



Our products, pricing, fees and credits

OANDA Europe Ltd

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1. Overview

- 1.1 The purpose of this document is to provide a basic description of our range of products and how we arrive at our pricing that you see, our fees/charges and our credits. These descriptions do not constitute terms nor conditions in respect of our products and processes and are for general guidance only. We reserve our rights to modify our products, pricing process and charges, fees and credits from time to time and accept no liability nor responsibility to you in relation to this description.
- 1.2 FX currency pairs – the basics**
- 1.3 An FX currency pair is quoted as a two way price, say, EUR/USD 1.1000/05. The currency to the left is known as the base currency, while the currency on the right is the quote or counter-currency. The base currency (in this case, EUR) is always equal to one unit (in this example, EUR 1), and the quoted currency (in this case, USD) is what that one base unit is equivalent to in the other currency.
- 1.4 When trading an FX pair, there is a bid (you sell to us) price and an ask (we sell to you) price, each in relation to the base currency.
- 1.5 When you are buying a currency pair (going long the base currency - EUR), the (higher) ask price refers to the amount of quoted currency (USD) that you have to pay in order to buy one unit of the base currency (EUR) - how much we will sell one unit of the base currency (EUR) to you in relation to the quoted currency (USD). The example quote means that EUR 1 = USD 1.1005 – you pay the USD price per EUR 1.
- 1.6 The bid price is used when you are selling a currency pair (going short the base currency-EUR), and reflects how much of the quoted currency (USD) that you will receive when selling us one unit of the base currency (EUR) i.e. how much we will pay to you in the quoted currency (USD) in relation to the base currency (EUR). The example quote means that EUR 1 = USD 1.1000 – you receive the USD price per EUR 1.
- 1.7 The first quote price (1.1000) is the bid price, and the two digits after it represent the ask price (1.1005 - only the last two digits of the full price are typically quoted). The bid price is always smaller than the ask price.
- 1.8 Taking the example, if you want to buy EUR 100,000 against the USD i.e. buy the EUR/USD currency pair, this means that you intend to buy the base currency (EUR 100,000) and are therefore looking at the ask price to see how much (in USD) we will charge for EUR 100,000. Using the ask price, you can buy EUR 100,000 by paying USD 110,050.
- 1.9 On the other hand, in order to sell EUR 100,000 against the USD, i.e. sell the EUR/USD currency pair, this means that you intend to sell the base currency (EUR 100,000) and are therefore looking at the bid price to see how much (in USD) we will pay you for EUR 100,000. Applying to the bid price, you can sell EUR 100,000 exchange for USD 110,000.
- 1.10 Depending upon which way the respective currencies move thereafter, you may make a profit or a loss.
- 1.11 Our midpoint price**
- 1.12 Ours FX pricing is derived from our liquidity providers' ("LPs") who provide us with available spot pricing for FX pairs. These prices are analysed by our automated pricing system to generate our midpoint price for each FX pair (the "Midpoint Price").
- 1.13 The LPs themselves are a number of major financial institutions. Different groups of LPs are used for the purposes of different products/ instruments.
- 1.14 In the case of some more unusual FX pairs, we may derive the price from two major/minor currency pairs e.g. for a Singapore Dollar/South African Rand FX pair, this may be derived from a USD/SIN\$ and a USD/SAR FX pair prices.
- 1.15 Liquidity spread**
- 1.16 Additionally, the same LP price spreads are used by our automated pricing system algorithm to produce what we consider to be a reasonable market spread (the "Liquidity Spread").

1.17 Dynamic spread mark-up

- 1.18 In addition to the Liquidity Spread, we add our "Dynamic Spread Mark-up" to the Liquidity Spread for each FX pair, which gives an aggregate spread and therefore represents and appears as our price for each FX CFD pair which you see.
- 1.19 Our price spread may be made wider or narrower in certain circumstances and at certain times such as to account for opening or closing of markets, major international or geopolitical events which have an impact on the relevant market(s) or in other particular circumstances.

1.20 Holding charges and holding credits

- 1.21 We apply a holding/duration charge or a holding/duration credit in relation to trades (positions) which you keep open over time. We calculate holding charges/holding credits in relation to trades (positions) maintained on a continuous basis rather than a daily basis.
- 1.22 For FX pairs, and by way of example, where you open a long trade (position) in an FX pair, we identify a trade (position) maintenance "holding" rate for each of the respective currencies and calculate a (lower) "holding" rate on the long side of the pair and a (higher) "borrowing" rate on the short side of that pair, and then calculate the net positive or negative differential rate. The rates are determined by referencing central bank interest rates and rollover charges from our LPs. We apply that differential rate to the size of your relevant trade (position) to calculate the holding fee if negative, or a holding credit if positive. The rate at which we lend will generally be higher than the rate at which we pay as it adds a bid/ask spread.
- 1.23 The amount charged to your account or credited to your account depends on the relative holding rates for the relevant currencies making up the FX pair and whether you are holding a long or short trade (position).
- 1.24 For example, if you have entered into a short trade (position) on EUR and a (corresponding) long trade (position) on USD, as part of a EUR/USD pair. An example of our finance pricing for EUR and USD is shown below:

	Long	Short
USD	0.25%	-
EUR	-	-2.25%

1: It is lower because it is the rate notionally payable by us to you on its long side of the pair.

2: It is higher because it is the rate notionally payable to us by you on its short side of the pair.

- 1.25 As you have a long (lending) trade (position) on USD and short (borrowing) trade (position) on the EUR, the effective holding rate is 0.25% - -2.25%, you will pay a holding charge of -2.00%.
- 1.26 In this example, you would be charged a Holding Charge of 2.00% for the duration of your trade, applied to that trade (position) on a continuous, second-by-second basis.

2. Commodities and bond cfd pricing

2.1 Commodity and bond CFD pricing - the basics

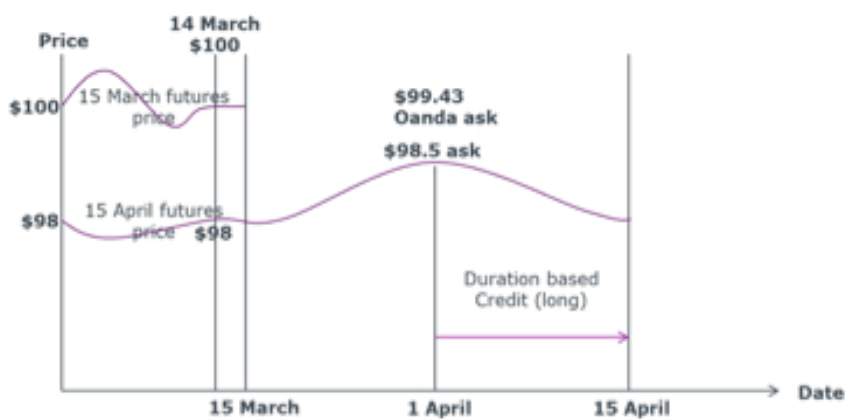
- 2.2 Our Commodity and Bond CFD prices are not generated from nor intended to replicate the spot (commodity) or exchange (government bond) market price. They are generated by using market-sourced futures prices in respect of the relevant commodity or bond. The futures price is quoted for a financial transaction that will settle on a future date and is the current price of the futures contract. The relevant futures contracts expire periodically, typically monthly or quarterly.
- 2.3 Our pricing for CFDs on agricultural commodities, energy commodities and government bonds and copper is calculated on the basis of prices received from the relevant futures markets feeds.
- 2.4 In each case, market data showing the 'top of book' prices (meaning the best buy and best sell available price) is used by the pricing system to calculate a Midpoint Price as further described below.

2.5 Our price for commodity and bond CFDs

- 2.6 We offer CFDs on commodities and bonds where pricing is derived from the futures contract in relation to the commodity or bond. The price, however, is not directly taken from the futures contract price itself but is adjusted as set out below.
- 2.7 Our Midpoint price is calculated as described below. Our automated pricing system receives futures pricing feeds from relevant futures exchanges. We review the "top of book" prices (the best actionable prices - the highest buy and lowest sell) from those feeds to calculate our Midpoint Price. In order to generate our Midpoint Price, at an appropriate time shortly before expiry of the "current" soon to expire) futures contract, we calculate the difference between the price of that "current" futures contract with the subsequent "next" (second to expire) contract and determine the difference between them. We then use that difference to calculate an annualised present value ("PV") discount or premium percentage interest rate which is applied (following expiry of the "current" futures contract) to calculate either a discount (deducted from) or a premium (added to) the new "current" (previously "next") futures contract price on any day up to expiry of that contract.
- 2.8 For example, in the case of a long trade (position) and an upward price movement between the two current and next futures contracts, a discount is applied to the fluctuating far futures contract price calculated by reference to the PV over the period from the date of expiry of the current future contract back to the date of the trade. Likewise, in the case of a long trade (position) and downward price movement between the two futures contracts, a premium is applied to the fluctuating futures contract price by reference to the PV over the period from the date of expiry of the current future contract back to the date of the trade.
- 2.9 As such, the price shown for trades (positions) in commodity CFDs is not a direct reflection of the futures price for that commodity – instead it is based on the futures market price for that commodity plus a discount or premium.

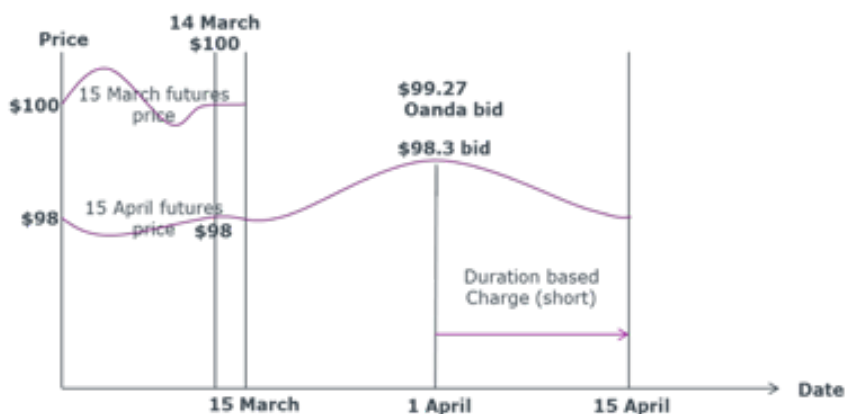
Examples of this are shown below:

Example where the current futures contract price is higher than the next futures contract price and you are long



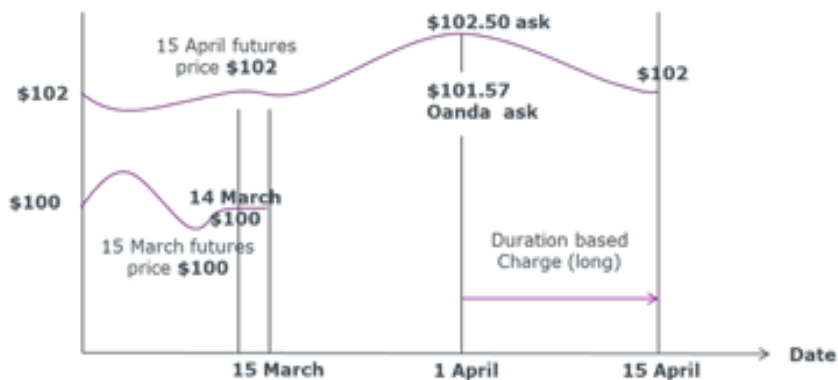
Price on 14 March of 15 March "Current" Futures = \$100
 Price on 14 March of 15 April "Next" Futures = \$98 = \$2 difference
 Premium Interest Rate = $\$2 / 32 \text{ days} \times 365 \text{ days} = 22.81\%$
 Oanda Futures ask price on 1 April = April Futures ask price as at 1 April (\$98.5) + interest rate premium
 ($15 \text{ days} / 365 \text{ days} \times 22.81\% = \0.93) => Customer pays Oanda's ask price = \$99.43
 Position Duration-Based Credit (long position) applied from 1 April at 22.81% minus a 1% spread

Example where the current futures contract price is higher than the next futures contract price and you are short



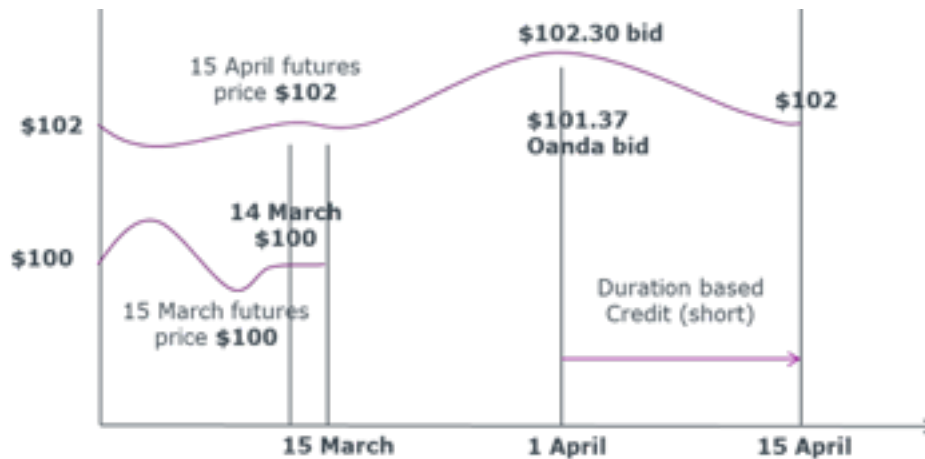
Price on 14 March of 15 March "Next" Futures = \$100
 Price on 14 March of 15 April "Current" Futures = \$98 = \$2 difference
 Premium Interest Rate = $\$2 / 32 \text{ days} \times 365 \text{ days} = 22.81\%$
 Oanda Futures bid price on 1 April = April Futures bid price as at 1 April (\$98.5) + interest rate premium (15 days / 365 days x 22.81% = \$0.93) => Customer sells at Oanda's bid price = \$99.27
 Position Duration-Based Charge (short position) applied from 1 April at 22.81% plus 1% spread

Example where the current futures contract price is lower than the next futures contract price and you are long



Price on 14 March of 15 March "Current" Futures = \$100
 Price on 14 March of 15 April "Next" Futures = \$102 = \$2 difference
 Discount Interest Rate = $\$2 / 32 \text{ days} \times 365 \text{ days} = 22.81\%$
 Oanda Futures ask price on 1 April = April Futures ask price as at 1 April (\$102.50) - interest rate discount (15 days / 365 days x 22.81% = \$0.93) = Customer pays Oanda's ask price = \$101.57
 Position Duration-Based Charge (long position) applied from 1 April at 22.81% plus 1% spread

Example where the current futures contract price is lower than the next futures contract price and you are short



Price on 14 March of 15 March ("Current") Futures = \$100

Price on 14 March of 15 April ("Next") Futures = \$102 = \$2 difference

Discount Interest Rate = $\$2 / 32 \text{ days} \times 365 \text{ days} = 22.81\%$

Oanda Futures bid price on 1 April = April Futures bid price as at 1 April (\$102.30) + interest rate discount ($15 \text{ days} / 365 \text{ days} \times 22.81\% = \0.93) => Customer receives Oanda's bid price = \$101.37

Position Duration-Based Credit (short position) applied from 1 April at 22.81% minus 1% spread

2.10 Liquidity spread

2.11 For commodity and bond CFDs, we add a Liquidity Spread, which is equal to half of the difference between the two "top of book" prices around our Midpoint Price, to create a spread for each commodity or bond CFD.

2.12 Dynamic spread mark-up

2.13 A Dynamic Spread Mark-up is also added to the Liquidity Spread, which gives an aggregate spread and therefore represents and appears as our price which you see for each commodity or bond CFD. This Dynamic Spread Mark-up is based on a standard variable set.

2.14 Our price spread may be made wider or narrower in certain circumstances and at certain times such as to account for opening or closing of markets, major international or geopolitical events which have an impact on the relevant market(s) or in other particular circumstances.

2.15 Holding charges and holding credits

2.16 We apply a holding/duration charge or a holding/duration credit in relation to trades (positions) which you keep open over time. We calculate holding charges/holding credits in relation to trades (positions) maintained on a continuous basis rather than a daily basis.

2.17 We calculate the Holding Charges and Holding Credits by using the same PV rate for the relevant trade and debiting or crediting your account at that annualised percentage rate in relation to the value of your open trade (positions) on a second-by-second basis. The rate is based on the same PV percentage rate as for pricing (i.e. based on the difference between the near and far prices).

2.18 The amount debited (a Holding Charge) or credited (a Holding Credit) depends on the PV for the relevant commodity or bond and whether you are holding a long or short trade (position). In addition, a 1% spread is added either side to the annualised rate.

3. Stock market index CFD pricing

3.1 Index CFD pricing – the basics

3.2 We offer CFDs on indices where pricing is derived from the futures prices in relation to the index and is not based on the current index level. By way of example, the standard FTSE 100 index futures contract has monthly durations and the price level is the anticipated level of the index at the expiry date. Contract value is £10 per index point. Our price, however, is not directly taken from the futures contract price itself but is adjusted as set out below.

3.3 Our price for index CFDs

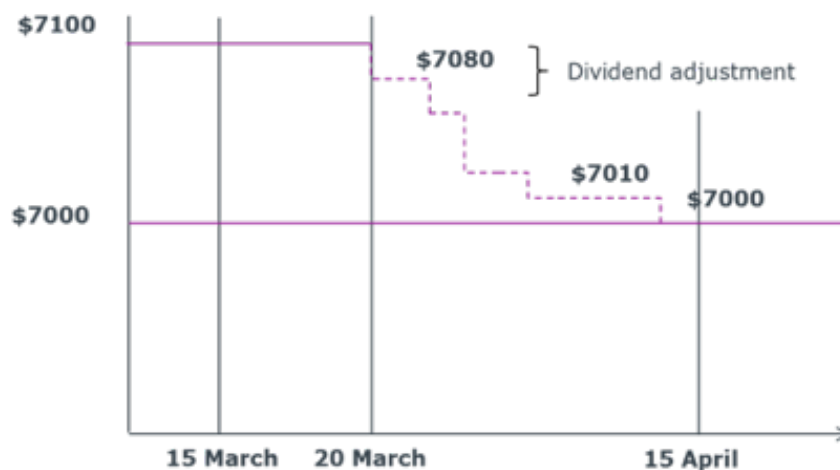
3.4 Our pricing system receives index futures pricing feeds from relevant futures exchanges. We review the "top of book" prices (the best actionable prices) (the highest buy and lowest sell) from those feeds to calculate our Midpoint Price, as described below. The futures prices of indices is affected by dividend payments and corporate actions on the underlying index as well as interest rate changes.

3.5 We then use an automated adjustment schedule for each index, which adjusts the price of the relevant index futures at the date of the transaction based on changes set out in that schedule.

3.6 In addition, we apply a daily cash offset by way of a credit or debit to your account which mirrors the adjustments made in the dividend schedule. Such adjustment is made on the dates specified in the dividend schedule.

3.7

Below is an example of how a futures price might be calculated on an index CFD, with stepped dividend adjustments between the near and the far futures contract, along with an example Dividend Schedule. The chart assumes the futures price remains flat rather than fluctuates as it would in practice:



Date	Adjustment
14 March	+100
20 March	+80
25 March	+70
1 April	+30
5 April	+10

3.8 Dynamic spread mark-up

3.9 We apply a Dynamic Spread Mark-up.

3.10 Our price spread may be made wider or narrower in certain circumstances and at certain times such as to account for opening or closing of markets, major international or geopolitical events which have an impact on the relevant market(s) or in other particular circumstances.

3.11 Holding charges and holding credits

- 3.12 Holding Charges and Holding Credits for index CFDs are based on a set benchmark for each index (for example LIBOR) and are applied to your holdings overnight. The Holding Charge or Holding Credit will be applied to your trade (position) plus or minus a 1.75% spread, in the same way as for other product types.