Key Information Document

FX Options

Purpose

This document provides you with key information about this investment product or financial instrument. It is not marketing material. This information is required by law to help investors understand the nature, costs and fees, inherent risks, and rewards of trading and holding this product in order to compare it with other products.

Product

The issuer of this product is Bank L.J. Carregosa, S.A. ("Banco Carregosa"). Contact us on +351 213 232 950 for more information. Banco Carregosa is under the supervision of the Portuguese Securities Market Commission (CMVM). This Key Information Document was published on 15 February 2018.

Alert

You are about to purchase a product that is highly sophisticated and may be difficult to understand.

Product description

Type

Currency options ("FX options") are, pursuant to Section C of Annex I to MiFID II (Directive No 2014/65/EU), a derivative financial instrument.

Objective

FX options are subdivided into call and put options, with the investor being able to open a long (buying) or short (selling) position in each contract.

Call Option: contract that gives the buyer the right, but not the obligation, to purchase, at expiry (European option) or until expiry (American call option), a pre-agreed amount of a given currency pair at the agreed price (strike price). In the event the buyer exercises the option, the option seller is obliged to deliver the underlying asset (physical settlement) or to settle the difference between the contract's strike price and the market price of the underlying asset at the time it is exercised (cash settlement).

Put option: contract that gives the buyer the right, but not the obligation, to sell, at expiry (European option) or until expiry (American option) a pre-agreed amount of a given currency pair at the agreed price (strike price). In the event the buyer exercises the option, the option seller is obliged to acquire the underlying asset (physical settlement) or to settle the difference between the market price of the underlying asset at the time it is exercised and the contract strike price (cash settlement).

An FX option allows you to gain exposure to fluctuations in the value of a currency pair underlying the contract without owning it. Your return depends on the changes in price of the underlying asset, the time to expiry, and the volatility of the market and of the underlying asset. This product is traded for the purposes of speculation or currency hedging and is usually traded on margin. Margin trading allows you to leverage your investment, that is, use a small amount of capital to support an investment with a larger exposure. Note that leveraging requires extra caution, because while you can make a large profit if the price moves in your favour, you risk losses in excess of the amount invested if the price moves against you.

For small investors

Trading in this product is not appropriate for everyone. This product is commonly used by investors who want to gain short-term exposure to financial instruments; trade with money they can afford to lose; have a diversified investment and savings portfolio; have a high tolerance for risk; and understand the impact of and risks associated with margin trading.

Duration

An FX option generally has no recommended holding period. An FX option has tradable tenors from 1 day to 12 months. At expiration, you have the choice of the exercise method that will apply should the option end up in-the-money (if exercised). FX options can be cash settled or converted into a Rolling FX Spot position, from which point on positions held at the end of a trading day are rolled forward to the next available business day (physical settlement).

Specific information on each underlying investment option can be found here: https://www.bancocarregosa.com/bancocarregosa/pt/repositorio/manuais-gobulling/manual-forex.pdf

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

1	2	3	4	5	6	**7**

Lower risk — Higher risk

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 as a result of price movements in the market or counterparty risk. This product has been classified as 7 out of 7, which is the highest risk class. This rating reflects a high probability that potential losses may occur. The exchange rate risk is relevant because you may receive payments in a different currency, so the final return will depend on the exchange rate between the two currencies. This risk is not considered in the indicator shown above. Trading risks are magnified by leverage (risk multiplier) – the total loss you can incur may significantly exceed the amount invested or deposited. Profit or loss may vary significantly in times of high volatility or market/economic uncertainty; such fluctuations are even more significant if positions are leveraged and may also adversely affect your position. As a result, margin calls may be made quickly or frequently. In the event of default, your positions may be compulsorily closed and you will bear any and all losses. Trade only after you acknowledge and accept the risks. You should carefully consider whether trading leveraged products is right for you.

Performance scenarios

There are several types of trading risk, including leverage risk, of which you should be aware before you start trading. Detailed information on factors affecting the performance of this product is available at https://www.bancocarregosa.com/bancocarregosa/en/repositorio/manuals-gobulling/manual-forex.pdf. These factors include, but are not limited to:

- Leverage risk

- Risk of unlimited loss
- Margin risk
- Exchange rate risk
- Market Risk
- Unregulated market risk
- Market disruption risk
- Counterparty risk
- Online trading platform and information technology risk
- Conflicts of Interest

Calculation of profit/loss:

Your profit or loss on an FX Option (Call) depends on the price changes of the underlying asset and the option premium.

In a long position, the profit or loss is calculated as the difference between the price of the underlying asset on the expiration date and the option strike price. When the option is not exercised (underlying price < strike price), the value of the option is zero (0) and will result in a loss equal to the premium paid to acquire the option. When the option is exercised, the profit is calculated as the positive difference between the price of the underlying asset and the strike price, minus the premium. However, the result determined must be multiplied by the contract size to calculate the final profit or loss.

In a short position, the profit or loss is calculated as the difference between the price of the underlying asset on the expiration date and the option strike price. When the option is not exercised (underlying price < strike price), the value of the option is zero (0) and will result in a profit equal to the premium received for selling the option. When the option is exercised, the loss is calculated as the positive difference between the price of the underlying asset and the strike price, plus the premium. However, the result determined must be multiplied by the contract size to calculate the final profit or loss.

Formula for calculation of profit/loss:

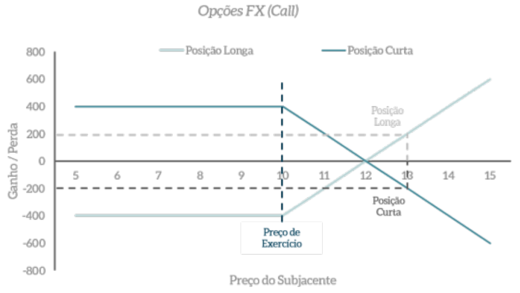
Long Position: (Max (Underlying Price - Strike Price, 0) - Premium) x Contract Size

Short Position: (-Max (Underlying Price - Strike Price, 0) + Premium) x Contract Size

Strike Price	10
Contract size	200
Contract Premium	2

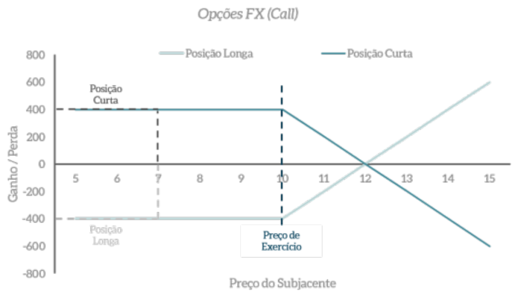
Example 1:

The agreed strike price is 10 and the option premium is 2. On the expiration date, the price of the underlying asset is 13, so the option is exercised. A long investor makes a profit of 200: ((13 - 10) - 2) x 200 = 200. Conversely, a short investor makes a loss of 200: (-(13 - 10) + 2) x 200 = -200.



Example 2:

The agreed strike price is 10 and the option premium is 2. On the expiration date, the underlying price is 7, so the option is not exercised. A long investor makes a loss of 400: (0 - 2) x 200 = -400. Conversely, a short investor makes a profit of 400: (-0 + 2) x 200 = 400.



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Calculation of Profit/Loss (FX Option (Put)):

Your profit or loss on an FX Option (Put) depends on the price changes of the underlying asset and the option premium.

In a long position, the profit or loss is calculated as the difference between the option strike price and the price of the underlying asset on the expiration date. When the option is not exercised (underlying price > strike price), the value of the option is zero (0) and will result in a loss equal to the premium paid to acquire the option. When the option is exercised, the profit is calculated as the positive difference between the strike price and the price of the underlying asset, minus the premium. However, the result determined must be multiplied by the contract size to calculate the final profit or loss.

In a short position, the profit or loss is calculated as the difference between the option strike price and the price of the underlying asset on the expiration date. When the option is not exercised (underlying price > strike price), the value of the option is zero (0) and will result in a profit equal to the premium received for selling the option. When the option is exercised, the loss is calculated as the positive difference between strike price and the price of the underlying asset, plus the premium. However, the result determined must be multiplied by the contract size to calculate the final profit or loss.

Formula for calculation of profit/loss:

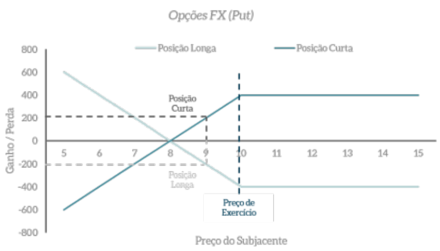
Long Position: (Max (Strike Price - Underlying Price, 0) - Premium) x Contract Size

Short Position: (-Max (Strike Price - Underlying Price, 0) + Premium) x Contract Size

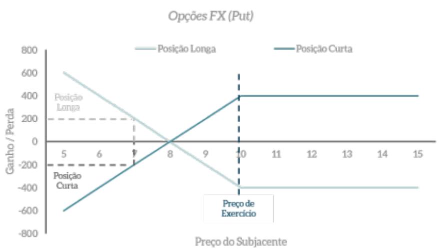
Strike Price	10
Contract size	200
Contract Premium	2

Example 1:
The agreed strike price is 10 and the option premium is 2. On the expiration date, the price of the underlying asset is 9, so the option is exercised. A long investor makes a loss of 200: ((10 - 9) - 2) x 200 = -200. Conversely, a short investor makes a profit of 200: (-(10 - 9) + 2) x 200 = 200.

Note that even where the price of the underlying asset moves in favour of the long position – having exercised the option – the investor who purchased the option incurs a loss, resulting in the premium paid.



Example 2:
The agreed strike price is 10 and the option premium is 2. On the expiration date, the price of the underlying asset is 7, so the option is exercised. A long investor makes a profit of 200: ((10 - 7) - 2) x 200 = 200. Conversely, a short investor makes a loss of 200: (-(10 - 7) + 2) x 200 = -200.



What happens if Banco Carregosa is unable to pay out?

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Banco Carregosa is a fully accredited European bank and is a member of the Investor Compensation Scheme ("Sistema de Indemnização aos Investidores" or "SII") that operates with the CMVM, guaranteeing coverage of claims against a participating entity as a result of its financial inability to, in accordance with the applicable legal and contractual conditions, reimburse or return to investors the funds owed to them or belonging to them and that are specially allocated to investment operations, or that are held, administered or managed on their behalf within the scope of investment operations. The rules of procedure of the SII, namely, scope of coverage, limits and exclusions, may be obtained from the CMVM (www.cmvm.pt).

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What are the costs?

Before you start trading FX options, you should familiarise yourself with all the commissions, fees and other costs you will bear. These costs will reduce any net profit or increase your losses.

This table below illustrates the different types of costs incurred on an FX option

One-off costs	Spread	The difference between the bid (selling) price and the ask (buying) price. The spread depends on many different factors, including, but not limited to, the underlying liquidity and volatility, the time of day and the notional trade size.
	Commission	Charged on transactions below the established minimum volume.
	Currency conversion spread	Profit or loss is converted, at the time it is incurred, at the average bid and ask exchange rate, plus a spread of 1%, published by Saxo Bank for the CFD on FOREX of the currency pair.
Ongoing costs	Financing of unrealised profit/loss (financing interest)	Any unrealised profit/loss that is carried forward between sessions is subject to an interest credit or debit.

Fees charged are disclosed on the platform and available for consultation before opening a position. They include a spread and a fixed commission, the latter only charged on transactions below a pre-defined amount.

Banco Carregosa's trading terms and conditions are available at: https://www.bancocarregosa.com/bancocarregosa/pt/precario/condicoes-de-negociacao-gobulling-pro/.

How long should I hold the investment and can I withdraw the money in advance?

Recommended holding period: no recommended holding period

An FX option has no recommended holding period. As long as Saxo Bank A/S is open for trading, you can enter and exit positions at any time.

How can I lodge a complaint?

If, as a customer or potential customer of Banco Carregosa, you have raised an issue or problem with, for example, your account manager or another Bank employee without receiving a satisfactory response, you should lodge a complaint either:

— By post, to the following address:
  - Avenida da Boavista 1083, 4100-129 Porto

— By e-mail, to the following address:
  - ocorrencias@bancocarregosa.com

— By fax, to the following number:
  - 226086488.

If you are not satisfied with the response to your complaint, you can lodge a complaint with the Portuguese Securities and Exchange Commission:

Rua Laura Alves, n.º 4, apartado 14258, 1064-003 Lisbon