPSs work and whether you can afford to take the high risk of losing your money. There is no capital protection against market risk, credit risk or liquidity risk. It is important to note that the total loss you can suffer as an investor may significantly exceed the margin required to open the position. However, the total loss you can suffer will never exceed the amount invested. As each individual is in a different tax situation, please consult your personal tax advisor.

Be aware of currency risk. It is possible to buy or sell the synthetic positions within DPSs in a currency which is different to the base currency of your DPS 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.

Settlement period: There is a two-day settlement period between a realisation event and the date on which you can withdraw realised profit from your DPS. Outside of a realisation event, clients can only withdraw uninvested funds from free cash. Market conditions may mean that your synthetic position is closed at a less favourable price, which could significantly impact how much you get back. We may close your open synthetic positions if you do not maintain the minimum margin that is required, or if you contravene market regulations. This process may be automated. 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 the amount owed, you could lose your entire investment. However, you may benefit from a deposit protection scheme (see the section entitled "What happens if CMC Markets Germany GmbH is unable to pay out?"). The indicator shown above does not consider this protection.

Performance scenarios

The figures shown do not include the costs described below or the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

What you get back depends on how the market performs. Future market developments are uncertain and cannot be accurately predicted. The scenarios shown are illustrations based on past results and specific assumptions. Markets could develop very differently in future.

This table shows the money you could get back **or pay** over a one (1) day holding period, under different scenarios, assuming the following:

- **Notional amount:** €10,000
- **Opening price:** €10,000
- **Trade size (units):** 1
- **Margin requirement:** 10% - (€1,000)

LONG performance scenario	Price change	Profit/loss	SHORT performance scenario	Price change	Profit/loss
Minimum	There is no minimum guaranteed return. You could lose some or all of your investment				
Favourable	4.34%	434	Favourable	-4.29%	429
Moderate	-0.02%	-2	Moderate	-0.02%	2
Unfavourable*	-4.29%	-429	Unfavourable*	4.34%	-434
Stress*	-31.30%	-3,130	Stress*	46.49%	-4,649

The stress scenario shows what you might get back in extreme market circumstances, and does not take into account the situation where we are unable to pay you.

(*) Losses will be limited to your trading account balance

The return is calculated as a percentage of the nominal amount.

What happens if CMC Markets Germany GmbH is unable to pay out? If CMC is unable to meet its financial obligations to you, you may lose the value of your investment. However, CMC segregates all retail client funds from its own money in accordance with the requirements of Section 84 of the German Securities Trading Act (WpHG) regarding client funds. CMC is also a member of the Compensation Fund for Securities Trading Companies (EdW) which covers eligible investments up to €20,000 per person/company. See www.e-d-w.de/.

What are the costs?

The table shows the amounts that are deducted from your investment to cover different types of costs. These amounts depend on how much you invest and how long you hold the product. The person advising you on or selling you this product may charge you other costs. If so, this person will provide you with information about these costs and how they affect your investment.

One-off costs upon entry or exit	
Entry or exit costs	Spread: The difference between the buy price and the sell price is called the spread. This cost is incurred each time you open and close a synthetic position.
	Commission: These costs only apply to equities as the underlying asset for each synthetic position.
	Currency conversion: Any cash, realised profit and losses, adjustments, fees and charges that are denominated in a currency other than the base currency of your DPS account will be converted to the base currency of your DPS account, and a currency conversion fee will be charged to your account.
Ongoing costs	
Management fees and other administrative or operating costs	Daily holding cost: A holding cost is charged to your account for every night that you hold a synthetic position. The amount can be positive or negative depending on which instrument you hold and whether you are long or short. The longer you hold a synthetic position, the more it costs you.
Other costs under certain conditions	
Different costs apply depending on the type/amount of investment	Corporate actions: Where a corporate action event occurs for the underlying asset of a product in which you hold a synthetic position, this may result in a debit or credit to your DPS account ("price adjustment") and/or an amendment to your existing synthetic positions or orders to reflect the effect of that corporate action.
	Market data: Australian shares are currently chargeable, but each other region is currently free (subject to change), or there may be a fee associated with each subscription plan that is activated, or if a fee is applicable for activating a subscription plan, this will require your acceptance before any fee is charged. This cost is only applicable to private investors according to the definition provided by CMC Markets.
	Transactions: Transaction or handling fees may be deducted from the gross payment or withdrawal amounts sent to or on behalf of CMC Markets by any intermediary banks or third-party providers who process payments or withdrawals on your behalf.
	Rollover: If you roll a "forward DPS" into the next month or quarter, we charge you 50% of the current spread for opening and closing a synthetic position.
	Guaranteed stop loss order (GSLO): If you wish to place a GSLO on a synthetic position, you will be required to pay a premium known on the platform as a "GSLO premium" when you open a synthetic position. The GSLO premium required for your synthetic position is calculated using the premium rate which can be found on the platform in the Product Overview for each product.

This is the most you will be charged.

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

Synthetic positions within DPSs 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, no cancellation period and therefore no cancellation fees. You can open and close synthetic positions at any time during market hours. Outside of a realisation event, clients can only withdraw uninvested funds from free cash.

How can I complain?

If you wish to make a complaint about CMC Markets Germany GmbH, please contact our Client Management team by calling +49 (0) 69 22 22 440 00, by emailing kundenservice@cmcmarkets.de or in writing to CMC Markets Germany GmbH, Garden Tower, Neue Mainzer Str. 46-50, 60311 Frankfurt am Main. If you do not feel that your complaint has been resolved satisfactorily, you may refer your complaint to the Federal Financial Supervisory Authority (BaFin). See www.bafin.de for further information. Alternatively, you may refer your complaint to the conciliation body of the Deutsche Bundesbank (consumers only). See www.bundesbank.de/de/service/schlichtungsstelle for more information. If your complaint is about an advisory or discretionary manager acting on your account, please contact the firm providing the service.

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 the strength of your internet signal is sufficient before trading. The "Important information" section of our website contains important information regarding your trading account. You should ensure that you are familiar with all the terms and policies that apply to your account. The Product Overview on our platform contains additional information on the instruments you can trade within your DPS. Additional information on costs can be found on our website.