



## COMPLIANCE DECISION MEMO

**TO:** Avi Sela  
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**FROM:** Compliance CY (Iro Petsa)

**DATE:** 23/10/2024

**SUBJECT:** Exchange Traded Futures

**COMPANY:** eToro (Europe) Limited

### 1. Introduction

The Company has an intention to commence the offering of a new service to existing and new customers of the Company.

#### Licenses and Permissions

To offer exchange-traded futures under MiFID II and CySEC regulations, the Company must ensure it holds the following licenses and permissions:

- Reception and transmission of orders in relation to one or more financial instruments; Execution of Orders on Behalf of Clients: Required for routing client orders to the exchange via Marex as a Futures Commission Merchant (FCM).
- Dealing on Own Account (if applicable): Necessary if the firm provides liquidity or engages in principal trading activities.
- Safeguarding and Administration of Financial Instruments: Essential for managing client funds and ensuring compliance with CASS rules.
- Permission for Derivatives (especially futures) listed on exchanges

The Company already possesses the required licenses for launching this product.

### 2. The Service

An exchange traded futures contract ("Future(s)") is an agreement to buy or sell a particular asset at a future date, the price and amount of which is fixed at the time of the agreement. Such products are traded on a "Futures Exchange". These exchanges play a crucial role in the financial markets by providing a regulated, transparent, and standardised environment for trading futures. Futures exchanges typically operate in conjunction with a "Clearing House", which acts as a counterparty to all trades, ensuring



that participants do not have to worry about the risk of the other party to the contract failing to deliver on their obligations (as can happen with OTC transactions).

Futures are traded on margin, that is when entering a trade, money must be deposited by both parties to the contract (buyer and seller) which amounts to an overall portion of the value of the agreement. As Futures are not fully collateralised, they are deemed to be leveraged products.

The Company wishes to provide its existing and future clients with access to Futures. Futures can be seen as a more traditional, standardised, alternative to CFDs. Whilst there is no intention to cease offering CFDs, the inclusion of Futures within the Company's product offering will ultimately create more choice for clients, across a wider array of underlying assets, providing access to highly transparent pools of liquidity. The Futures product will only be made available on a self-directed basis and will not fall under the Firm's Copy Trading mechanism at this stage.

### 3. Futures offering

The Company intends to offer a limited selection of US (Chicago Mercantile – "CME") listed Futures products in the first instance, expanding its offering in due course. Given the predominantly retail nature of the Company's customer base, the product offering will focus on:

- (a) Futures where the underlying asset is already proven to be popular/commonly traded (drawing on eToro's observations of its own users) and
- (b) Futures where the contract size is sufficiently small to cater for retail users.

In summary, the initial product offering will be as follows:

| Underlying Asset | Type               | Futures Contract           | Exchange    | Expiry Months Offered              | Contract Size                            | Settlement Type |
|------------------|--------------------|----------------------------|-------------|------------------------------------|------------------------------------------|-----------------|
| WTI Crude Oil    | Commodity (Energy) | Micro WTI Crude Oil Future | NYMEX (CME) | Monthly <sup>1</sup><br>All months | 100 barrels<br><br>\$100 x WTI Crude Oil | Cash            |



| Underlying Asset          | Type                        | Futures Contract                       | Exchange          | Expiry Months Offered                                      | Contract Size                           | Settlement Type                     |
|---------------------------|-----------------------------|----------------------------------------|-------------------|------------------------------------------------------------|-----------------------------------------|-------------------------------------|
| <b>Nasdaq 100 Index</b>   | Stock Index                 | Micro E-mini Nasdaq-100 Index Future   | CME               | Quarterly <sup>2</sup><br>March, June, September, December | \$2 x Nasdaq-100 Index                  | Cash                                |
| <b>Gold</b>               | Commodity (Precious Metals) | Micro Gold Future                      | COMEX/NYMEX (CME) | Monthly <sup>1</sup><br>Feb, Apr, Jun, Aug, Oct, Dec       | 10 troy ounces<br>\$10 x Gold           | Physically Deliverable <sup>3</sup> |
| <b>S&amp;P 500 Index</b>  | Stock Index                 | Micro E-mini S&P 500 Index Future      | CME               | Quarterly <sup>2</sup><br>March, June, September, December | \$5 x S&P 500 Index                     | Cash                                |
| <b>Russell 2000 Index</b> | Stock Index                 | Micro E-mini Russell 2000 Index Future | CME               | Quarterly <sup>2</sup><br>March, June, September, December | \$5 x Russell 2000 Index                | Cash                                |
| <b>Nikkei 225 Index</b>   | Stock Index                 | Micro Nikkei (USD) Future              | CME               | Quarterly <sup>2</sup><br>March, June, September, December | \$0.50 x Nikkei 225 Stock Average Index | Cash                                |

<sup>1</sup> eToro will offer the nearest and next months at any one time

<sup>2</sup> eToro will offer the first two quarters at any one time (near quarter and next quarter)

<sup>3</sup> eToro Futures contract will be expired (and cash settled) prior to the First Notice Date



*NOTE that the Firm will not offer (neither now nor in future) cryptoasset futures to retail clients.*

#### **4. Product characteristics**

In general, the Company's Futures products shall align with the standardised contract specifications as dictated by the relevant Futures exchange. This extends not only to contract size, contract months offered etc., but also to pricing/market data convention, thus mimicking the pricing observed within the exchange-traded market.

##### **Settlement**

All Futures products offered shall be cash settled by eToro, based on the official settlement provided by the exchange on the expiry day in question. To be clear, where a Future is not cash settled by the relevant exchange (and is physically settled, which could result in physical delivery, particularly in the case of commodity Futures), such products shall be expired/settled by the Firm prior to the first notice day. The mechanism by which eToro's Futures products are settled/expired will be communicated clearly and in advance to customers.

##### **Differentiation between CFDs and Futures**

The Firm currently offers CFDs in underlying assets that will also be made available as Futures contracts. A clear distinction must therefore be made between the two product types (in order to avoid customer confusion, situations where customers mistakenly trade the wrong product etc.).

The user journey will be adjusted to introduce explicit product labels which clearly identify the product type. These labels will be used throughout the customer journey, including within deal tickets, product lists, discovery pages etc. Please refer to the screenshots within Appendix 1 which provide examples of the use of the product type labels at various points within eToro's trading platform.

In contrast to CFDs (where a user may enter their desired trade size either in terms of contracts or by invested amount), Futures will be offered on the basis of whole integer contracts (or "lots") only – i.e., clients will only be able to execute a minimum of one standardised lot, and multiples of one lot in excess of this. This avoids a situation where fractional lots (including sub-one lot instructions) are transmitted for execution, thus preserving market convention.

##### **Leverage**

As stated, a user that trades Futures products is only required to commit an "initial margin" to execute the trade (and not the full amount). Such products are therefore traded on leverage. "Variation" or "maintenance margin" may become due in the event a user's initial margin becomes depleted beyond a certain maintenance level (corresponding



to an uncrystallised loss in a Futures position). In such cases, the user is required to add additional margin (cash collateral) to regain the level of the initial margin.

NOTE that intermediary brokers may request that additional margin is provided over and above that set by the exchange/clearing house. This is common practice and has the result of reducing implied leverage.

Minimum Futures margin rates are determined by the exchange/clearing house and are calculated using complex models which consider a vast array of inputs, including volatility characteristics (both actual and implied, where traded options exist in the case of the latter), annual/seasonal patterns, recent or anticipated events, and market dynamics. The approach is data driven, highly scientific, and captures both forward looking expectations and historical data (over product-specific lookback periods).

The risks of leverage are well documented and already arise in relation to the Firm's existing CFD product. Although not obligated to do so, the Firm will not set a Futures initial margin requirement which would render the implied leverage of the product in excess of the corresponding CFD product. For example, if the Firm offers CFDs on the S&P 500 index at a maximum leverage level of 20:1 (5% margin), the implied margin (as determined by the relationship between the contract value and initial margin requirement) will not exceed 20:1 (or be below 5%). Although not intended as part of the Firm's phase one release, the Firm may subsequently design an extended Futures assessment which – if taken and passed – would grant a user access to implied leverage that is consistent with the exchange, and which may exceed the corresponding CFD leverage cap.

The table below sets out the initial margin requirements that will be charged to phase one clients when executing futures trades, versus the maximum leverage rate that applies in the case of eToro's corresponding CFD product:

| <b>Futures Contract</b>              | <b>Implied Leverage (Margin Rate)</b> | <b>Corresponding CFD Maximum Leverage (Minimum Margin Rate)</b> |
|--------------------------------------|---------------------------------------|-----------------------------------------------------------------|
| Micro WTI Crude Oil Future           | <= 10:1 (>= 10%)                      | 10:1 (10%)                                                      |
| Micro E-mini Nasdaq-100 Index Future | <= 20:1 (>= 5%)                       | 20:1 (5%)                                                       |
| Micro Gold Future                    | <= 20:1 (>= 5%)                       | 20:1 (5%)                                                       |
| Micro E-mini S&P 500 Index Future    | <= 20:1 (>= 5%)                       | 20:1 (5%)                                                       |



|                                        |                             |            |
|----------------------------------------|-----------------------------|------------|
| Micro E-mini Russell 2000 Index Future | $\leq 10:1$ ( $\geq 10\%$ ) | 10:1 (10%) |
| Micro Nikkei (USD) Future              | $\leq 20:1$ ( $\geq 5\%$ )  | 20:1 (5%)  |

## 5. Distribution

The purpose of this section is to provide an overview of the Company's target market for exchange-traded futures, considering the specific characteristics of the product and the users the Company engages with.

Natural persons make up greater than 99% of the Company's user base, with almost every natural person user being categorised as "retail". The product will be available also to elective professional clients, professional per-se and corporate entity clients.

In evaluating the relevance of the Company's product in the context of the target market, the Company considers the following factors:

- **Financial situation of the client**, including their ability to bear losses and the impact of the investment on their overall portfolio;
- **Investment objectives of the client**, including their risk appetite and investment horizon;
- **Knowledge and experience of the client**, including their familiarity with similar and other alternative investments; and
- **Client's objectives and needs.**

Any user that falls outside of the intended "Target Market" for a particular service can be defined as falling within the definition of the "Negative Market".

By conducting a thorough assessment and definition of the target market, the Company aims to provide its product/services only to those users to whom they are relevant, based on their circumstances, thus helping to minimize the risk of potential harm to customers.

### ***Defining the Target Market and Negative Market***

The starting point for defining the target/negative market is to first consider the underlying product to which the service relates – that is, Futures.

Futures are not currently available on the eToro platform, although corresponding OTC derivatives - in terms of risk and complexity - in the form of CFDs, are already available for those customers that

- (a) do not fall within the definition of negative market and
- (b) have been subjected to an appropriateness assessment.



Conceptually, the Company accepts that Futures products (like CFDs) are at the higher end of the risk spectrum (primarily due to their leveraged nature) and are therefore “complex”, but such products (where the underlying asset to which the derivative relates is considered to be “familiar” or not “exotic” in nature – for example, based on blue-chip stock indices or highly liquid commodities that are familiar to customers by being intrinsically linked to their everyday life - e.g. crude oil) do have a place in the retail customer domain, either on a standalone basis, but ideally as part of a diversified portfolio, alongside other asset classes.

The Company intends to apply the same negative market approach as it currently does for its self-directed CFD product (thus restricting clients that exhibit certain non-compatible characteristics from trading such products). To reiterate, Futures will not form part of the Company’s Copy Trading mechanism.

In determining target/negative market, the questions the Firm must ask itself are as follows (noting importantly that clients are not obliged or pressured into trading any particular products offered by the Firm – the choice is exclusively, the clients).

**Q1: “By offering Futures products, are eToro’s users more likely to commence trading in such assets or switch their bias towards the trading of such assets. If the answer is yes, does the potential increase in activity in such products lead to increased detriment for eToro’s predominantly retail user base?”**

No. The offering of futures does not represent a material departure from the Company’s current offering (in terms of variety, risk, and complexity). As stated, the Company already offers CFDs in corresponding underlying assets and does not anticipate, simply by virtue of offering exposure to such assets in Futures form, that a user will gravitate towards these products, switching their focus from cryptoassets and/or unleveraged stocks in the process. We may see users adapt their strategy and substitute Futures for CFDs, however (due to the standardised, exchange-traded nature of such products and the perceived attractiveness of such). **To reiterate, the Company shall employ the same approach to negative market, and comparable appropriateness assessment measures for Futures as that currently observed for the CFD product class.**

**Q2: “Do Futures products fulfil the needs and demands of retail users, specifically within the context of users’ investment objectives, risk appetite and investment horizon?”**

Possibly. One can conclude that Futures products may fulfil the needs and demands of a customer (in terms of investment objective and investment horizon). Such products offer a user the ability to create a diversified/balanced portfolio (covering multiple asset classes). A user’s risk appetite (and/or personal situation re financial resilience and/or education/experience) may not match with the risks that the product presents, however. All material risks must be communicated in a clear fashion. **Correspondingly, the benefits and typical use cases of such products should be communicated to clients by way of informative/educational material, delivered via eToro’s Academy pages. The Firm’s**



application of a multi-faceted negative market aids in avoiding mismatches between the product and clients with contra-indicators.

Whilst the appropriateness assessment does not act as a binary pass/fail, grant access/deny access (respectively) mechanism, it serves to (a) assess knowledge and experience of Futures and comparable (leveraged) products (b) grant immediate access where appropriateness is satisfied and (c) in the event of clients that cannot immediately fulfil appropriateness requirements (but who are not captured by the negative market), provide additional warnings vis-à-vis the risks, their impact, and the importance of understanding the risks prior to engaging with the product.

**Q3: “Do clients possess the relevant knowledge and experience of Futures products and/or are they familiar with any alternative products (with similar characteristics)?”**

Adopting a prudent approach, it is logical to assume that a minority of clients will have an existing level of familiarity, or significant knowledge and experience associated with Futures products. Granted, competitors that offer Futures products do exist, but such competitors are not common, and their offering is typically targeted at more sophisticated clients (not necessarily MiFID professional categorised clients, but rather more from a platform maturity perspective – i.e., via more complex interfaces).

**A Futures product that targets retail customers (particularly those with a profile found at eToro) must be prudently classified as an evolving service within the financial services domain. Notwithstanding, the Firm believes that a comparison can be drawn between the Company’s existing CFD products (and the wider EU CFD market in general) and the dynamics/characteristics of Futures trading. It is therefore logical to take an approach which uses experience and education in comparable products to inform a user’s knowledge of the risks associated with Futures.**

**Q4: “What role does vulnerability play in respect to the target/negative market?”**

The short answer is that vulnerability – depending on the nature of the vulnerability – plays a significant role in defining whether a customer is within the target market or negative market. Not all vulnerabilities will render a user part of the negative market. Those vulnerabilities that may lead to an inability to grasp the concepts/risks associated with Futures products (e.g., low education level, impaired mental function/capacity etc.) or which may give an unreasonable expectation as to the benefits of Futures products (without due consideration of risks) – e.g., addictive tendencies) will be contra-indicators for granting access to such products.

**It is beyond the scope of this communication, but the Company employs a number of mechanisms which are designed to both proactively and reactively identify client vulnerability. The Company will use the output of these vulnerability processes to exercise discretion in cases where vulnerabilities may lead to customer detriment (in relation to Futures trading activity).**

## **Conclusion**



**To conclude, Futures trading is not without risk. It is a complex product and one where the sensitivities vis-à-vis retail clients and risk is well documented (albeit using CFDs as a proxy).**

The key requirements when defining the Company's Target Market and Negative Market definitions are as follows:

- (i) Users must be presented with all material risks in a clear and concise fashion. This must be presented prior to engaging in Futures trading activity;
- (ii) Educational material must be provided (and clearly sign-posted);
- (iii) All prospective Futures users must be subject to a robust appropriateness assessment (prior to engaging in such products);
- (iv) A robust negative market restriction process must exist which has the purpose of preventing poorly matched/equipped customers from executing self-directed Futures products (as described);
- (v) Key risks must not be "buried" in lengthy terms and conditions documents. They should be presented as part of the user workflow. It is acknowledged that terms of the service must be defined in a formal legal document, however;
- (vi) No user is ever forced, encouraged, or incentivised to trade in Futures products; and
- (vii) Vulnerability must be taken into account where present, utilising the Firm's existing comprehensive vulnerability framework (as documented separately).

***Target Market Definition:***

A Target Market client is an eToro (Europe) Limited client that does not meet the Negative Market definition.



### **Negative Market Definition:**

A Negative Market client is an eToro (Europe) Limited client that:

1. Test 1:
  - a. No Financial Knowledge (Fail knowledge assessment) and
  - b. No Trading Experience (with CFD, Crypto) and
  - c. Failed assessment
2. Test 2:
  - a. Risk appetite 5/3% will be blocked immediately irrespective of the other criteria
3. Test 3:
  - a. If a client's Annual Income is <\$10k will be blocked immediately irrespective of the other criteria
4. Test 4:
  - a. Low Risk appetite (5%/-3%) and
  - b. Annual Income <\$200K and
  - c. Liquid Assets <\$200K
  - d. Objective either future planning (saving for kids education, retirement) or Saving for house
5. Other:
  - a. Is under 18 years of age; and/or
  - b. Is resident in an (unacceptably) high-risk and/or regulatory restricted jurisdiction.

Test 1: Auto release after 60 days and 20 trades.

Test 2-3-4: Block until changing the answers (can change after a cooling off period)

Test 5: Permanent

### **CySEC Product Description Forms**

The product description form aims to identify both the positive and negative target markets for the Company's products and establish an appropriate distribution strategy in line with MiFID II protection rules.

The Company has prepared the CySEC format product description forms which can be found at [this link](#).



## **Marketing distribution**

In line with the MiFID II and CySEC regulation, as well as the [ESMA mystery shopping paper](#), it is vital for the Company to have effective processes for determining the target audience of marketing communications to ensure clarity and relevance.

We currently limit the use of social media and affiliate marketing due to the inability to control the audience that receives information, mitigating the risk of reaching unintended audiences.

## **Current Communication Channels**

To ensure targeted and compliant communications, we use in-App Communication, emails, Inner Page Articles, Academy Articles, eToro in-App Feed and Blog Posts (eToro website).

## **Importance of eToro Academy Materials**

In addition to the built-in platform features, clients will be strongly encouraged to utilize the educational resources available through eToro Academy. These materials provide comprehensive guidance on various aspects of trading, including risk management, technical analysis, and market trends. By leveraging these resources, clients can make more informed decisions and better manage their trading activities.

The eToro Academy will offer Educational content on Futures Trading to enhance clients understanding and develop effective trading strategies. This proactive approach to education will help clients to better monitor their accounts and mitigate potential risks associated with trading.

## **6. Client Interaction**

Naturally, any new product introduces different client conditions, risks etc. All clients wishing to engage with new products must be fully versed with all aspects of the products, covering (non-exhaustively) costs and charges, risks, product/execution mechanics, applicable consumer compensation schemes etc., prior to exposure. This section seeks to provide a high-level summary of the steps the Firm has taken/mechanisms implemented to achieve investor clarity.

## **Terms and Conditions**

The Firm has drafted a dedicated schedule to its existing customer terms and conditions (the "Terms") to cover the Futures product. Please refer to *Appendix 2* for a draft of such. Prior to engaging in Futures trading, customers will be required to actively accept the additional terms. New customers (on boarded after the launch of the Futures product) will be presented with the Terms at point of onboarding, during which an explicit consent



is sought. Existing customers (onboarded prior to the launch of the Futures product) will be required to read and consent to the amended Terms of opting to trade Futures products (via a “First Trade Pop-Up” – more information below).

### **Risk Disclosures**

The specific risks associated with Futures trading (as articulated within the schedule to the Terms) have been transposed into a durable-medium “Futures Risk Disclosure” pdf document which is available via hyper link (and subsequently can be downloaded for retention purposes) within the Terms acceptance workflow.

Furthermore, the Firm has defined a standardised (long-form and short-form) risk warning which will be used in relevant client communications. It has also been compared to the various Futures risk warnings provided by industry peers and is deemed to be consistent in terms of content, impact etc.

|                                                                |                                                                                                                                                                                                                                        |
|----------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Long Form (for where there are no character/space limitations) | Futures are complex instruments and come with a high risk of losing money rapidly due to leverage. You should consider whether you understand how futures work, and whether you can afford to lose more than your original investment. |
| Short Form (where character/space limitations apply)           | Futures are high-risk. Losses may exceed deposits.                                                                                                                                                                                     |

Additionally, the eToro General Risk Disclosure page will be updated to include a “Futures Risk Disclosure” pdf document.

### **Risks to Customer**

For convenience, the key (customer) risks which are communicated within both the Terms *and* the durable medium Customer Risk Disclosure document are summarised as follows:

| Key Risk to Customer                                                                                                                                                                                                                                                                                                                                                                                                                                         |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Futures are complex derivative products and come with a high risk of losing money quickly due to the fact the margin deposit required to open a futures position is a fraction of the nominal value of the contracts being purchased. Trading on margin magnifies your gains and losses, so small price changes in the underlying product can result in large losses or gains. It is therefore possible that you may lose more than your deposit in a trade. |



### Key Risk to Customer

The underlying assets of Futures may include, amongst other things, indices, commodities, and foreign exchange. The markets of these products can be volatile, which means the prices of the products can change rapidly and are therefore unpredictable.

In certain circumstances, including where there are volatile market conditions, it may be difficult or impossible to liquidate or limit a Futures position (i.e. by entering into an offsetting position). If you cannot liquidate your position in a Futures contract, you may not be able to realise a gain in the value of your position or otherwise prevent losses from being incurred. This inability to liquidate could occur, for example, if trading is halted due to unusual trading activity in either the futures contract itself or the underlying asset. Even if you can liquidate your position, you may be forced to do so at a price that involves a large loss.

There is no maximum loss. In some circumstances you may be required to make further payments to cover the losses that you have incurred as a result of trading Futures. The total loss you could incur may therefore exceed the amount invested as initial margin and may result in us closing out other positions to cover such losses (as is detailed further below).

The product is listed for trading on a futures market and there is no committed liquidity offered by market makers or the Exchange. Therefore, liquidity depends only on the availability of buyers and sellers in the market. Regular trading activity observed at one point in time does not guarantee regular trading at any other point in time.

Placing stop loss orders will not always limit your losses to the intended amount, as market conditions may make it impossible to close your position at the stop price.

In some circumstances, the price of a Futures contract may not maintain the anticipated relationship to the prices of the underlying index or commodity.



### Key Risk to Customer

You should only trade Futures if:

- (a) you have sufficient and relevant knowledge about or experience in, trading in volatile markets;
- (b) you understand how Futures work (including all associated risks and costs) and are aware that the use of margin creates greater risks;
- (c) you are trading with money you can afford to lose;
- (d) you have a high-risk tolerance;
- (e) you want to gain short term exposure to a product/market;
- (f) you understand that there are situations where we will be able to close out your transactions without giving you notice or by giving you very short notice;
- (g) you understand that we can change margin requirements at our sole discretion (including in relation to open positions), and that we may give you very short notice of changes to margin requirements or due to an Exceptional Event we may not be able to give you notice at all. We will exercise our right to change margin requirements in accordance with Applicable Law;

All futures contracts traded on the Exchange are cleared in accordance with applicable U.S. law. In the unlikely event of the Exchange's default, you may suffer losses depending on the facts and circumstances relating to the insolvency.

If a third-party exchange member becomes insolvent, pursuant to the Commodity Futures Trading Commission regulations, the trustee of the insolvent exchange member will attempt to move your funds and any open positions to an alternative third-party exchange member. You may suffer losses to the funds being held at the insolvent third party exchange member depending on the facts and circumstances related to the insolvency.

**To address these risks, the Company has established robust appropriateness testing, product governance, a well-defined target market, and full transparency in costs and charges. Additionally, clear risk warnings and client education remains a priority to protect retail investors.**

### First Trade Pop-Up (“FTP”)

For cases where users were onboarded prior to the official launch date of the Futures product, the FTP serves as a method of obtaining consent to the Futures Terms addendum and Risk Disclosure.



Consent for customers on-boarded after the Futures launch date will be obtained during the regular on boarding process.

In all cases, the FTP serves as a method of signposting that the user is about to undertake their first Futures trade, with - in a similar fashion to that employed within the CFD workflow - a further communication of/emphasis on the high-risk nature of such products.

Furthermore, for those users that are not appropriate (and not captured by the Company's negative market assessment) and who choose to proceed to trade Futures, after having been warned regarding the risks relating to such products and that the product may not be appropriate for them, such users shall receive the FTP before every trade carried out for their next ten trades. This is deemed to be an additional "positive friction" and is designed to - again - emphasise the heightened risks from such products to a more sensitive customer cohort.

### **PRIIPs regulation compliance**

The Packaged Retail and Insurance-based Investment Products Regulation ("PRIIPs") applies to PRIIPs relevant products that are bought/sold by retail investors located in the EEA. Like eToro's existing CFD products, Futures are captured under PRIIPs. The Firm must therefore ensure that Key Information Documents are shown prior to engagement with a PRIIPs-relevant product. The purpose of a KID is to - in a prescribed format, set out:

- (i) The name of the product and the identity of the manufacturer and distributor;
- (ii) The types of investors for who it is intended;
- (iii) The risk and reward profile of the product, which includes a summary risk indicator, the possible maximum loss of invested capital, and appropriate performance scenarios of the product;
- (iv) The costs investors have to bear when investing in the product; and
- (v) Information about how and to whom an investor can make a complaint in case there is a problem with the product or the person producing, advising, or selling the product.

In the case of the Company's proposed Futures product, the manufacturer is the relevant exchange (CME Group in the case of the Firm's initial Futures product offering). As such, the Firm adopts the CME Group's documentation (in contrast to CFDs where the manufacturer is situated within the eToro Group and therefore produced in-house), displaying such information clearly and prominently to users prior to point of investment. All KIDs are extracted from the CME Groups KID repository, as per the link below. CME Group produces a generic KID for each Futures product class (e.g., equity index,



commodity (energy) etc.) with corresponding costs, performance scenarios etc. shown for each individual sub-product.

<https://www.cmegroup.com/market-regulation/european-regulation/uk-priips-futures-products.html>

The Company will publish the relevant KIDs to its [website \(eToro\)](#).

### Quality Control Monitoring

The Firm operates an ongoing “quality control” (“QC”) monitoring process which is administered by a dedicated team and which the compliance function has oversight of. The purpose of this QC process is to assess the quality and compliance of client interactions (across various media, ranging from emails to phone calls). A key component of this is to ensure that clients are not subject to communication that could be construed as “high-pressure” incentivisation, upselling etc. techniques. This monitoring covers a wide range of scenarios from client categorisation to complex products. The same framework shall naturally apply in the context of the Firm’s Futures product.

### Costs and Charges Arrangements

Customers that opt to engage in Futures trading will be subject to fees. Customers will be shown market data that reflects the underlying exchange bid/ask price. No additional spread mark-up will be applied in excess of the market price. Customers will pay an execution fee per trade (for both opening and closing trades) as follows:

| <b>Futures Asset Class</b> | <b>Cost per Trade (\$)</b> |
|----------------------------|----------------------------|
| <b>Stock Indices</b>       | <b>3.00</b>                |
| <b>Commodities</b>         | <b>5.00</b>                |

- (i) The proposed fee is an “all-in” fee and includes all pass-through (exchange and regulatory) fees – in the case of the initial product offering, CME Exchange Fees, and National Futures Association Assessment Fees. No other fees exist. All costs and charges information (ex and post) will reflect the charges, including quantification of expected costs at point of execution.



- (ii) The cost per trade is fixed and does not vary as the number of lots changes.
- (iii) The fee has been structured with the benefit of data relating to the Firm's existing CFD user base. The Firm is able to assess the typical CFD execution size (of CFDs on corresponding underlying assets) that apply across the existing user base. Given that the margin rates are comparable between CFD and the Futures product, one can then use the CFD data as a proxy for Futures activity (under the assumption that the profile of Futures users will overlap with that of CFD users).
- (iv) Based on this, one can form an opinion as to the place the Firm sits within the wider industry benchmark (from a competitor analysis perspective), by calculating the competitor cost at each of the three sizes of (a) minimum trade size (1 lot) (b) maximum platform trade size and (c) typical eToro customer trade size, (as per iii above). Further information is provided in the Cost Structure section of this document.

## **7. Best execution**

### **Price and Value Assessment**

The purpose of a Price and Value ("PV") Assessment is to ensure that the price a customer pays for a product or service is reasonable in the context of:

- (i) The benefits provided by the product or service;
- (ii) The costs incurred by the firm to manufacture or distribute (the latter in the case of Futures) a product or to provide/administer a service; and/or
- (iii) The comparable commercial arrangements that exist in the wider market (vis-à-vis competitors).

The Firm already maintains a comprehensive Price and Value assessment which assesses the Firm's services holistically, taking into account the overall nature of the products and the benefits provided by the Firm. In order to complement this, the Firm has – as it has done for other regulated products it offers to its customers – created detailed manufacturing/distribution, and cost and competitor analyses. Please refer to Appendix 3 for the latter.

### **Best Execution Commitment**

The Firm is committed to achieving the best possible result for its clients when executing orders, as per the MiFID II requirements. This involves considering various factors such as price, costs, speed, likelihood of execution and settlement, size, nature, or any other consideration relevant to the execution of the order.



## Execution Venues and Strategies

### ***Contractual Arrangements / Execution Model / Money Flow***

The Company already holds all requisite permissions in order to carry out the regulated activities described within this document (covering all products and client groups in question).

The Company will enter into an agency execution agreement with Marex Group PLC (“Marex Group”), a Nasdaq listed financial services company that offers a platform providing liquidity, market access and infrastructure across financial markets. Specifically, the Company will engage with Marex Group entity, Marex Capital Markets Inc. (“Marex”). Marex will operate as a liquidity provider, broker, custodian and clearer for purposes of the Futures product. As per the definition of the National Futures Association (“NFA”), Marex operates as a “Futures Commission Merchant” (or “FCM”) – i.e., “an entity that solicits or accepts orders to buy or sell futures contracts, options on futures, retail off-exchange forex contracts or swaps, and accepts money or other assets from customers to support such orders”. For clarity, the proposed activity includes the buying and selling of futures contracts only with money/cash being the only form of collateral supporting such activity.

The execution of a (CME-listed) Futures order is as follows:



- (i) A client places an order (to buy or sell a futures contract) with eToro Europe Ltd.
- (ii) eToro Europe Ltd verifies that the client’s account has sufficient cash to meet the margin requirement.
- (iii) eToro Europe Ltd routes the order to Marex (FCM). Marex routes the order to the CME. The CME matches buy and sell orders on price and time-based priority. Once matched the executed trade is confirmed (by CME to Marex).
- (iv) The trade is confirmed to eToro EU (by Marex) who then confirms the trade to the end user (via the eToro trading platform). eToro Europe Ltd provides daily statements reflecting the account status (positions, margin and cash value etc.).



- (v) At contract expiry (or position closure), a final settlement is made whereby margin is released and final profits/losses settled.

### **Monitoring and Review**

To ensure ongoing compliance with best execution obligations, the Firm has established a robust monitoring and review process. This includes regular reviews of execution quality data and periodic assessments of execution venues' performance. The findings from these reviews are documented and any necessary adjustments to our execution strategies are promptly implemented.

### **Client Communication**

The Firm ensures transparency with clients regarding how their orders are executed. Clients are provided with clear information about our best execution policy and are regularly updated on any significant changes.

### **Conflicts of Interest**

The Firm has identified potential conflicts of interest that might arise in the execution of client orders, such as the relationship with external liquidity providers. Measures to mitigate these conflicts include strict adherence to our internal policies and procedures, ongoing staff training, and regular audits.

### **Cost Structure**

Naturally, direct distribution costs, which can be allocated on an individual trade basis, exist in the case of Futures. Primarily, these costs relate to the cost of execution when executing with its external liquidity providers.

In terms of indirect costs, the Futures product has drawn resources from all functional units and at all levels of seniority. Although not directly (or easily) quantifiable, a significant investment has been made to deliver the Futures product, including significant outlay in relation to external advisers in order to ensure an optimal and robust implementation. In summary the cost is material.

The operational mechanics of providing the Futures product are complex and touch many parts of eToro's operations. Resource requirement (from a personnel and system perspective) is intensive. Those components which contribute to indirect costs to the business are set out below:

| Cost / Functional Component | Description |
|-----------------------------|-------------|
|-----------------------------|-------------|

|                                               |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p><b>Conception of Idea and Delivery</b></p> | <p>The Futures project as an eToro service was conceptualised some time ago. The Firm and wider Group has been engaged in delivery of the programme since. This process has involved collaboration between all business units of the Group, spanning Compliance, CASS, Back Office, Middle Office, Legal, Trading, Research and Development, Legal, Product, Finance etc. Although it is not easy to quantify the exact outlay, the cost and resource impact is material. The initiative has required intricate project management, significant legal/external adviser input, operational modifications, and system implementation in the following areas (non-exhaustively):</p> <ul style="list-style-type: none"> <li>(i) Ongoing internal and external workshops to define the service and its operational construct, adhering to regulatory guidance and best practice at every stage of the process.</li> <li>(ii) Detailed scoping of process flows.</li> <li>(iii) Re-work of CASS reconciliatory procedures across the entire Group.</li> <li>(iv) Development of customer facing information, modifications to statements, customer communication workflows etc.</li> <li>(v) Drafting of all policy and procedural documentation, including customer terms and conditions, risk disclosures etc.</li> <li>(vi) Due diligence of key execution/liquidity</li> </ul> |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|

|                                                       |                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                      |
|-------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                                                       | <p>providers.</p> <p>(vii) Consideration of taxation treatment in respect of Futures products.</p> <p>(viii) Modifications to transaction reporting mechanism, including an expansion of the Group's reporting framework to the US domain (in the case of listed futures).</p> <p>(ix) Technical connections to external liquidity providers.</p> <p>(x) Negotiation of legal agreements with external liquidity providers.</p> <p>(xi) Governance (product and corporate) in respect of target/negative market, best execution considerations, price and value assessment, SMCR responsibility and oversight.</p> <p>(xii) Modifications to the Firm's accounting systems to cater for Futures.</p> |
| <b>Ongoing Futures Product Operational Components</b> | <p>Once live, provision of the Futures product continues to utilise significant personnel and system resources. Again, this spans multiple functional domains across the entire Group (with a particular focus on Finance, CASS, Middle Office, Back Office, Compliance and Trading).</p>                                                                                                                                                                                                                                                                                                                                                                                                            |



## Competitive Landscape

It is not only important to justify the cost to the customer from a benefit, cost of service etc. perspective, but a firm must also ensure that it does not materially deviate from the commercial arrangements that are offered by the wider competitive market. A competitor analysis (*Appendix 3*) has been compiled and can be summarised as follows:

- (i) The way in which the Firm applies its cost structure is not directly comparable to the chosen competitor benchmark (IG/TastyTrade, Interactive Brokers, SAXO and NinjaTrader). To explain, the benchmark typically applies a more complex pricing structure which is composed of a number of elements (firm execution fee, clearing fee, exchange fees, and regulatory fees for example) applied as a per-contract traded fee. As described above, the Firm levies an “all-in” charge (per trade) with no other additional fees. This is deemed to be more “user-friendly” for the target market in question. The Firm shall monitor the effectiveness of its pricing structure post-launch however, which may result in a more typical cost structure being rolled out in the event this is deemed to be more appropriate/beneficial from a client perspective.
- (ii) Given the non-uniformity identified above, the Firm has created an assessment which quantifies the costs (for all competitors and the Firm) at three distinct trade sizes, which are, minimum 1 lot, maximum trade size per individual execution, and typical/expected trade size (based on the information derived from the Firm’s CFD activity data). The Firm’s place is ranked amongst its competitors. Please see below.
- (iii) The Firm’s average rank is 4.33, 2.33 and 3.67 for “min 1 lot”, “maximum”, and “typical” scenarios respectively (defined above), with an overall blended rank of 3.44 (NOTE that 1 is the cheapest and 5 is the most expensive). The Firm therefore sits just off-centre of the middle of the distribution. The typical rank (which represents the typical traded size of an existing eToro CFD customer) is the data point that is most relevant in this exercise. Indeed, the average z-score is 0.42 across the six proposed Futures products, suggesting a slightly more expensive position to the mean of the benchmark, but by no means excessively so.

Based on the Firm’s proposed fee structure, there are no concerns regarding deviation from the competitive landscape. In summary, the Firm is able to provide a robust justification for its proposed commercial model, not only in terms of the competitive landscape, but also in terms of the overall service provided (features, benefits etc.), and the direct and indirect costs to the business, and the wider eToro Group. As stated



above, the Firm will benefit from the ability to review actual data post-launch. The Firm will assess this data, to inform a proactive and dynamic approach to pricing and the Futures product in general.

## **8. MiFID II Client Asset Protection Considerations**

- (i) A futures trade is a margin transaction and therefore falls within the remit of MiFID II client money and asset protection rules.
- (ii) Client money is passed from eToro Europe to Marex for purposes of fulfilling and maintaining the margin requirements that arise from Futures activity. Accordingly, such funds are held in a Client Transaction Account (“CTA”) at all stages of the process. CTAs are governed by regulatory-prescribed CTA acknowledgement letters.
- (iii) When eToro Europe Ltd instructs Marex to execute futures positions (as a result of clients instructing eToro Europe Ltd), Marex will margin eToro Europe Ltd who will in turn margin its clients. Exchange-defined margin requirements exist. Marex will margin eToro EU in accordance with these prescribed margin requirements plus an additional amount (for example 10%).
- (iv) eToro Europe Ltd will margin its clients at the level charged by Marex plus a further additional amount. Please refer to the information provided above in respect of implied leverage limits. Any extra margin (over and above that charged by Marex to eToro EU), shall be maintained within the Firm’s existing client money account (“CMA”) but encumbered against the client’s open positions.
- (v) eToro Europe Ltd shall mark-to-market the client positions, providing a real-time valuation and periodic statements within the eToro trading platform. The official settlement price (as provided by the relevant exchange) shall be used within any CASS reconciliation processes, and all books and records shall be produced/maintained and reconciled on a per client basis, regardless of the overall net omnibus exposure held on an aggregated basis.



**Segregation of Client Assets:** Client funds and financial instruments must be segregated from the firm's own assets to protect clients in the event of firm insolvency.

**Safeguarding Client Assets:** The firm will implement adequate arrangements to safeguard the ownership rights of clients, especially in the event of the firm's insolvency, and to prevent the use of client assets for the firm's own account.

**Regular Reconciliation:** Regular internal and external reconciliations will be performed to ensure the accuracy of records and accounts related to client assets.

**Disclosure and Consent:** Clients will be clearly informed about how their funds and financial instruments will be handled, including the risks associated with the arrangements. Explicit consent will be obtained.

## 9. Approvals

The launch of the Futures product initiative is scheduled to commence on January 20, 2025.

| Name              | Position               | Approval        | Date       |
|-------------------|------------------------|-----------------|------------|
| Avi Sela          | Managing Director & GM | <i>Approved</i> | 29/10/2024 |
| Demetris Chasikos | Head of Compliance     | Approved        | 29/10/2024 |



## Appendices

### Appendix 1: Product Differentiation (CFDs vs Futures)

#### CFD



OIL • Oil (Non Expiry) NON EXPIRY CFD

**\$180.14** 3.25 (1.84%)

Pre-Markets : \$180.77 0.81(0.71%) Nov 25, 04:59PM EST



CL.JAN25 • Crude Oil (January 25 Future) EXPIRY CFD

**\$180.14** 3.25 (1.84%)

Pre-Markets : \$180.77 0.81(0.71%) Nov 25, 04:59PM EST

#### Future



MCL.MAR25 • Micro WTI Crude Oil Mar 25 FUTURE

**\$180.14** 3.25 (1.84%)

Pre-Markets : \$180.77 0.81(0.71%) Nov 25, 04:59PM EST



## **Appendix 2:**

## **Customer Terms and Conditions - Futures**

### **SCHEDULE E – TRADING EXCHANGE TRADED FUTURES**

This Schedule E sets out the specific terms that will apply to you when you trade exchange-traded futures (**Futures**) on the eToro platform. The terms in this Schedule E apply to you in addition to the General Terms and Conditions, which apply to all of our services and not just to Futures trading. Capitalised words in this Schedule E will have the same meaning which are given to those word in the General Terms and Conditions. If a term of this Schedule E conflicts with or differs from a term in the General Terms and Conditions, this Schedule E will apply.

#### **1. What is Futures trading?**

- 1.1 An exchange traded future is a future (as further described in this section) that trades on a regulated exchange and where the underlying contracts are standardized. All of the Futures described in this Schedule are exchange traded.
- 1.2 A future is a financial product which creates a legally binding agreement between two parties to purchase or sell, in the future (i.e. on the expiration date), a specific quantity of an underlying financial instrument at a certain price. A future therefore gives a person exposure to the relevant underlying.
- 1.3 A person who buys a Futures contract enters into a contract to purchase the underlying asset, while a person who sells a Futures contract enters into a contract to sell the underlying asset.

#### **2. Our Futures trading service**

- 2.1 You can buy and sell Futures contracts through our platform. The Futures are listed for trading and cleared in accordance with the requirements of applicable laws. This includes, for example, that Futures which are US futures are cleared in accordance with the US Commodity Exchange Act and the Commodity Futures Trading Commission regulations thereunder.
- 2.2 We facilitate you entering into a Futures transaction via an exchange member (i.e. an intermediate broker). You remain our client for the purposes of such Futures transactions.
- 2.3 Futures are complex instruments. Where you buy and sell complex products, such as Futures, we are required to assess the appropriateness of the product by taking into account your trading knowledge and experience ("**Appropriateness Assessment**"). Please refer to clause 3 of the General Terms and Conditions for more information on how we carry out the Appropriateness Assessment.
- 2.4 If we have assessed that our Futures trading service is not appropriate for you, we may:
  - (a) provide you with an appropriate warning, after which you may decide to continue at your own risk; or



- (b) block the Futures trading functionality on your account, so that you will not be able to trade Futures on the eToro platform (unless an Appropriateness Assessment is passed at a later date).
- 2.5 Trading Futures may not be suitable for all investors. You may lose a substantial amount of money in a very short period of time.
- 2.6 The amount you may lose is potentially unlimited and can exceed the amount you originally deposit with your broker. This is because exchange traded futures are traded on margin. This means you receive an increased market exposure for a smaller upfront deposit (i.e. the "**margin**"). This is used by us as security against any potential losses you may incur. Because margin increases your exposure, trading on margin means you can make money quickly, but you can also lose money quickly. If you are uncomfortable with this level of risk, you should not trade Futures. You can find out more about what margin is, the risks of trading Futures, and the risks of trading on margin in paragraph 4 - "The key risks of Futures trading", the General Risk Disclosure, and on our website.
- 2.7 You are required to provide us with margin in order to trade Futures. We may require you provide us with additional margin beyond what is set by the exchange for each Futures contract in order that we are better able to better manage the associated risks.
- 2.8 All of the margin you provide to open a Futures position will be held in accordance with client money rules. We will transfer appropriate margin to the exchange member in order to enter into the relevant Futures transaction. You are therefore required to consent to us transferring appropriate margin you provide to us to the third-party exchange member for the purposes of satisfying any margin requirements applicable to opening and/or supporting your position.
- 2.9 In circumstances where we hold additional margin beyond what was required to open the exchange position, we will endeavour to use the additional margin to meet any margin calls.

### 3. Specifications and limitations of our Futures trading service

- 3.1 When you buy a Futures contract, you will have an economic exposure to the underlying product of the future, but you will not have legal ownership of any underlying products (i.e. when you acquire the unit in the underlying from the seller). For example, if you trade a future relating to the NASDAQ index, you will not have the rights which legal owners have, such as rights to dividends. However, we may carry out adjustments if a "**Corporate Event**" occurs. Please see paragraph 9 – "Corporate Events" below for more information.
- 3.2 Subject to provisions of this paragraph 3, you may close your Futures contract at any time, provided this occurs before the close out times detailed below.
- 3.3 Futures have a fixed expiry date which cannot be extended or otherwise changed. To the extent you wish to maintain your exposure to a specific underlying asset following your Futures contract being closed out, you will need to enter into a new Futures contract relating to that underlying asset.
- 3.4 The time at which we will close out all Futures positions will be published on our website and we will take such action without providing prior



notification to you. The price at which such a position is closed out will reflect the market value as at that point in time. Details as to contract close out information for each future may be found [\[link\]](#).

- 3.5 eToro will not be liable or otherwise responsible for any losses you incur as a result of your position being closed out prior to the actual expiry of a listed future. You should therefore ensure that you are aware of the date upon which your Futures contract is due to expire.
- 3.6 We will not accommodate any physical delivery. This means that all Futures contracts will be cash settled. Therefore, you will not be able to make or receive delivery of the underlying asset where you buy or sell a physically settled Futures contract.
- 3.7 The eToro trading platform is not an exchange or a market. This means that you can only enter into trades and investments with us on the platform, and not third parties. Therefore, all Futures transactions must be entered into and closed out via our platform and cannot be transferred to another broker or exchange.
- 3.8 Futures transactions must be in respect of whole contracts, units, or lots (as applicable) only. We do not permit you to purchase Futures over fractional units in indices or commodities contracts.

#### **4. The key risks of Futures trading**

- 4.1 Futures are complex derivative products and come with a high risk of losing money quickly due to the fact the margin deposit required to open a futures position is a fraction of the nominal value of the contracts being purchased. Trading on margin magnifies your gains and losses, so small price changes in the underlying product can result in large losses or gains. It is therefore possible that you may lose more than your deposit in a trade.
- 4.2 The underlying assets of Futures may include, amongst other things, indices, commodities, and foreign exchange. The markets of these products can be volatile, which means the prices of the products can change rapidly and are therefore unpredictable.
- 4.3 In certain circumstances, including where there are volatile market conditions, it may be difficult or impossible to liquidate or limit a Futures position (i.e. by entering into an offsetting position). If you cannot liquidate your position in a Futures contract, you may not be able to realise a gain in the value of your position or otherwise prevent losses from being incurred. This inability to liquidate could occur, for example, if trading is halted due to unusual trading activity in either the futures contract itself or the underlying asset. Even if you can liquidate your position, you may be forced to do so at a price that involves a large loss.
- 4.4 There is no maximum loss. In some circumstances you may be required to make further payments to cover the losses that you have incurred as a result of trading Futures. The total loss you could incur may therefore exceed the amount invested as initial margin and may result in us closing out other positions to cover such losses (as is detailed further below).



- 4.5 The product is listed for trading on a futures market and there is no committed liquidity offered by market makers or the Exchange. Therefore, liquidity depends only on the availability of buyers and sellers in the market. Regular trading activity observed at one point in time does not guarantee regular trading at any other point in time.
- 4.6 Placing stop loss orders will not always limit your losses to the intended amount, as market conditions may make it impossible to close your position at the stop price.
- 4.7 In some circumstances, the price of a Futures contract may not maintain the anticipated relationship to the prices of the underlying index or commodity.
- 4.8 You should only trade Futures if:
- (a) you have sufficient and relevant knowledge about or experience in, trading in volatile markets;
  - (b) you understand how Futures work (including all associated risks and costs) and are aware that the use of margin creates greater risks;
  - (c) you are trading with money you can afford to lose;
  - (d) you have a high-risk tolerance;
  - (e) you want to gain short term exposure to a product/market;
  - (f) you understand that there are situations where we will be able to close out your transactions without giving you notice or by giving you very short notice;
  - (g) you understand that we can change margin requirements at our sole discretion (including in relation to open positions), and that we may give you very short notice of changes to margin requirements or due to an Exceptional Event we may not be able to give you notice at all. We will exercise our right to change margin requirements in accordance with Applicable Law;
- 4.9 It is your responsibility to monitor the money in your account against your potential losses, the margin required, and whether your position is close to your stop level, as we will not notify you when this happens. If you do not have enough money in your eToro account to meet the margin requirement on a certain position, you should:
- (a) close your open position to stop you losing more money; and/or
  - (b) adjust your stop levels. The ability to adjust your stop levels is subject to you having the appropriate funds in your account.
- 4.10 Where you do not have enough margin available to meet a margin call, we may use any unutilised cash in your eToro account to secure your trades.
- 4.11 Unless you carry out one or both of the above steps, your trade will be closed where you are not able to provide sufficient additional margin to maintain the open position. Your trade will be closed without prior notice to you and without an opportunity for you to choose the timing of liquidation.
- 4.12 We may change our margin requirements as detailed above. One margin demand does not preclude another. Any amount needed to meet the new requirements must be satisfied in the currency we specify. The adjustment should be made immediately unless we specify a future date and/or time by which the adjustment must be made.



## **5. What happens if the Exchange or a third-party exchange member is unable to pay out?**

- 5.1 All futures contracts traded on the Exchange are cleared in accordance with applicable U.S. law. In the unlikely event of the Exchange's default, you may suffer losses depending on the facts and circumstances relating to the insolvency.
- 5.2 If a third-party exchange member becomes insolvent, pursuant to the Commodity Futures Trading Commission regulations, the trustee of the insolvent exchange member will attempt to move your funds and any open positions to an alternative third-party exchange member. You may suffer losses to the funds being held at the insolvent third party exchange member depending on the facts and circumstances related to the insolvency.
- 5.3 Notwithstanding the above, we are not liable to you where you suffer a loss, cost, or expense as a result of:
  - (a) the Exchange's or a third-party exchange member's default; or
  - (b) the actions of the Exchange or a third-party exchange member.

## **6. Placing an order**

Please refer to clause 18 of the General Terms and Conditions for information on how you may place an order and provide trading instructions on the eToro platform.

## **7. Closing your orders automatically**

- 7.1 We may close your orders and trades where you do not have the required margin in your account or you do not meet the margin requirements, as described above. We may do this without further notice to you, and you may make a profit or a loss as a result.
- 7.2 We may close your orders where you have placed a stop loss on your Futures trade, and the stop price has been reached.
- 7.3 In circumstances where the amount of margin you have provided to us and the amount of unutilised cash in your eToro account is not sufficient to cover the losses incurred upon your Futures trade being closed out, we may close your other open Futures or CFD positions to cover any such losses.
- 7.4 We may also close your orders in special circumstances, as described in paragraph 9 – "Corporate Events" below, as well as due to an Exceptional Event, as defined in clause 29 of the General Terms and Conditions.
- 7.5 Please also refer to clause 19 of the General Terms and Conditions for information on other situations in which we may close your orders.

## **8. Fees and costs**

- 8.1 Please refer to clause 21 of the General Terms and Conditions for information on the fees and costs which apply to all transactions on the eToro platform.



## 9. Corporate Events

- 9.1 A **"Corporate Event"** is something which will result in a change to one or more financial instruments. Examples of Corporate Events include, but are not limited to, share consolidations, share splits, reorganisations, mergers, take-over offers (and similar), name changes and rebranding, dividend distributions, insolvency, delistings and changes to Applicable Law or regulation.
- 9.2 If a Corporate Event impacts the underlying product of a future in your eToro account, we will use reasonable endeavours to adjust the open positions on that Futures, in a fair way and in accordance with market practice, and/or taking into account the treatment we may receive from our counterparties or any relevant third party and the deduction of any taxes applicable. The adjustments we carry out will depend on the circumstances of each event, and is according to our sole discretion, however we are not obliged to do this. Adjustments may include changing the price or the quantity of Futures that you have in your account to reflect the economic rights that you had prior to the Corporate Event occurring.
- 9.3 Notwithstanding paragraph 9.2 above, we reserve the right to close any open Futures positions where the underlying product is impacted by a Corporate Event (including delistings and insolvency) in a fair way and taking into account the treatment we may receive from our counterparties and/or any relevant third party. In this respect we may make any required adjustment (price, quantity, or any other adjustment) resulting from the Corporate Event as may be applicable. We may close your open positions prior to or following such Corporate Events, at our sole discretion.
- 9.4 Please refer to Part 3 of the Terms and Conditions for more information about our rights and your rights in special circumstances.



| <u>#Toro Rank(1 = Best)</u> |                         | COST MIN 1 Lot (\$) | COST MAX Lots (\$) | COST AVG Lots (\$) | <u>Average Rank</u> | <u>#Toro z-score</u> | COST MIN 1 Lot (\$)     | COST MAX Lots (\$) | COST AVG Lots (\$) |
|-----------------------------|-------------------------|---------------------|--------------------|--------------------|---------------------|----------------------|-------------------------|--------------------|--------------------|
| WMIF5 Comdty                | Micro WTI Crude F Jan25 | 5                   | 3                  | 4                  | 4.00                | WMIF5 Comdty         | Micro WTI Crude F Jan25 | 1.54               | 0.29               |
| MGCG5 Comdty                | MICRO GOLD Feb25        | 5                   | 3                  | 4                  | 4.00                | MGCG5 Comdty         | MICRO GOLD Feb25        | 1.56               | 0.18               |
| HWBZ4 Index                 | NASD100 MICRO EMINDec24 | 4                   | 2                  | 3                  | 3.00                | HWBZ4 Index          | NASD100 MICRO EMINDec24 | 0.90               | 0.59               |
| HWAZ4 Index                 | SP500 MIC EMIN FUTDec24 | 4                   | 2                  | 4                  | 3.33                | HWAZ4 Index          | SP500 MIC EMIN FUTDec24 | 0.90               | 0.90               |
| KMYZ4 Index                 | Mic Nikkei Arg FutDec24 | 4                   | 2                  | 3                  | 3.00                | KMYZ4 Index          | Mic Nikkei Arg FutDec24 | 0.86               | 0.64               |
| HWRZ4 Index                 | MICRO EMIN RUS2000Dec24 | 4                   | 2                  | 4                  | 3.33                | HWRZ4 Index          | MICRO EMIN RUS2000Dec24 | 0.90               | 0.59               |
| <u>Average Rank</u>         |                         | 4.33                | 2.33               | 3.67               | 3.44                |                      |                         |                    |                    |