

Key Information Document - Contract for Differences (CFD) on a Crypto Token (Litecoin)

Purpose: This document provides you, as a retail client, 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:	Name of Product:	Contract for Difference (CFD) on a Crypto Token - Litecoin
	Manufacturer:	Pepperstone Group Limited
	Date of document:	March 2023



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

What is this product?

Type Contract for Differences on a Crypto Token – Litecoin

Objectives This product aims to allow investors to take advantage of prices moving up (long positions) or prices moving down (short positions) on underlying financial instruments. It is often used to speculate on those markets. Trading this product enables investors to have exposure to price movements of an underlying financial instrument without actually owning it.

Intended retail investor

Investors who have knowledge or experience of trading in leveraged products, and wish to have exposure to movements to Crypto Token – Litecoin, such as;

- Hedgers who seek to reduce risk by protecting an existing exposure against possible adverse price movements in the price of the Crypto Token – Litecoin. Hedgers have a real interest in the underlying Crypto Token – Litecoin.
- Speculators who use CFDs in the hope of making a profit on short-term movements. They often buy and sell derivatives contracts in their own right without transacting in the underlying financial instrument. Speculators may have no interest in the underlying financial instrument other than taking a view on the future direction of its price.

This product is not appropriate for everyone, and should only be used by investors that are able to bear losses, and understand the mechanics and risks of leveraged trading including the use of margin deposits.

Term

- CFDs are generally used for short term trading, often intra-day, so this product has no maturity date or cancellation period. This product has no minimum or recommended holding period and you can close your contract at any time during market hours. We may unilaterally close your CFD contract(s) if you do not maintain sufficient margin in your account at all times.

What are the risks?

The CFD products on Crypto Token – Litecoin that we offer are not listed on a regulated market, and can only be closed with us and not with any other CFD provider. If you fail to maintain an adequate margin deposit to cover any losses, we may close your position without further reference to you.

CFDs are high risk investment products, which are volatile, creating opportunity for high financial returns or losses. Cryptocurrencies are also high risk instruments and their value can fluctuate significantly. Cryptocurrencies are also subject to technology risks. If you choose to invest in Cryptocurrency CFDs, you do so acknowledging that these instruments are much more volatile than traditional currencies, so sharp and sudden moves in the price could see you lose significant amounts of money very quickly.

When you trade CFDs on Cryptocurrencies, you need to be aware of the risk of a “hard fork” occurring. A hard fork is when a single Cryptocurrency splits in two due to a split in the blockchain network (ledger of Cryptocurrency transactions) and occurs when a Cryptocurrency’s existing code is changed. This can result in both an old and new version of the particular Cryptocurrency.

In the event of a hard fork:

(a) we’ll generally follow the blockchain that has the majority consensus of Cryptocurrency users. We reserve the right to determine which blockchain and Cryptocurrency unit has the majority consensus behind them and use this as a basis for Cryptocurrency Contracts; and

(b) there may be substantial price volatility around the event. We may suspend trading throughout if we don’t have reliable prices from the Underlying Market.

If the hard fork results in a variable second Cryptocurrency becoming tradable on exchanges we have access to then, in our absolute discretion, we may create an equivalent Contract or cash adjustment on your Account to reflect its value. When a hard fork occurs, We’ll attempt to notify you of potential hard forks, but it’s your responsibility to make yourself aware of the hard forks that could occur.

Due to the volatile nature of Cryptocurrencies, where there is an event of a consensus among the exchanges and the instrument is no longer offered, we can delist the instrument in short notice.

We may enforce a limit on the total amount of Cryptocurrency exposure that you’re allowed to maintain. This information is available on our website. or from our Support team on request to support@pepperstone.com. We reserve the right to reduce or close your Cryptocurrency positions if your notional exposure size exceeds this limit.

This product does not include any protection from future market performance and in some circumstances, you may be required to make further payments to maintain your position. **As a retail client, the total loss you may incur is limited to the funds in your trading account.**

Investment Performance Information

The purpose of this product is to enable you to get (or hedge) an exposure to the price of Crypto Token – Litecoin without the need for a digital wallet.

As trading this product enables investors to have exposure to price movements of an underlying financial instrument without actually owning it, the major cybersecurity risks associated with cryptocurrencies are not experienced – including crypto hacking, wallet theft and phishing emails and malware.

The price of Crypto Token – Litecoin is determined in the same way that the value of the U.S. dollar is determined: supply and demand. Like fiat currency, when the demand for Litecoin increases, the price increases. When demand for Litecoin falls, the price falls.

This product is priced to accurately track the price of Crypto Token – Litecoin. We base the price of our Cryptocurrency Contracts on the underlying market, made available to us by the exchanges and Liquidity Providers that we trade with.

Crypto Token CFD prices are continuously being updated and streamed. As there is no centralised Cryptocurrency exchange, Crypto Token CFDs offered by Liquidity Providers are based on their internal pricing methodology, whilst this does not consider any single other exchange or liquidity provider, it does take into consideration the prevailing market price. The value is based directly on the underlying instrument. For example 1 Litecoin CFD is based on the USD rate for 1 Litecoin.

You are reminded that you will not own the underlying product when you trade a CFD on Crypto Token – Litecoin, therefore you will not be eligible for any rights associated with the Crypto Token.

Effect of leverage



Please note that leverage will magnify any profits or losses based on the price movements in the underlying financial instrument. For example, on a leverage of 2:1 you would be required to deposit a minimum initial margin deposit of 50% of the notional value of your contract.

Background on Crypto Token - Litecoin

Litecoin (LTC)¹ is an alternative cryptocurrency created in October 2011 by Charles "Charlie" Lee, a former Google engineer. Litecoin was adapted from Bitcoin's open-source code but with several modifications. Like Bitcoin, Litecoin is based on an open-source global payment network that is not controlled by any central authority.

Like other decentralised cryptocurrencies, Litecoin is not issued by a government. Instead of being regulated by a central bank, Litecoins are created by an elaborate cryptocurrency procedure called mining, which consists of processing a list of Litecoin transactions.

Litecoin is minable using ASIC miners, much like Bitcoin is. A block within a blockchain stores transaction information. The block is verified by mining software and made visible to any system participant (called a miner) who wants to see it. Once a miner verifies it, the next block in the chain is created, and Litecoin is rewarded. A blockchain is a digital ledger of transactions that is replicated and distributed across a network of computer systems to secure information.

Litecoin relies on a modified version of Scrypt to generate coins which makes it four times as fast as Bitcoin in processing and confirming transactions. The speed in processing transactions can come at the expense of security because fewer rounds of transaction verification are involved.

We highly recommend doing your own research before trading these products.

Other relevant information

This document is only a high-level summary of this product. You can find our Key Information Documents and further information, including performance scenarios, relating to the other products we offer on our website at

<https://pepperstone.com/en-ae/>

¹ <https://www.investopedia.com/terms/l/litecoin.asp>