Product Disclosure Statement 2023 - 2024

Introduction

VFX Financial PLC ("VFX") is an Electronic Money Firm authorised by the Financial Conduct Authority (Firm Reference Number 900530).

This Product Disclosure Statement has been created to help customers to understand the products offered by VFX and does not constitute financial advice. It has been written to provide general information and is not specific to a particular customer's needs.

VFX does not provide customers with advice or guidance. If a customer requires financial advice, they should seek this from authorised financial advisory firms.

Payment Services

Payment Methods:

SEPA: Single Euro Payments Area (SEPA) is a payment method used to make payments in euros to anywhere in the EU via a credit transfer.

- Potential Benefits: This is a cheaper payment method compared to sending euros via SWIFT.
- Risks: SEPA instant is limited to €100,000 euros.

SWIFT: This is a payment method used to make currency payments internationally. SWIFT works by assigning each member institution a unique ID code (a BIC number) that identifies not only the bank name but the country, city, and branch.

- Potential Benefits: Payments are traceable if required for added security.
- Risks: There may be intermediary bank fees charged by the banks that can mean the recipient may receive less money than expected.

BACS/Faster Payments: These payment methods are used to make Sterling (GBP) payments within the UK using a sort code and account number.

- Potential Benefits: The payments are much faster and cheaper than CHAPS.
- Risks: There are limits on how much can be sent depending on the sending bank.

CHAPS: The Clearing House Automated Payment System is also used to make Sterling (GBP) payments within the UK using a sort code and account number. These are generally used to make high value payments.

- Potential Benefits: There is no limit on the sending amount unlike BACS and Faster Payments.
- Risks: These payments are typically slower, and banks may charge fees for making or receiving them.

Costs:

VFX does not charge for SEPA, SWIFT, BACS/Faster Payments or CHAPS unless agreed in writing in advance with the customer.

<u>**Foreign Exchange:**</u>

<u>**Spot Contracts**</u>

A Spot contract is an agreement between the Client and VFX to buy and/or sell a specific amount of currency at an agreed rate for settlement immediately or within 3 days (known as T+2). Spot contracts are mainly used by clients who need to make urgent international payments. They essentially operate as a buy now, pay now obligation.

Example:

Spot contracts could be used when a client has a contractual obligation to pay a fixed amount in a foreign currency for the delivery of goods the same day or up to two days after, T+2 (total 3 days). For example, a UK company has a contract with their US supplier to purchase 5,000.00 USD worth of goods tomorrow.

The client decides to book in a Spot contract today with a value date of tomorrow at a rate of $1.20. This means the client has agreed to pay VFX 4,166.67 GBP to receive 5,000.00 USD in exchange.

Potential Benefits:

- Transfer of funds can be made the same day. Depending on the currency traded and destination, payments can arrive on the same day of booking.
- Spot contracts are typically settled on a T+2 basis depending on the currency traded and destination.
- No Margin is required on Spot contracts.
- Booking a Spot contract secures the current Spot rate which protects clients from short term currency fluctuations (up to T+2).
- All relevant funds that are held on a customer's E-wallet at the end of the next working day they were paid in are moved to Client Safeguarding accounts. These are segregated accounts held at large UK high street banks and are separate to the Firm's own money. In the unlikely event of VFX going into administration, all funds held in the Client Safeguarding accounts are ring fenced from VFX's Creditors and cannot be used to pay off their debts. These funds will be returned to customers by the administrators (potentially minus an administrator's fee).

Risks:

- The client cannot benefit from any favourable market move once the Spot contract has been booked.
- Spot contracts may not be the best product to book if currency requirements are for payments due in the future (greater than 3 days' time, T+2) as currency fluctuations may move unfavourably. Instead, a Forward contract may be a more suitable product.
- Non-settlement fee if a customer no longer needs the foreign exchange or will not pay for the contract. VFX may charge the customer the full cost of cancelling the contract, this would be the difference between the contract rate and the current market rate at the time.

Costs:

VFX makes a profit by adding a small percentage known as a Margin onto the foreign exchange rate it receives from its liquidity provider (market rate).

Market Rate + Margin = Customer Rate

The Margin VFX applies depends upon the volume of currency bought and the availability of the currency in the market.

Forwards

A Forward contract is an agreement between the Client and VFX to buy and/or sell a specific amount of currency at a Forward rate for a specified value date in the future (which can be between 1 week to 2 years' time). The Forward rate is calculated based on a variety of factors such as the underlying Spot rate, Forward points and market volatility. This type of contract can be seen as a buy now, pay later obligation.

VFX only sells its customers Forwards that meet all of the following criteria;

- It is a means of payment.
- It must be settled physically (although non-physical settlement is permissible by reason of a default or other termination event).
- At least one of the parties is not a financial counterparty.
- It is entered into in order to facilitate payment for identifiable goods, services or direct investment and
- It is not traded on a trading venue.

Example:

Forward contracts could be used when a client has a contractual obligation to pay a fixed amount in a foreign currency on a future date. For example, a UK company who imports goods has a contract with their US supplier to purchase $500,000.00 USD worth of goods in 6 months' time.

The client decides to book in a Forward contract today with a value date in 6 months' time at a Forward rate of $1.20. This means the client has hedged their exposure as regardless of any currency fluctuations the client will pay £416,666.67 GBP to receive $500,000.00 USD in exchange.

Below is an illustration of the above scenario which shows how a Forward contract works and the possible scenarios which can occur on value date.

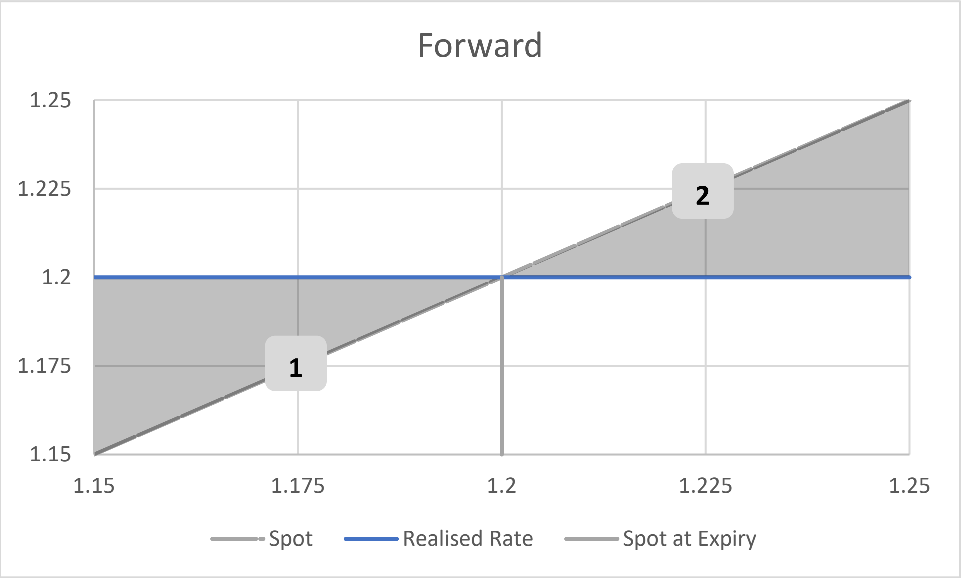

Illustration: Client books a Forward to sell £416,666.67 GBP and buy $500,000.00 USD at $1.20 for a value date in 6 months' time.

Scenario 1: Unfavourable Market Fluctuation

Sterling (GBP) depreciates, and the GBP USD Spot rate drops to $1.1750. This means purchasing $500,000.00 USD is more expensive and requires the client to sell £425,531.91 GBP. If the client did not hedge by booking the above Forward and instead booked on Spot, they would have to part with an additional £8,865.24 GBP.

However, as the client booked the Forward contract, they are protected from being affected by this GBP USD rate drop. The rate they receive is locked in at $1.20 no matter where the Spot rate trades at the time of the Forward value date.

Scenario 2: Favourable Market Fluctuation

Sterling (GBP) appreciates, and the GBP USD Spot rate increases to $1.2250. This means purchasing $500,000.00 USD is cheaper and requires the client to sell £408,163.27 GBP. As the client booked the above Forward and locked in the rate at $1.20, they cannot benefit from this favourable market movement. They will essentially need to pay the opportunity cost of £8,503.40 GBP (the difference between buying $500,000.00 USD at $1.2250 and buying $500,000.00 USD at $1.20).

Currency fluctuations are almost impossible to predict. When clients book Forward contracts, a lot depends on their risk appetite and hedging strategy. Particularly, whether they can withstand large currency fluctuations through profit mark up or have a specific budget rate they are trying to protect.

Initial Margin and Margin Call

Initial Margin

Initial Margin is the monetary deposit a customer must provide VFX to cover any potential differences between the Forward rate and the underlying foreign exchange rate. This is normally a percentage of the trade, VFX typically requests 5% of the trades value. This is known as Initial Margin.

Margin Call

A Margin call is a requirement for a customer to deposit additional money to cover an adverse movement between the contract rate and the underlying market rate. VFX could request this throughout the lifetime of the contract, and it is normally a request for the percentage change in the underlying rates. This is known as Variation Margin.

Potential Benefits:

- Forwards can provide the client with certainty and reassurance with respect to their cash flow. As the amount of currency being exchanged is fixed, the client is aware of the cost of future international payments.
- The client can fully hedge their currency exposure which minimizes the risk of unfavourable fluctuations in the currency markets.
- The client can book a Forward contract for a value date up to 2 years in the future.
- No additional fees involved.
- No minimum or maximum transaction amounts.

Risks:

- The client cannot benefit from a favourable market move once the Forward has been booked.
- Initial Margin may be requested to secure the Forward.
- Margin calls - Variation Margin may be required if the market significantly moves against a Forward position.
- Initial and Variation Margin is not protected under safeguarding rules.
- The exchange cannot be completed earlier than the value date of the Forward.
- If a customer needs to draw down or terminate the Forward contract early the customer may be charged a draw down or termination fee, this would be the difference between the contract rate and the current market rate at the time.
- Non-settlement fee if a customer no longer needs the foreign exchange or will not pay for the contract. VFX may charge the customer the full cost of cancelling the contract, this would be the difference between the contract rate and the current market rate at the time.

Costs:

VFX makes a profit by adding a small percentage known as a Margin onto the foreign exchange rate it receives from its liquidity provider (market rate).

Market Rate + Margin = Customer Rate

The Margin VFX applies depends upon the volume of currency bought and the availability of the currency in the market.

Electronic Money:

Cards

The VFX prepaid currency card allows customers to load foreign currency from our available currencies to make card payments, withdraw cash and make transfers with no international fees.

Example:

A customer is going on a business trip to the United States, and they would like to take US Dollars to pay for their daily spending while there. The customer loads $5,000 USD at a rate of $1.20 on to their prepaid account which costs the customer £4,166.67 GBP.

Key Features:

- Easy to set up an account and order. (The first card is free via our website).
- No set up costs or account charges.
- Accepted globally (MasterCard).
- GBP (domestic) transaction posting fee of only 40p.

Potential Benefits:

- Easy to manage via the client's online account on a web browser or our mobile app (load currency / wallet to wallet transfers via FX).
- Take advantage of preferable FX rates over banks.
- Security through 3D secure.
- ATM cash withdrawals.
- Customer telephone support.
- Online support.
- All relevant funds that are held on a customer's E-wallet at the end of the next working day they were paid in are moved to Client Safeguarding accounts. These are segregated accounts held at large UK high street banks and are separate to the Firm's own money. In the unlikely event of VFX going into administration, all funds held in the Client Safeguarding accounts are ring fenced from VFX's Creditors and cannot be used to pay off their debts. These funds will be returned to customers by the administrators (potentially minus an administrator's fee).

Risks:

- 24/7 telephone support is not available.
- Banks might charge ATM fees for cash withdrawals.
- Minimum Deposit £50.

Costs:

VFX makes a profit by adding a small percentage known as a Margin onto the foreign exchange rate it receives from its liquidity provider (market rate).

Market Rate + Margin = Customer Rate

The Margin VFX applies depends upon the volume of currency bought and the availability of the currency in the market.

VFX charges a dormancy fee of £2 per month if the card has not been used for over 12 months.

The VFX card is designed to be used as a travel card for customers to spend in local currency while abroad. The VFX card does charge a fee for International ATM, UK (Domestic) ATM and UK (Domestic) Point of Sale (POS) transactions. However, it does not charge a fee for International Point of Sale (POS) transactions.

VFX Prepaid Card Fees	Card Fees
ATM (domestic)	£1.50
ATM (international)	£1.50
POS (domestic)	£0.40
POS (international)	Free

For all information on our card fees, please see our Fees Page on our website https://www.vfxfinancial.com/card-fees

Any Further Questions

If you need further information or support, please do not hesitate to contact our customer support team. You can email them using support@vfxfinancial.com or by calling 0207 959 6994. They are on hand to help, each business day, Monday – Friday, 09:00 - 17:30.