



Currency Binary Option

What is a currency binary option?

The binary option is a financial instrument which provides a fixed payment if a currency pair reaches or fails to reach a certain level or levels.

The main variations of the binary options are:

- **One-Touch** (One barrier, touching) – in this variation, the exchange rate must touch a predetermined barrier during the option's life for the option buyer to receive the payment.
- **Double One-Touch** (Two barriers, with touching) – in this variation, the exchange rate must touch at least one of the two predetermined barriers during the option's life for the option buyer to receive the payment. When the option is purchased, the spot rate is between the barriers.
- **No-Touch** (One barrier, no touching) – in this variation, the exchange rate must not touch the predetermined barrier during the option's life for the option buyer to receive payment.
- **Double No-Touch** (Two barriers, no touching) – in this variation, the exchange rate should not touch either of the two predetermined barriers during the option's life for the option buyer to receive the payment. When the option is purchased, the spot rate lies between the barriers.

Who is the binary currency option for?

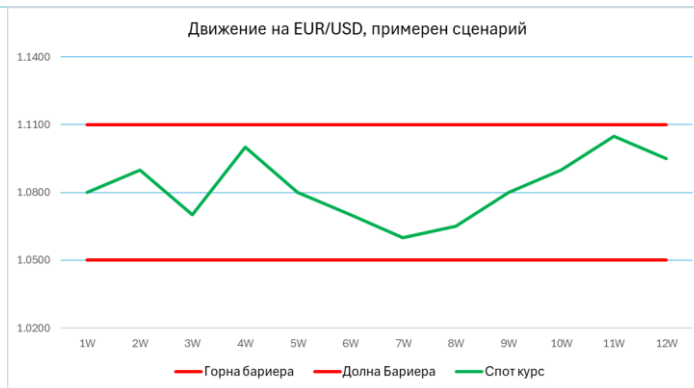
The currency binary options are mostly used for both short- and medium-term speculation and income generation. Customers can only buy binary options.

How does the currency binary option work?

A customer purchases a binary option with predetermined barriers (levels). When these levels are reached/ not reached, the client receives a predetermined payment.

Example:

A client purchases a currency binary option on EUR/USD. The option is of the Double No-Touch type, i.e. during its lifetime the EUR/USD exchange rate must not touch either of the two predefined barriers. The barriers are at 1.1100 and 1.0500 and the current spot rate is 1.0800. The option matures in 3 months. For buying the option, the customer pays a premium of EUR 45,000 and if the EUR/USD exchange rate does not touch the barriers during the life of the option, the customer will receive a payment of EUR 100,000.



Main benefits:

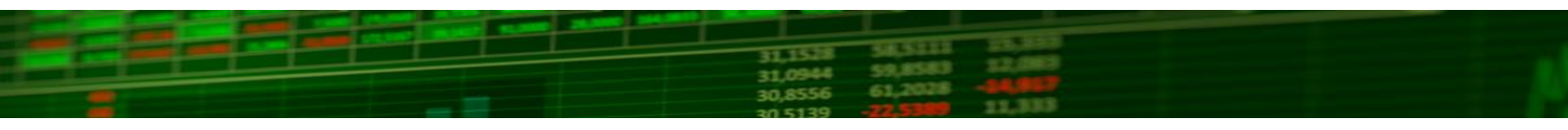
- **Costs** - At relatively low costs, customers could reap significant and quick profits.
- **Timely profit making** - Binary options enable a client to make a profit quickly.
- **Flexibility** - A currency binary option is an over-the-counter traded instrument, and its parameters are negotiated between the parties, involved in the transaction.
- **Easy to understand** - The buyer just needs to know that by buying a binary option, the exchange rate must touch/not touch predetermined levels to receive the predetermined payment.
- **Fixed cost** - The cost to the customer is limited to the amount of the premium.

Main drawbacks and risks:

- **Early termination** - A currency binary option is an over-the-counter traded instrument and can only be terminated with the counterparty to the trade. Depending on whether the client is the buyer or seller, he may receive or pay a certain amount.
- **Final maturity date** - A currency binary option has a final maturity date and if the client is a buyer, it is possible that the client will not benefit from it.
- **Market risk** - The value of the instrument is affected by market conditions, mainly the exchange rate.
- **Currency risk** - If payments under the currency binary option are denominated in a foreign currency, currency risk exists.
- **Advance payment** of the full premium amount.

Can a client terminate a binary option early?

Yes, the client can terminate the currency binary option early. At any point in the life of the product, it has intrinsic value. Since the client can only be a buyer of the option, its value can only be positive. On early termination, the client receives an



up-to-date quote from the dealers in the "Sales Treasury Products" Department, which is in line with the current market levels of the instrument. In addition, clients should also consider the cost of early termination.

Collateral/limit on currency binary options trades:

To purchase a currency binary option, clients pay a premium and are not required to provide cash collateral or has an approved limit.

Documents:

- Currency options trading agreement
- General terms and conditions applicable to the agreements concerning the provision of investment services and activities to the clients of DSK Bank AD
- Additionaly Agreement on the Settlement of Relations in respect of Regulation (EU) No 648/2012 (EMIR)
- Questionnaire for client categorization under the Markets in Financial Instruments Act
- Test for compatibility with the target market for a product
- Information on the nature and risk of financial instruments and on costs

Key information document:

A Key Information Document (KID) has been prepared for the financial instrument Currency Binary Option, which each client should read before entering such a transaction. The KID can be obtained at the following address: Georgi Benkovski 5 Street, Sofia. It can also be downloaded from the following web address: [Бизнес клиенти Бинарна валутна опция | Банка ДСК \(dskbank.bg\)](#) on the website of DSK Bank AD.

Contacts:

For more information you can contact the "Sales Treasury Products" Department.

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Warning:

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