

## TAIFEX Futures Contracts

### Key Information Document

#### Purpose

This document provides you with key information about the investment products. It is not a marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of the products and to help you compare them with other products.

#### Product

This document provides information relating to all futures contracts listed on Taiwan Futures Exchange (TAIFEX), which is regulated by the Financial Supervisory Commission, R.O.C. (Taiwan).

Call +886-2-2369-5678 for more information or visit:

<http://www.taifex.com.tw/eng/eng2/TX.asp>

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

### What is the product?

#### Type

Futures are derivative contracts. A derivative is a financial contract, with its value derived from the value of another underlying asset.

#### Objectives

A futures contract is an agreement between a buyer (long position) and a seller (short position) to trade a certain underlying asset at a certain time in the future for a certain price. The value of a futures contract is linked to the price of the underlying asset. At expiration, all TAIFEX futures contracts, except 10-Year Government Bond Futures and NTD Gold Futures, are cash-settled against the final settlement prices for the underlying assets at that time. For 10-Year Government Bond Futures, it's a physically delivered contract and therefore the seller will have to physically deliver the specified quantity of deliverable bonds and the buyer will have to take delivery and make payment. For NTD Gold Futures, it's cash settled in principle; however, market participants with open positions may apply for physical delivery in accordance with TAIFEX's rules.

The buyer makes a gross profit if the value of the underlying asset has increased at the future's expiration and suffers a gross loss if it has decreased. The seller makes a gross profit if the value of the underlying asset has decreased at the future's expiration and suffers a gross loss if it has increased.

The products are available for trading in a variety of expiration dates. At any point of time during the trading hours before expiration, the buyer can close his/her position by selling the same contract, while the seller can close his/her position by buying the same contract.

In the very unlikely circumstance that TAIFEX has to adopt emergency measures to safeguard market order or trading fairness, TAIFEX has an extraordinary right to unilaterally suspend or

terminate futures trading, partially or entirely, in accordance with the “Operating Rules of the Taiwan Futures Exchange Corporation”.

**Intended retail investor**

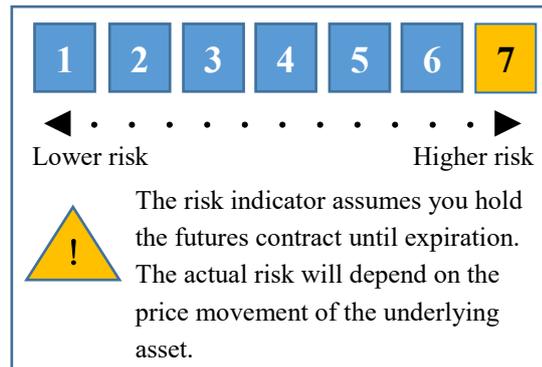
The products are designed for all types of investors. But retail investors should know that derivatives trading might not be suitable for their risk tolerance as it involves the risk of loss. Retail investors in particular should have good knowledge and experience in financial derivatives and be able to bear losses in excess of the initial capital.

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

**Risk indicator**

The summary risk indicator is a guide to the level of risk of the products compared to other products. It shows how likely it is that the products will lose money because of movements in the markets.

We have classified the products as 7 out of 7, which is the highest risk class. This rates potential losses from future performance at a very high level. Futures contracts are leveraged products, so small changes of underlyings’ prices can result in huge gains or losses.

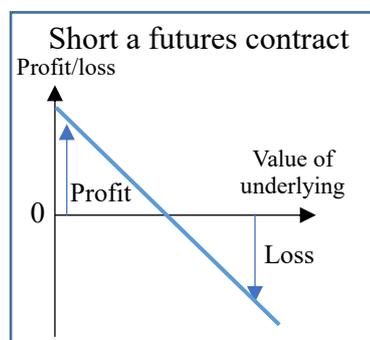
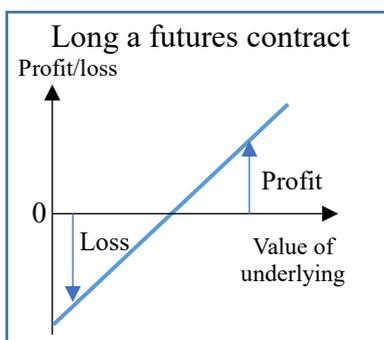


**Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.**

The products do not include any protection from future market performance, so you could lose some or all of your investment. In some circumstances you may be required to make further payments to pay for losses. **The total loss you may incur may significantly exceed the amount invested.**

Please note the liquidity of some products depends only on the availability of buyers and sellers in the market, taking into account that regular trading of a product at one point in time does not guarantee the regular trading of the same product at any other point in time.

**Performance scenarios**



These graphs illustrate how your investment could perform. You can compare them with the pay-off graphs of other derivatives.

The graphs give a range of possible outcomes and are not exact indications of what you might get back. What you get will vary depending on how the underlying will develop. For each value of the underlying, the graphs show what the profit or loss of the products would be at maturity.

The horizontal axis shows the various possible prices of the underlying value on the expiry date and the vertical axis shows the profit or loss.

Buying the products holds that you think the underlying price will increase. Selling the products holds that you think the underlying price will decrease.

The figures shown include all the costs of the products themselves, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

### **What happens if TAIFEX is unable to pay out?**

TAIFEX is the sole futures exchange in Taiwan. With our commitment to the development of Taiwan's futures market, our corporate mandate is to invigorate futures trading while serving the real economy. Neither TAIFEX nor its clearing members have ever defaulted or failed to make payments to their clients.

All products traded on TAIFEX are centrally cleared by TAIFEX's clearing house. In the event of a default by TAIFEX, which is very unlikely, or by your intermediary, your position is subject to TAIFEX's default procedures in accordance with its clearing rules, which may expose you to a risk of financial loss.

### **What are the costs?**

#### **Costs over time and Composition of Costs**

TAIFEX charges fees that are applied to the trading and the clearing members. The full fee schedule is in the following link: <http://www.taifex.com.tw/eng/eng4/FeeSchedules.asp>. The person selling you the products will pass on TAIFEX fees and Futures Transaction Tax, and may charge you other costs. In this case, this person is responsible for providing information about these costs, and show you the impact that all costs will have on your investment over time.

### **How long should I hold it and can I take money out early?**

There is no recommended holding period for the products. Each customer's optimal holding period depends on his/her investment strategy and risk preference.

Positions can be closed out before expiration by conducting an offsetting trade as described in the section "objectives."

### **How can I complain?**

In the first instance, complaints should be directed to the firm which you placed the trade. Complaints about the products and the conduct of TAIFEX as a PRIIPs manufacturer can also be emailed to [service@taifex.com.tw](mailto:service@taifex.com.tw) or be made in writing to TAIFEX: 14th F., No. 100, Sec.2, Roosevelt Rd., Taipei, 100, Taiwan, R.O.C.

### **Other relevant information**

The trading rules and contract specifications of TAIFEX futures contracts are published on the TAIFEX website: <http://www.taifex.com.tw/eng/index.asp>