



# **BINARY INVESTMENTS (EUROPE) LTD**

## **KEY INFORMATION DOCUMENT**

<b>Level of Classification</b>	<b>TS, HC, P, IUO, PD</b>	<b>HIGHLY CONFIDENTIAL</b>
Information Asset Owner	PD	Head of Compliance
Responsible Department	Department name	Compliance

## Document Changes

Author	Date	Description	Version
Joanna Frendo	28-Nov-17	Key information document as per MiFID requirements.	1.0

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# KEY INFORMATION DOCUMENT

## Purpose of the document

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.

## Description of the product

### Touch/No Touch

This product is being offered by Binary Investments (Europe) Ltd (hereinafter referred to as “The Company,” “our,” “we” or “BIEL”). Binary Investments (Europe) Ltd is licensed and regulated by the Malta Financial Services Authority and is authorised to provide services in other EU member states through EU passporting rights.

Website: [www.binary.com](http://www.binary.com)

For more information call: +356 21316105

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

## What is this product?

### Type

#### *Binary options*

Binary options are called ‘binary’ because there can be only two outcomes, depending on whether an event occurs at the time the binary option expires:

- If your prediction is correct, you receive a fixed payout that is determined and disclosed at the start of the contract.
- If your prediction is incorrect, you lose the amount you invested to purchase the contract.

### Objectives

The objective of this document is to give you a better understanding of the ‘Touch/No Touch’ product.

The ‘Touch/No Touch’ is a path-dependent binary option contract. This is due to the fact that the fixed and predetermined payout of path-dependent binary option contracts depends wholly or

partially on the sequence (i.e. path) taken by the variable (e.g. price, rate, index, etc.) of the underlying instrument over a specified period of time.

### ***Touch/No Touch***

Predict that the underlying financial instrument will touch or won't touch a target any time during the contract period:

'Touch' – you win the payout if the market touches the barrier at any time during the contract period.

'No Touch' – you win the payout if the underlying financial instrument never touches the barrier at any time during the contract period.

The contract period is defined as the period between the first tick after the start time and the end time.

The start time is when the contract is processed by our servers.

The end time is the selected number of minutes/hours after the start time (if less than one day in duration), or at the end of the trading day (if one day or more in duration).

The price of the underlying asset is determined in real time.

A 'Touch/No Touch' contract may be placed on major Forex pairs, selected indices, and selected commodities. The expiry time or date is predetermined by you prior to purchasing the contract. The minimum duration for a 'Touch/No Touch' contract is 1 day whereas the maximum is 365 days. Available durations may vary for selected underlying assets. For more information, please visit our ***Asset Index***.

A 'Touch/No Touch' contract may be closed out prior to the expiry time or expiry date. The option to cash in early is not guaranteed and is subject to the conditions of the underlying instrument as well as the data available at the time. The Company has and retains the right, to terminate any contract for any of the reasons outlined in our ***Terms and Conditions***.

### **Risk profile**

With a 'Touch/No Touch' contract, your risk is always limited to the amount you invest i.e. your purchase price.

You select the parameters of your contract, including the payout that you'd like to receive or the amount that you'd like to invest. The percentage return is displayed clearly prior to you purchasing the contract.

The percentage return is calculated as follows:

$$\text{(payout price – purchase price) / purchase price * 100}$$

E.g. If the purchase price is EUR 100 and the payout is EUR 185, the percentage return would be  $(185-100)/100*100=85\%$ .

The contract price and/or the payout to be received are predetermined and clearly disclosed upfront. The price is final and with no hidden charges. When the prediction is correct, you will receive the invested amount back, plus the profit determined based on the payout rate (which is also expressed as a percentage over the invested amount).

When predetermining/calculating the pricing of a contract, we use standard option pricing algorithms (such as Black-Scholes) and consider the factors that may affect the price, such as:

- Spot price;
- Price movement;
- Implied volatilities;
- Dividends;
- Expected level of interest rates;
- Expected dividends;
- Other relevant variations in the underlying contract for the reference date of expiry.

BIEL does not allow trading when the underlying financial instrument is closed. All start and end times for a contract must fall during the opening hours of the underlying financial instrument. As a result, you are safeguarded from placing trades at prices which can differ widely from the closing price of the underlying asset compared to the opening price of the underlying asset.

### **Positive and negative price changes (also known as ‘slippage’)**

Trade prices are constantly updating and all contracts placed are processed at the time and in the sequence, they are received by our pricing servers.

Differences can occur between the price at which you request a trade (the “order price”), and the price at the time the order is received (the “base price”). This is known as ‘slippage’.

Order prices will be executed if the order price is within (50% of the company’s commission) x (payout range) centered around the base price. If the order price is outside this range, then the customer will receive the benefit of execution at the base price if it is more favourable; otherwise the trade will not be executed and the client will be provided with a re-quote and asked to accept the revised cost due to changes in the underlying market price between the time the ‘Purchase’ button is pressed and the order is executed.

### **Intended retail investor**

The ‘Touch/No Touch’ contract is intended for retail clients with a keen interest in trading speculative and complex products.

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

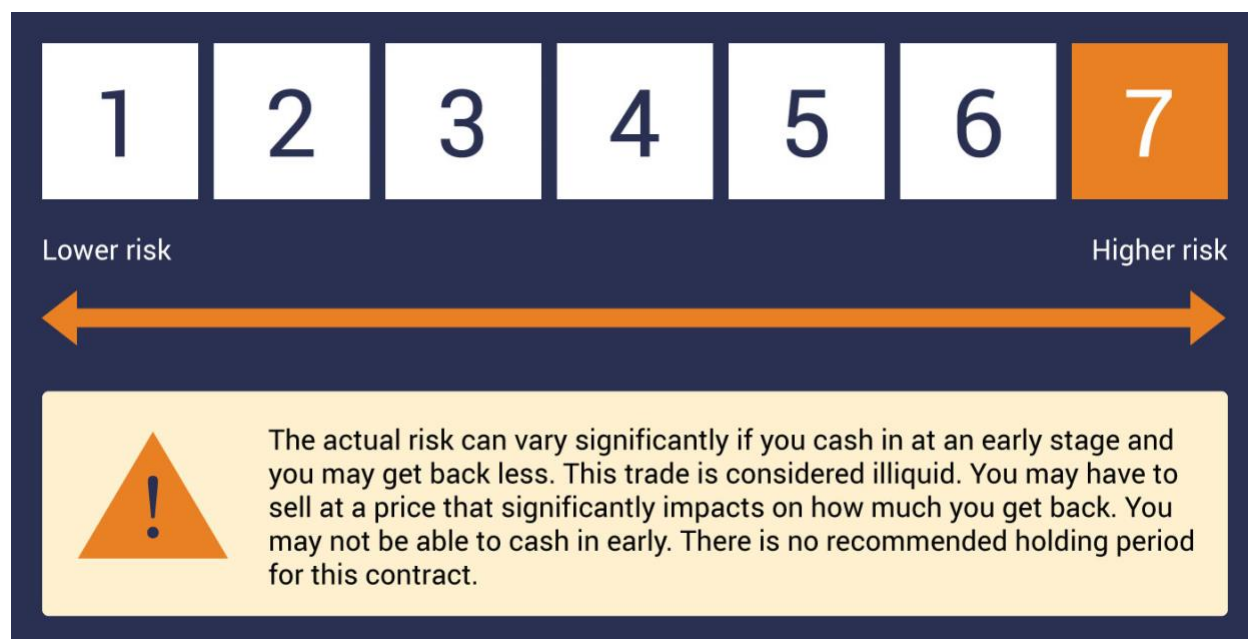
### Risk indicator

With a 'Touch/No Touch' contract, your risk level is clearly defined at all times. You select the payout or the amount that you want to invest. Prior to purchasing the contract, you will always know how much you stand to gain or lose. If your prediction is correct, then you receive the predetermined payout in full.

If your prediction is incorrect, your loss will be limited to your initial investment i.e. the amount that you paid for the contract. The maximum you can lose on a 'Touch/No Touch' contract is always 100%.

There are no hidden charges. There is no risk of incurring additional financial commitments or obligations with this product.

### Summary risk indicator



The summary risk indicator is a guide to this product's level of risk compared to other products. We have classified this product as 7 (out of 7) which is the highest risk class. This is due to the fact that with a 'Touch/No Touch' contract, your maximum potential loss is 100%.

If you lose the contract, you lose your entire investment. There is no capital protection when purchasing a 'Touch/No Touch' contract.

If BIEL is unable 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 we are unable to pay you?**")

The risk indicator shown above does not take any protection schemes into consideration.

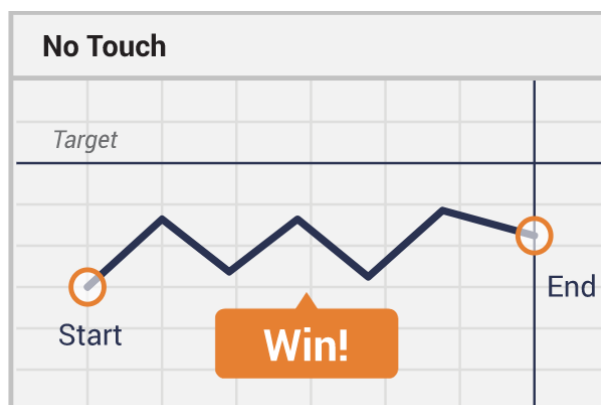
If your bank account is denominated in a currency that is different from the one you're using on your Binary.com account, the value of your return may be impacted due to currency fluctuations.

## Performance scenarios

The three performance scenarios for a 'Touch/No Touch' contract are the following:

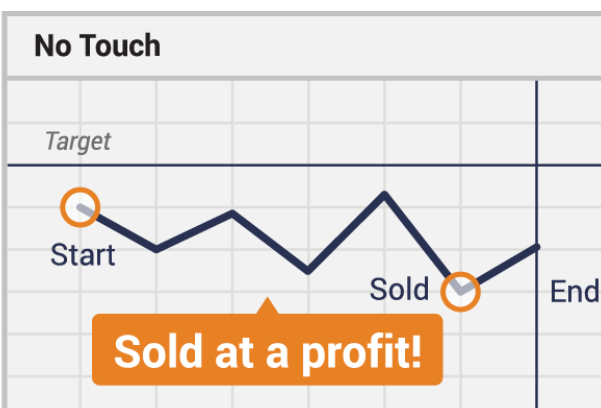
### (a) A favourable scenario

A favourable scenario is one where you win the contract and you receive the full payout.



### (b) A moderate scenario

A moderate scenario is one where you sell the contract before it expires and you make a profit, or you could sell the contract prior to expiry and receive less than what you invested.

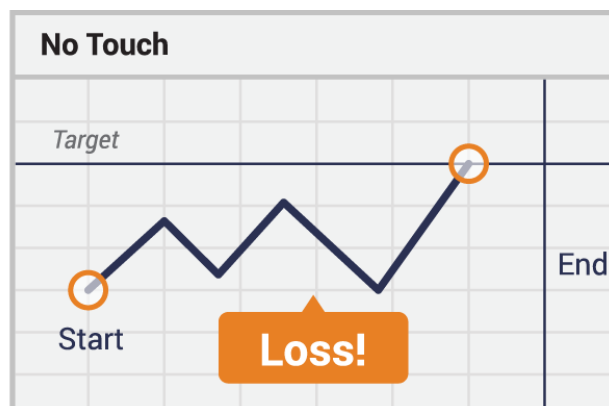
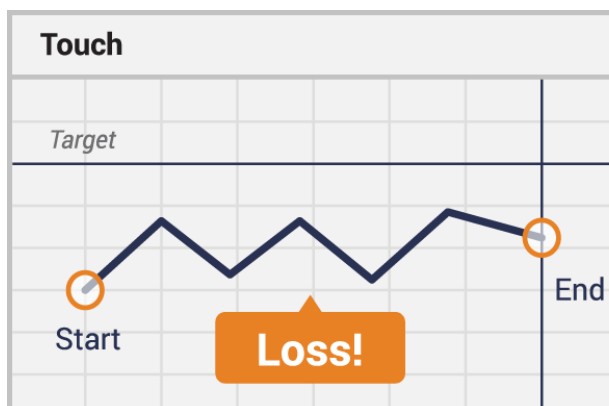






**(c) An unfavourable scenario**

An unfavourable scenario is one where you lose your entire investment.



The illustrations above show the possible scenarios for a 'Touch/No Touch' contract.

There is no recommended holding period for this type of investment.

The scenarios presented are only indicative. They are a representation of all the possible outcomes of a 'Touch/No Touch' contract. Outcomes may vary depending on how the underlying instrument performs and how long you keep the contract.

This product may be cashed in early. However, the option to cash in early is not guaranteed and is subject to the conditions of the underlying financial instrument and the data available at the time. When you cash in early, you could either make a profit or get back less than your initial investment. You will not need to pay higher costs for cashing in early. Your losses will always be limited to the amount you invest and you can never lose more than this amount.

The cost of your investment will always be equal to your initial cost and no further charges or fees may be incurred at a later stage.

The value of your return may also be impacted as a result of the tax legislation in the country where you reside.

**The table below shows the average return for a 'Touch' contract. These figures are based on contracts that have been purchased between November 2015 and October 2017.**

Contract Type	Contract Type	Contract Underlying	Submarket	Underlying	Buy Price in USD	Payout Price in USD	Potential Return
Touch/No Touch	Touch	Forex	Major Pairs	EURJPY	7.11	14.22	100%
						<b>Average Return</b>	100%
Contract Type	Contract Type	Contract Underlying	Submarket	Underlying	Buy Price in USD	Payout Price in USD	Potential Return
Touch/No Touch	Touch	Indices	Americas	US Index	593.87	5904.95	894.32%
			Europe/Africa	Dutch Index	174.36	1079.41	519.07%
						<b>Average Return</b>	706.69%

The average return for a 'Touch' contract between November 2015 and October 2017 was 504.46%. The minimum return on this same contract was 100% and the maximum was 894.32%.

There were no 'No Touch' contracts purchased during the above-mentioned period.

## What happens if Binary Investments (Europe) Ltd is unable to pay out?

If the Company is unable to pay you what is owed, you could lose your entire investment.

Binary Investments Europe Ltd forms part of the *Investor Compensation Scheme* which is a rescue fund for investors that are clients of failed investment firms licensed by the MFSA. The scheme covers 90% of the Company's net liability to a client in respect of investments which qualify for compensation under the *Investment Services Act* subject to a maximum payment of €20,000 to any one person. The scheme is based on EC Directive 97/9.

Cover is made available on the basis of the depositor rather than on the basis of the number of deposits, meaning that an individual will only be covered up to €20,000 on the global amount. Any other amount exceeding this threshold is not protected and will have to be borne by the investor.

## What are the costs?

### Costs over time

There are no costs over time for a 'Touch/No Touch' contract. The contract may be held up to 365 days and no additional fees will be charged. There is no risk of incurring additional financial commitments or obligations with this product.

## Composition of costs

The table below shows the one-off entry cost that needs to be paid by you when you purchase this product.

Composition of costs			
One-off costs	Entry costs	3% – 5% commission	An average commission between 3% and 5% on all underlying instruments is already included in the purchase price of the contract.

If you purchase this product via a third-party app that uses a WebSocket API and that is linked to your Binary.com account, you may incur an additional markup fee of up to 5%. This markup fee is a percentage of the contract payout and it is added to the contract price (in addition to the commission charged by BIEL).

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

There is no minimum or recommended holding period for a 'Touch/No Touch' contract. A contract can be sold if the opposite contract is available to buy on our platform. There are no fees or extra charges for cashing in early.

You could make a profit from cashing in early or you could get back less than your initial investment.

## How can I complain?

Complaints may be submitted to *complaints@binary.com*

A complaint may take up to 15 days to be processed from the date of receipt.

If your complaint relates to an outcome of a trade or a transaction and remains unresolved, it will turn into a dispute. Should you be unsatisfied with our response, you can choose to escalate your complaint to the regulator.

Unresolved disputes may be escalated to the Office of the Arbiter for Financial Services. Contact details and guidance on making a complaint with the Arbiter's Office can be found **here**.

For more information about complaints and disputes, kindly refer to our ***Terms and Conditions***.

## Other relevant information

Refer to our ***Terms and Conditions*** for any other information.