



## Synthetic Indices – Client Disclosure

### 1. Purpose of this Document

This disclosure provides key information on Synthetic Indices offered by **TOPFX MARKETS LTD** (“we”, “us”, “our”). This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product, and to compare it with other products.

*Last updated: June 2025*

### 2. Product

**Product Name:** Contract for Difference (“CFD”) on Synthetic Indices

**Product Manufacturer:** TopFX Markets Ltd licensed and regulated by Financial Services Commission

**Last Updated:** June 2025

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

### 3. What is this Product?

**Type:** CFD on a Synthetic Index

Contracts for difference on synthetic indices are a form of derivative trading in which you obtain an indirect exposure to a synthetic asset derived from algorithmic pricing. The generation of our synthetic indices involves the generation of market quotes based on probability distributions and models, where each trading instrument has specific patterns and behaviors that do not rely on outside influence from the real markets. This means that synthetic indices are not affected by any adverse market conditions and that you will be able to trade synthetic instruments that exhibit consistent behavioral patterns, depending on the synthetic instrument type, allowing you to manage your risk and overall trading activity without external market factors affecting your experience.

CFDs are a leveraged product, enabling you to buy or sell a position by depositing a percentage of the full value of the trade. This is referred to as “trading on margin”. Trading with leverage increases your risk as it can multiply any gains or losses you make.

#### **Objectives**

When trading CFDs, the objective is to speculate on the rise and fall of an underlying asset. Gains and losses depend on the price movements of the underlying asset and the size of your position.



For instance, if you speculate the price of an asset will go up, you would buy a CFD (referred to as ‘going long’) intending to sell it at a higher value than purchased. Conversely, if you anticipate the price will go down, you would sell a CFD (referred to as ‘going short’) with the intention of buying the asset back at a lower price than sold. The difference between the closing value and the opening value of the contract multiplied by the leverage will equate to your profit or loss depending on your speculation of the asset’s price movement, minus any costs, as detailed below in the ‘What are the costs?’ section.

### **Intended retail investor**

CFDs are intended for investors who have knowledge of and experience with trading leveraged products. Likely investors will comprehend key concepts of trading on margin and how leverage works. They will also have the ability to bear the loss of their entire investment.

### **Term**

CFDs typically have no maturity date, and there is no recommended holding period. You may open and close positions based on your individual trading strategy and objectives.

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

### **Risk Indicator**



← Lower risk Higher risk →

We have classified this product as 7 out of 7, which is the highest risk class. This is due to the fact that there is a very high chance you could lose more than your initial investment. Prices can fluctuate considerably, which can adversely affect your return, and you may potentially lose

your entire balance.

### **Market Risk:**

Synthetic Indices are inherently volatile. Prices can move rapidly and unpredictably within seconds. Even small adverse price movements can lead to substantial losses due to the high volatility parameter.

### **Leverage Risk:**

CFDs allow trading on margin, which means you only deposit a fraction of the notional amount. While leverage amplifies gains, it also magnifies losses; you can lose more than your initial margin if the market moves against you. Margin calls and automatic liquidations can occur without notice if your equity falls below maintenance requirements.

### **No Real-World Events:**

Synthetic Indices are generated by mathematical models and an RNG; they do not respond to actual economic data, corporate announcements, or geopolitical events. Past performance of a purely stochastic process provides no guarantee of future behavior.

### **Model & RNG Risk:**

Prices are generated by a mathematical model (geometric Brownian motion) driven by a cryptographically seeded random-number generator (RNG). Any flaw, bias, software bug,



mis-calibration of the volatility parameter, or undetected vulnerability in the RNG or model can produce systematic pricing errors. Such errors may lead to unexpected profit-and-loss outcomes, which could significantly disadvantage you. Although we regularly audit our RNG and pricing engine, no model can be guaranteed error-free.

#### **No Fundamental Anchors:**

Synthetic Indices do not reflect real-world supply/demand, economic data, or corporate events. Past price behaviour provides no guidance for future moves, and there is no external “fair value” reference.

#### **Operational & Algorithmic Risk:**

Continuous quoting and execution depend on real-time coordination between the price generator, message bus, matching engine, and clients. Scheduled or unscheduled platform maintenance, clock drift, network latency, software crashes, or synchronization failures can cause stale, missing, or out-of-order price ticks. In such events market gaps may be created, orders may execute at unintended price levels, be partially filled, or be rejected altogether.

#### **Counterparty Risk:**

You trade CFDs directly with us as your sole counterparty. There is no central exchange or secondary market. If we become insolvent, default on our obligations, or experience a serious operational failure, you may lose all funds in your trading account. You may be eligible for compensation under the applicable investor-protection scheme (subject to its terms, caps, and conditions), but recovery is not guaranteed.

Under extreme model conditions (e.g., RNG biases or system errors), price gaps or disruptions may occur, potentially leading to unexpected losses.

## **5. Term**

CFDs on Synthetic Indices have no maturity date and no recommended holding period. You may open and close positions at any time during trading hours.

## **6. Costs & Fees**

<b>Cost Type</b>	<b>Description</b>
<b>Spread</b>	The difference between the buy and sell price, applied on each trade.
<b>Overnight Funding</b>	A swap fee charged daily calculated as an annual percentage of the asset price, if a position remains open beyond server close (23:59 UTC). (For Swap-Free clients, Administrative Fees apply.)



## 7. Example Scenario

Taking VolatilityX Index as example, trading 0.1 lots (notional \$1,000) with 20% margin (\$200)

Scenario	Closing Price	Price Change	Profit / Loss
<b>Long</b>			
Favourable	11,000	+10%	+\$99.64
Moderate	10,500	+5%	+\$49.64
Unfavourable	9,800	-2%	-\$20.35
Stress	9,500	-5%	-\$50.35
<b>Short</b>			
Favourable	9,000	-10%	+\$99.64
Moderate	9,500	-5%	+\$49.64
Unfavourable	10,200	+2%	-\$20.35
Stress	10,500	+5%	-\$50.35

*The figures above assume a single position, held intraday, and exclude your personal tax situation.*

## 8. How long should I hold it, and can I take money out early?

There is no restriction on holding period and no cancellation fees. You may close your CFD at any time during trading hours.

## 9. Further Information & Complaints

- Full contract specifications, real-time pricing, and volatility settings are available on our platform under “Synthetic Indices”.
- To lodge a complaint, contact [cs@topfx.com](mailto:cs@topfx.com) or refer to our Terms & Conditions.