SCOPE MARKETS
GLOBAL ONLINE TRADING

PRODUCT SENSITIZATION FRAMEWORK

1. Introduction

SCFM Limited, trading as Scope Markets, is a Limited Liability Company incorporated in Kenya, incorporation number PVT-GYULYYG, authorised and regulated by the Capital Markets Authority as a Non- Dealing Foreign Exchange Broker, license number 123 and as a NSE Derivatives Broker license number 143 and whose registered address is Westside Tower, 4th Floor, Office no. 402 &403, along Lower Kabete Road, Westlands, Nairobi and of P.O Box 2673-00606 Nairobi, Kenya.

The Product Sensitisation Framework is drafted in line with the Capital Markets Act and its enabling Regulations and is designed to act as a guide to understanding Online Foreign Exchange (FX) and Contract for Difference (CFDs), Shares/Stocks(Equities) and Exchange Traded Funds(ETFs) and trading as well as the risk associated with trading such products.

Online FX, CFDs, Shares and ETFs trading is a high risk and complex form of investment and is not suitable for all types of clients. This document is therefore for information purposes and shall not be construed to be any form of client advise or an endorsement of the product(s).

The Framework shall be read together with the **Client Agreement, the Risk Disclosure Framework, the Order Execution Policy** and any other document that may be made available on our website www.scopemarkets.co.ke

For detailed information on trading strategies please seek professional advice from authorised and licensed financial and investment advisors.

2. What is Foreign Exchange and Contract for Difference Trading?

The forex market is the world's most liquid and traded market with an average turnover in excess of $5.1 trillion (USD) per day.

Foreign Exchange (FX) and Contracts-for-Difference (CFDs) are over-the-counter (OTC) derivatives that allow you to speculate on the price movement of Currencies, Metals, Energy, Agriculture, Treasuries and Equity index products. When you open an FX & CFD account, you agree to exchange the difference between the opening price and the closing price of the FX or CFD position with the Broker. You do not acquire ownership of the underlying asset when you go long(buy), nor are you required to deliver the underlying asset when you go short (sell).

Online FX and CFDs are traded on an online trading platform offered by a licensed dealing or non- dealing online foreign exchange broker in Kenya. The Services offered by the broker are on an execution-only basis at the discretion of the trader, through a twenty-four-hour electronic trading platform.

Foreign Exchange, also known as Forex or FX refers to the market in which currencies are traded. It involves the conversion of one currency from another at an agreed price, which is usually quoted in pairs e.g. EUR/USD.

A CFD is an agreement to exchange the difference in the value of an asset from the time the contract is opened until the time at which it's closed. You still benefit from market moves though you never actually own the asset traded.

3. What are Shares/stocks?

Shares represent a part ownership in a company. As such, the owner of a share participates in the fortune of the company. If the company does well, the shares are likely to rise in price, but if the company does badly, the share price is likely to fall.

Once you purchase shares/stocks on our platform, you shall gain physical ownership of the Investments purchased.

4. What are Derivatives?

A derivative is a financial contract that derives its value from an underlying asset. The buyer agrees to purchase the asset on a specific date at a specific price. The most common types of derivatives are futures, options, forwards and swaps.

5. How do you Trade FX, CFDs, Derivatives and Shares?

A trader trades forex by either assuming a buy or sell position. A buy position is also referred to as 'long position' while a sell position is also referred to as a 'short position'.

A trader will assume a long position if they reasonable believe that the market is likely to rise, and they will make a profit from the upward movement of the market. When a trader assumes a short position, they reasonably believe that the market will fall and that they will make a profit from the price difference between the opening position and the close position.

CFDs offer a simple method to speculate on different markets without ever actually owning the underlying asset on which the contract is based. Traders find CFDs to be a popular option to diversify their trading into different global markets.

Among the benefits of CFD trading are that you can trade on margin, and you can go short (sell) if you think prices will go down or go long (buy) if you think prices will rise. You can also use CFDs to hedge an existing physical portfolio.

Unlike FX and CFDs, we do not allow Short Selling of Stocks and ETFs. This means that, a trader can only sell investments that they already own on our platform.

Derivatives are traded as Over-the- Counter (OTC) contracts or via regulated Exchange. For futures and forwards, two parties agree to buy or sell an underlying asset at a certain future date for a particular price that is predecided on the date of the contract. Both parties are committed and are obliged to honour the transaction irrespective of the price of the underlying asset at the time of expiry of the contract.

6. Common Terminologies in FX, CFDs Shares, Derivatives and ETF Trading

It is paramount that a trader or anyone who wishes to engage in forex and CFD trading understands key and common terms used in trading. This term will also be often seen on the online trading platform and communication made by the broker throughout the course of trading:

6.1. Fees and Charges

These refers to any fee that is charged for buying or selling a tradable asset by the broker. This fee varies between assets. It is set by the broker and is part of the trading costs passed down the trader.

6.2. Equity

Equity is the amount of working capital you have at any point. Equity is what if left plus your open positions running P&L. Equity= Balance – P&L

6.3. Limit Order

A Limit order is an instruction to open or close a position at a certain favourable price. This order is held on the brokers server. Limits orders can buy, sell or close a position.

6.4. Leverage

In CFDs trading, leverage gives your account more buying power than it normally would. Since physical delivery is not an option in CFDs trading, traders tend to put in less capital than the trading exposure they wish to take. Leverage is the ratio of buying power vs deposit size. If you have a $10,000 deposit, with a Leverage of 10:1, you have buying power of $100,000. Leverage is an optional feature. Your account can have buying power of 10:1 but it is at the trader's discretion how much leverage to make use of.

If you choose to use higher leverage, since you are controlling a large portfolio position from a lower initial balance, the profit and loss get exaggerated since you have taken on higher exposure in the market.

6.5. Percentage in Points (PIPs)

A PIP is the smallest movement in a CFD asset. Pips measure the distance in points the asset has moved. We say, the EURUSD has lost a 100 Pips after the FED rate cut.

6.6. Margin

Margin is the security deposit required to open a trade. Margin required is determined by the leverage. With higher leverage, you post lesser margin with your broker to open a trade of the same size than if you had lower leverage

6.7. Spread

Spread is the cost of trading. It is the difference between the bid and the ask price. Ask price is the price buyers get filled. Bid price is the price sellers get filled. Spread is determined by the asset you are trading and by your broker.

6.8. Stop Loss

A stop loss is a risk management measure. It is a limit order that cuts your losses if a certain price on the asset is reached.

7. **Risk Management**

Given the volatile nature of the trading environment and the high-risk nature of forex , CFD and Shares products, it is important that a trader understands and is able to manage the risks associated with trading. Below are tips that a trader can consider and put in place to mitigate trading risks:

i. Have a trading strategy: This allows the trader to predetermine the size of expected gains and losses from each trading activity.

ii. Stop losses/ Exit Strategy. A stop loss allows the trader some full control of the maximum profits or losses that they can take from a certain trade. A stop loss can even be a set of rules that trigger his exit strategy.

iii. Know your Asset. Understanding the financial instruments that you are trading allows you understand the risks associated with such products. Learn about upcoming news event that might increase volatility in the asset you are in.

iv. Beginners are encouraged to consider opening a demo account for practice purposes. This enables beginners to familiarise themselves with different aspects of trading, understand the order, manage trades and test trading strategies.

v. Avoid trading in inappropriate market conditions and times.

vi. Diversify your trading portfolio.

vii. Only trade with money you can afford to lose due to the unforeseen nature of financial markets.

viii. Choose your right broker wisely. Clients should research the market and only trade with brokers with a regulated status, easy-to-use trading platform, good customer services and transparency of fees and charges.

ix. Dealing with losses. Losses happen, it's important to anticipate this outcome and be mentally and psychologically prepared. Trading is also very emotional, and the trader should be fully aware of this fact.

x. Insolvency Holders of ordinary shares are the last to be paid in the event of a company becoming insolvent. However, ordinary shareholders also have the potential for good returns provided the company does well and is perceived to be continuing to do well. In extreme cases a company can fold up and become insolvent and you lose all your investment.

xi. Perception Risk Share price is based on demand which depends on investors perception of the companies' future prospects, and general sentiments, if others are pessimistic about a company, the share price will fall, if you sell at that point or if price does not recover, you get back less than you put in.

8. Things to consider before you start trading

It is important that traders have completed the following checklist prior to opening a trading account with a broker.

i. Experience, goals and financial resources- Due to the high-risk nature of the products, it is important to take into consideration your trading experience, your investment goals and the resources allocated to trading FX. If you are unsure of the efficacy of either of the above, kindly seek expert advice from regulated investment and financial advisors.

ii. Understand that your losses may exceed the initial investment deposit.

iii. Understand all the obligations, including fees and charges, for any contract that you open. Some contracts may have expiry dates and/or other agreements which may affect your trading. Most brokers publish their terms and conditions on their websites.

iv. Thoroughly review the Brokers' Terms and Conditions, Risk disclosure and any other documents and make sure you understand the risks of each financial instrument offered by the brokers.

v. Know your contact point when you have a problem or a question. Most brokers offer their clients a dedicated account manager. Make sure you know your account manager's details, such as name, telephone number, e-mail address or any other communication channels. You should also be aware and understand the broker's complaint handling procedure.

vi. Always ensure that you trade with a licensed broker.

9. Account Opening Processes

Once you have read and understood this article and considered the points above, you may be ready to open a trading account with Scope Markets by following the processes below.

Open a trading account by filling in the Online Application form available on www.scopemarkets.co.ke

Read, understand and acknowledge the Terms and Conditions and our Regulatory Policies, including Best Execution Policy, Privacy Policy and Conflicts of Interest Policy.

Submit your verification documents through our online client portal. The documents include, but are not limited to, valid proof of address and valid proof of ID.

Once we have received your documents, we will conduct a client verification process, otherwise known as a Know your Client (KYC) process.

Upon verification, we will notify you through e-mail communication. We will provide client portal logins as well as MT5 trading logins and you can commence trading.

At Scope Markets we endeavour to provide financial promotions that are clear, fair and not misleading, through every distribution channel. We will only target the right audience, use understandable language and accompany every financial promotion with a risk warning. It is important to remember that Scope Markets does not manage funds, provide investment advice and/or personal recommendations.