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# Costs and Fees

Version 4, April 2022

## 1. Introduction

KW Investments Ltd (the “Company”) is authorized and regulated by the Financial Services Authority (“FSA”) under license number SD020. The Company’s registered office is at Abacus (Seychelles) Limited, Suite 3, Global Village, Jivan’s Complex, Mont Fleuri, Mahe Seychelles.

## 2. Scope

The Company is committed to act honestly, fairly and professionally and in the best interest of its Clients when providing investment services (the ‘Services’) to the clients.

Therefore, the purpose of this document is to set out the Company’s costs and associated fees charged by the Company for the provision of its Services, along with explanatory details for a better understanding (the ‘Policy’).

The following costs and fees applied during the provision of the Company’s Services are applied to all clients of the Company.

## 3. Types of Costs and Fees

### 3.1 Spreads

The spread is the difference between the Bid price (selling price) and the Ask price (buying price) of the CFD.

It will be automatically charged when a transaction is opened.

Across instruments, spread will vary in value and type i.e., can be fixed or variable.

There are several factors that influence the size of the spread. The most important is instrument liquidity. Popular instruments are traded with lower spreads (BID/ASK difference) while rare ones raise higher spreads.

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Another factor is market volatility. On volatile market, spreads (BID/ASK difference) tend to be wider than during quiet market conditions.

A stock price has also an impact on spreads (BID/ASK difference) which may increase when the price is low, this being related to the idea of low-priced securities being new or small in size, making them less liquid.

#### How does it work?

Assuming asset A is quoted 10.00/11.00; 10.00 being the price at which you SELL and 11.00 being the price at which you BUY.

When a position is opened, spread will be automatically charged.

- To buy 5 units of asset A at 11.00 (opening price for BUY trades), paid spread will be  $5 \times (11.00 - 10.00) = 5$
- To sell 5 units of asset A at 10.00 (opening price for SELL trades), paid spread will be  $5 \times (11.00 - 10.00) = 5$

### 3.2 Swap Fees

Swap refers to an interest applied to a trader's account for positions held overnight and it occurs because of the leveraged trading (margin trading).

Effectively, a trader is using a fraction of his funds to open a CFD position (used margin), borrowing the full contract value from the broker. The swap charge is only incurred if the CFD trade is held overnight and depends on the Official Interest Rate of the base currency.

#### How does it work?

For each day, a position is held opened overnight, calculation is based on the following formula:

**Swap Fees** = Volume x Instrument Mid Closing Price (average between Buys and Sell closing price) x Instrument Overnight Interest

Most banks across the globe are closed on Saturdays and Sundays, so there is no rollover on these days, but the banks still apply interest on these days. To account for that, the Forex market books three days' worth of Swap Fees on Wednesdays, for the rest of CFDs (shares, indices, commodities, bonds, ETFs, etc.), three days' worth of rollover interest are booked on Friday.

That is why, triple swap charge for Forex pairs is Wednesday and for rest of CFDs is Friday.

Swap Free accounts shall remain free of charge during the grace period as indicated in the below table, in accordance with the respective class that the financial instrument belongs to. Positions that continue to be held after the end of the grace period, will be subject to fees which will be charged at 22:00 GMT (or 21:00 during BST) after the end of the said period.

Symbol Group	Grace Period (# of nights)
Forex Major	5 Nights
Forex Minor	3 Nights
Forex Exotic	2 Nights
Metals	3 Nights
Indices	2 Nights
Energies	4 Nights
Commodities	4 Nights
ETFs	4 Nights
Shares	4 Nights
Cryptos	3 Nights
ThematiX	4 Nights

### 3.3 Conversion Fee

The Company will apply a conversion fee when an account currency differs from the currency of the traded instrument. The conversion fee will be applied by the Company to used conversion rate and will affect any conversions made on Used Margin, Profit/Loss, Swap Fees, Dividend Adjustments, and Future Rollover.

#### How does it work?

Conversion fee is a fix fee set by the Company to 0.5%.

Assuming a Client's account currency is EURO and Client wants to open a BUY position on asset B (a CFD on an US share) which is denominated in USD, with a volume of 10 contracts, Asset B quotes at opening time: 10.50/11.50 USD, asset leverage is 1:10 and EUR/USD trades at 1.15000, then:

Used Margin = Volume x Mid Price\* x Leverage = 10 x 11 USD x 10% = 11 USD

Used Margin Converted into Euro = 11 USD / 1.15 (EUR/USD rate) = 9.57 EUR

Conversion Fee on Used Margin = 9.57 x 0.5% = -0.048 EUR

Assuming quotes of asset B change to 12.50/13.50 USD per share, then:

Profit/Loss = Volume x (Market price – Opening Price) = 10 x (12.50 – 11.50) = 10 USD

Profit/Loss Converted into Euro = 10 USD / 1.15 (EUR/USD rate) = 8.69 EUR

Conversion Fee on Profit/Loss = 8.69 x 0.5% = -0.043 EUR

Assuming company pays dividend of 0.25 USD/share, then:

Dividend adjustment = Volume x Dividend = 10 x 0.25 USD = 2.5 USD

Dividend Adjustment Converted into Euro = 2.5 / 1.15 (EUR/USD rate) = 2.17 EUR

Conversion fee on Dividend Adjustment = 2.17 x 0.5% = -0.01 EUR

Assuming position is held overnight, Swap Fees for Buy positions being -0.015%, asset quotes remaining at midnight 12.50/13.50 USD per share, then:

Swap Fees = Volume x Interest Rate (Buy) x Mid Price \* at midnight = 10 x -0.015% x (12.50+13.50)/2 = -0.019 USD

Swap Fees converted into Euro = -0.019 / 1.15 (EUR/USD rate) = -0.016 EUR

Conversion Fee on Swap = -0.016 x 0.5% = -0.00008 EUR

\* Mid Price = Average between BUY and SELL price = (Buy price + Sell price)/2

### 3.4 Inactivity Fee

If the Client Account is inactive for three months (90 days) or more i.e., Client fails to provide an Order, the Company will charge each inactive Client account a fee relating to the maintenance, administration, and compliance management of these accounts. The inactive accounts will be subject to a monthly charge of Thirty (30) USD or its equivalent in the currency of the trading account.

### How does it work?

- Where a trader has more than one (1) Trading Account and all such Trading Accounts are Inactive Accounts, Inactivity Fee shall be charged separately for each Inactive Account.
- Where a trader has more than one (1) Trading Account, and at least one (1) of the Trading Accounts is active, Inactivity Fee shall apply for each Inactive Accounts.
- Where the balance of any Inactive Account to which Inactivity Fee is applicable, is less than Thirty (30) USD, then the Inactivity Fee for such Inactive Account shall be equal to the amount of the remaining balance on such Inactive Account. We reserve the right to charge the Inactivity Fee retroactively for any month in which we had the right to charge it but did not do so for technical reasons.
- Money left after deducting inactivity fees in the dormant account shall remain owing to the Client and the Company shall make and retain records and return such funds upon request by the Client at any time thereafter.
- If the trader's account is inactive for one year or more, the Company reserves the right (after calling or emailing the Client using the last known contact details) to close the Client Account. Any money to the credit of the Client Account will be remitted by the Company to the client's bank account from where they originated, unless instructed otherwise in writing by the Client.

### **3.5 Used Margin Calculation**

Note: The used margin that the Company applies is calculated as follows:

Cosmos Trading Platform Formula:  $(\text{Quantity} * \text{Mid Price} * \text{Margin Rate}) + (\text{Quantity} * \text{Spread})$

Example: Assuming a Client's account currency is EUR, and the client wants to open a BUY position on asset B which is denominated in USD, the quantity of 1, quotes at the opening time: 100/101, leverage of 1:10 and EUR/USD rate of 1.21400, then:

Used Margin =  $(\text{Quantity} * \text{Mid Price} * \text{Margin Rate}) + (\text{Quantity} * \text{Spread}) = (1 * 100.5 * 0.1) + (1 * 1) = 11.05$   
USD

Used Margin Converted into Euro =  $11.05 \text{ USD} / 1.214 \text{ (EUR/USD rate)} = 9.10 \text{ EUR}$

\*Please note that all dividend adjustments, Future rollover, dividends are converted to the account currency, a 0.5% conversion fee apply to all transactions.

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MT5 Trading Platform formula: Lot \* Contract Size \* Opening Price \* Margin Rate.

Example MT5: Assuming a Client's account currency is EUR, and the client wants to open a BUY position on asset B which is denominated in USD, quotes at the opening time: 100/101, leverage of 1:10 and EUR/USD rate of 1.21400, then:

Used Margin = Lot \* Contract Size \* Opening Price \* Margin Rate = 0.01 \* 100 \* 101 \* 0.1 = 10.1 USD

Used Margin Converted into Euro = 10.1 USD / 1.214 (EUR/USD rate) = 8.32 EUR

### 3.6 Bank charges on withdrawals

The Client agrees that any bank charges that might occur in case of a withdrawal request equal or less than 100 USD/EUR/GBP (or any other currency equivalent), derived from the Client's trading account to the client's designated bank account, will be borne by the Client.

## 4. Adjustments

### 4.1 Future Rollover

A week before the expiration of the Future contract on Bonds, Indices and Commodities a transaction adjustment will be performed on the expiring Future contract, in order to reflect the price of the new one. The Company applies this adjustment as follows:

Cosmos Trading Platform Formula: (Quantity \* Contracts Difference) + (Quantity \* Spread)

Example:

Scenario 1: New contract trades at a higher price than the expiring contract.

Assuming a Client's account currency is USD, and the client is holding a position in a future contract is denominated in USD that will expire the current contract trading trades at 100\$ and new contract trades at 105\$.

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If you have a BUY position of 1 contract on the asset subjected to rollover, you will register, at rollover time, an artificial profit of 5\$ (105-100) per each contract opened, as asset price increases from 100\$ to 105\$, in the favour of long trades.

Therefore, a negative adjustment will be processed in your account:

Rollover adjustment = (1 contract x contracts difference (105\$ - 100\$) + 1 contract x Spread) \* (-1) = (5\$ + 0.03\$) \* (-1) = - 5.03 \$

If you have a SELL position of 1 on the asset subjected to rollover, you will register, at rollover time, an artificial loss of 5\$ per each contract opened, as asset price increases from 100\$ to 105\$ in disadvantage to short trades.

Therefore, a positive rollover adjustment will be processed in your account:

Rollover adjustment = 1 contract x contract difference (105\$ - 100\$) + 1 contracts x Spread x (-1) = 5\$ - 0.03\$ = 4.97\$

Scenario 2: New contract trades at a lower price than the expiring contract.

Let us assume that expiring contract, trades at 105\$ and new contract trades at 100\$.

If you have a SELL position of 1 contract on the asset subjected to rollover, you will register, at rollover time, an artificial profit of 5\$ (100\$ - 105\$) per each contract opened, as asset price drops from 105\$ to 100\$, in favour of short trades.

Therefore, a negative rollover adjustment will be processed in your account:

Rollover adjustment = 1 contract x contracts difference (100 - 105) - 1 contract x Spread = -5\$ - 0.03\$ = - 5.03\$

If you have a BUY positions of 1 contract on the asset subjected to rollover, you will register, at rollover time, an artificial loss of 5\$ per each contract opened, as asset price drops from 105\$ to 100\$ in disadvantage to long trades.

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Therefore, a positive rollover adjustment will be processed in your account:

Rollover adjustment = (1 contract x contracts difference (100 - 105) + 1 contract x Spread) \* (-1) = (5\$ + 0.03\$) \* (-1) = 4.97\$

\*Please note that all adjustments, swap, rollover adjustments, dividends are converted to the account currency, 0.5% conversion fee apply to all transactions.

MT5 Trading Platform Formula: Price difference \* Contract size \* net volume.

Example:

Scenario 1: New contract trades at a higher price than the expiring contract.

Assuming a Client's account currency is USD, and the client is holding a position in a future contract is denominated in USD that will expire the current contract trading trades at 100\$ and new contract trades at 105\$.

If you have a BUY position of 1 contract on the asset subjected to rollover, you will register, at rollover time, an artificial profit of 5\$ (105-100) per each contract opened, as asset price increases from 100\$ to 105\$, in the favour of long trades.

Let us assume that expiring contract, trades at 100\$ and new contract trades at 105\$. If you have a BUY position of 1 contract on the asset subjected to rollover, you will register, at rollover time, an artificial profit of 5\$ (105-100) per each contract opened, as asset price increases from 100\$ to 105\$, in favour of long trades.

Therefore, a negative rollover adjustment will be processed in your account:

Rollover adjustment = (1 contract x contracts difference (105\$ - 100\$) \* (-1) = (1 \* 5\$) \* (-1) = - 5\$

If you have a SELL position of 1 on the asset subjected to rollover, you will register, at rollover time, an artificial loss of 5\$ per each contract opened, as asset price increases from 100\$ to 105\$ in disadvantage to short trades.

Therefore, a positive rollover adjustment will be processed in your account:



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Rollover adjustment = 1 contract x contract difference (105\$ – 100\$) \* (-1) = 5\$ = 5\$

Scenario 2: New contract trades at a lower price than the expiring contract.

Let us assume that expiring contract, trades at 105\$ and new contract trades at 100\$.

If you have a SELL position of 1 contract on the asset subjected to rollover, you will register, at rollover time, an artificial profit of 5\$ (100\$ - 105\$) per each contract opened, as asset price drops from 105\$ to 100\$, in favour of short trades.

Therefore, a negative rollover adjustment will be processed in your account:

Rollover adjustment = 1 contract x contracts difference (100 - 105) = 5\$

If you have a BUY positions of 1 contract on the asset subjected to rollover, you will register, at rollover time, an artificial loss of 5\$ per each contract opened, as asset price drops from 105\$ to 100\$ in disadvantage to long trades.

Therefore, a positive rollover adjustment will be processed in your account:

Rollover adjustment = (1 contract x contracts difference (100 - 105) = (5\$)

## 4.2 Dividend Adjustments

Cosmos Trading Platform Formula: Quantity \* Dividend Amount

### Example:

Assuming company pays dividend of 0.25 USD/share, then:

Dividend adjustment (Buy) = Volume x Dividend = 1 x 0.25 USD = 0.25 USD

Dividend Adjustment Converted into Euro = 0.25 / 1.214 (EUR/USD rate) = 0.21 EUR

\*Please note that all adjustments, financing swap, rollover adjustments, dividends are converted to the account currency, 0.5% conversion fee apply to all transactions.

MT5 Trading Platform Formula: Volume \* Contract Size \* Dividend

Example:

Assuming company pays dividend of 0.25 USD/share, then:

Dividend adjustment (Buy) = Volume\*Contract Size\*Dividend = 0.01\*100\*0.25 USD = 0.25 USD

Dividend Adjustment Converted into Euro = 0.25 / 1.214 (EUR/USD rate) = 0.21 EUR

## 5. Costs and Fees on Specific Product(s)

### 5.1 StoX

StoX refers to Contract for Differences (CFD) of certain Share(s), where the CFD financial instrument carries a Fixed Leverage 1:1. Also, the said product allow traders to perform Fractional Trading, i.e., giving the ability to trade a portion of an equity stock that is less than one full share. "StoX" can be found at 'Cosmos Trading Platform'.

The said product is subject to the following cost and charges:

- Spread
- Swap Fees (only on Short Positions)

### 5.2 QuantX

QuantX refers to a product designed to allow clients to construct a portfolio of instruments on Contract for Difference ("CFD") with the underlying instrument being non-leveraged CFDs on equities/shares as picked by the client(s), based on their selected parameters. Only long positions are allowed under this product.

The said product is subject to the following cost and charges:

- Spread (see point 3.1)
- Dividend Adjustments (see point 4.2)
- Administration Fees\*

\* Administration Fees:

The Administration Fee is 0.25% per Month

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The Administration Fee apply at 22:00 GMT during winter time and at 21:00 GMT during summer time at the last calendar day of each month for any open portfolio or upon the closure of the portfolio/position (if closed before the end of the calendar month)

The Formula used for the calculation of the Administration Fees has as follows:

(Current Notional Value of the Portfolio X Percentage of Account Fees)/Number of months X (Number of calendar days of the month which the portfolio was open/total number of calendar days of the month)

The fee is reflected on the client's trading account statement as 'Administration Fee'.

For a holding period of less than a calendar month, Administration Fees are charged after the closure of the position, and the fees are calculated based on the number of days where the portfolio was open, regardless of if the portfolio closed due to client's initiative or due to stop loss or take profit order. If the closure of the portfolio takes place within the same day of the initiation, then no Administration Fees will be charged.

Example:

Portfolio containing 3.5 Apple shares at \$300 current price & 2.5 Tesla shares at \$700 i.e., notional value amounted to 2,800 USD. The said portfolio is hold for a 12-day period and the Apple share's price moved to \$350 and Tesla to \$750.

Administration Fee:

$[3.5 \text{ Apple shares at } 350\$ \text{ (current price)} + 2.5 \text{ Tesla shares at } 750\$ \text{ (current price)}] * 3\%/12 * 12/30 = 3.10 \text{ USD}$

For portfolios/positions closed after the end of a calendar month, Administration Fees are charged the last day of the calendar month, using the closing price of the trading session of that day. In addition, Administration fees are calculated based on the number of days where the portfolio was open, after the end of the said month, regardless of if the portfolio closed due to client's initiative or due to stop loss or take profit order.

Example:

Portfolio containing 3.5 Apple shares at \$350 current price & 2.5 Tesla shares at \$750 i.e., notional value amounted to 3,100 USD. The said portfolio is hold for a 50-day period and at the end of the calendar month the Apple share's price was \$370 and Tesla \$800, while the price of the underlying instruments by the end of the 50-day period increased to \$400 and \$900 respectively.

Administration Fee will be calculated as follows:

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For the first month which has 30 days (30 days holding period) the fees will be applied as follow:

$(3.5 \text{ Apple shares at } 370\$ + 2.5 \text{ Tesla shares at } 800\$) * 3\%/12 * 30/30 = 8.24 \text{ USD}$

For the second month which has 31 days (20 days holding period) the fees will be applied as follow:

$(3.5 \text{ Apple shares at } 400\$ + 2.5 \text{ Tesla shares at } 900\$) * 3\%/12 * 20/31 = 5.89 \text{ USD}$

In this respect, the Administration Fee charge is  $\$8.24 + \$5.89 = 14.13 \text{ USD}$