

Please read this in conjunction with the Futures Contract Specification and Auto Liquidation & Margin documents.

### Collateral

CoinfloorEX enables the flexibility for you to deposit Bitcoin (XBT) or USD or a combination of both into your account as collateral.

### Obligations

These are what you take out to trade on Leverage.

### How do I trade Futures?

The following is an example of options for trading futures, using January as an example:

CoinfloorEX's system differs from other systems as CoinfloorEX's futures are physically delivered and you can post margin using crypto or Fiat.

If you wish to take a long leverage position and you have XBT as collateral:

- Deposit XBT collateral and convert to XBT Jan. (Conversion)
- Use the collateral to take out leverage in USD Jan. (Obligation)
- Use the leverage balance from USD Jan to enhance XBT Jan position. (Position)

If you want to take a short leverage position and you have XBT as collateral:

- Deposit XBT collateral and convert to XBT Jan. (Conversion)
- Use the collateral to take out leverage in XBT Jan. (Obligation)
- The total position is now in XBT Jan. (Position)

If you want to take a long leverage position and you have USD as collateral:

- Deposit USD collateral and convert to USD Jan. (Conversion)
- Use the collateral to take out leverage in USD Jan. (Obligation)
- The total position is now USD Jan. (Position)

If you want to take a short leverage position and you have USD as collateral:

- Deposit USD collateral and convert to USD Jan. (Conversion)
- Use the collateral to take out leverage in XBT Jan. (Obligation)
- Use the leverage balance from XBT Jan to enhance USD Jan position. (Position)

### What/where is the conversion page?

The conversion tab is found under the 'My Account' tab on the CoinfloorEX secure site. You must be logged into your account on CoinfloorEX to access this page. You can sign in from the CoinfloorEX website 'sign in' option. From there you will have access to the secure site where you can locate the conversion page.

On this page you can make conversions from spot assets to futures assets and then on the expiry of the contract, you must use this page to convert your futures balances (including potentially profits) back to spot or USD balances.

### What's the difference between, using as an example, XBT Jan and USD Jan?

Absolutely nothing from a trading perspective, it's devised this way so that you can take out an obligation for the month to leverage trade the Futures contract and depending on which type of obligation you took out XBT (borrowing bitcoin to fund a short position) or USD (borrowing USD to fund a long position) then you will be allowed to either buy (using available USD Jan balances) or sell futures (using available XBT Jan balances).

### How much leverage can I take?

Currently, the initial margin ratio is 20% and the maintenance margin ratio is 15%.

The maximum is set by CoinfloorEX and may be raised or lowered from time to time, depending on market conditions. For example, for every 100 units of loans you wish to take, you must have at least 20 units in your account, giving you a maximum of 120 units (XBT or USD) to trade, hence 6x leverage (120/20).

After the leveraged trade has been executed, your position will not be auto liquidated unless your margin level falls below the maintenance margin level, which is currently 15%.

You will receive emails warning you that your margin levels are below the initial margin and then further emails if autoliquidation occurs.

Crypto markets are extremely volatile. Keeping more than the minimum in your margin balance is advised to avoid auto liquidation if the market moves against your position.

## What's auto liquidation?

Auto liquidation is where the Exchange automatically buys or sells contracts on your account to the extent needed to keep you in a margin compliant position for each loan obligation outstanding.

Please be aware that this margin compliant calculation is done for each loan taken on an individual basis. So for example, you may take a loan to gain leverage and be long XBT Jan but also take a loan later to be short XBT Feb in a rallying market. Although you have no net exposure aggregating both months, the short leg may well be liquidated (and vice versa on a down move in the market).

You will be solely responsible to manage the collateral across each individual loan obligation to make sure that both are margin compliant.

Please refer to the Liquidation document to get a better understanding.

## What happens at Settlement?

If the loan obligation has not been repaid previously, it is automatically due for repayment on the same day as the last day of the Contract month, which is the last Friday of that month.

Once settlement has occurred, you may withdraw any profits that you have made on the leveraged trade.

## What does physically delivered mean?

A market participant who sells a contract is obligated to deliver 0.0001 XBT to the owner of the contract and is entitled to receive the USD based on the price at which they traded the contract.

An owner of one contract is entitled to receive 0.0001 XBT from the seller at the end of the period. They are also obligated to deliver the full amount of USD to the seller based on the price they traded the contract.

## Why are you physically settled instead of cash settled like most other Exchanges?

We believe there are a number of advantages with physical settlement around certainty of returns. Physical settlement also enables you to grow your Bitcoin holdings or meet your Bitcoin obligations over time, thereby potentially benefiting from currency appreciation.

Additionally, if you would like to cash out some or all of your holdings, you can sell it on the CoinfloorEX spot exchange to receive other currencies. This allows you to conveniently manage your Fiat needs.

## What time on the last Friday is the Settlement?

The Settlement time depends at what time of day you initially took out the obligation for the leveraged trade. For example, if you took out an obligation at 1pm on the first day of the contract month, then it will expire at 1pm on the last Friday of that month.

This is both the settlement of the obligation and the contract.

## Does settlement refer to the settlement of the Obligation or the Contract?

Both. On the last Friday of the month of the contract you traded, the obligation becomes repayable unless you have settled your obligations previously. At this point, any futures assets in XBT or USD is used to repay the obligation, which may be via actual trades in the order book and any balances left you will need to convert to XBT or USD spot assets in your account.

## When can I take out profits?

Whilst you have open obligations to repay you cannot withdraw any cryptocurrency or Fiat tied to that trade.

Upon repaying the obligation, if it's within a contract month, you may only withdraw up to the original collateral of XBT or USD you put in by using the conversion page to convert down from futures assets to spot assets (adjusting for any losses you may have made). At expiry of the contract at month end, you may withdraw all profits due.

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Important Note: Cryptocurrency futures are intended for sophisticated investors and are complex investments which carry a high degree of risk. The information contained in this document is not, and should not be read as, advice or an offer or recommendation to buy or sell any asset. For more information, please refer to the Risk Statement found on [www.coinfloorex.com](http://www.coinfloorex.com). Trading in cryptocurrencies involves significant risk of loss. The value of cryptocurrencies, and therefore the value of futures linked to them, is extremely volatile. They are vulnerable to sharp changes in price due to unexpected events or changes in market sentiment. Cryptocurrency futures are leveraged products. Leverage multiplies your losses and potential profits, and can have a significant impact on fees. It also places you at risk of losing more than your initial investment (i.e. your initial margin), meaning you could end up owing money to the firm. Due to the peer-to-peer nature of the CoinfloorEX platform, you may be exposed to significant counterparty risk. Under extreme market circumstances, CoinfloorEX could decide to partially or entirely close profit-making positions to be able to counteract the impact of loss-making positions, with losses being covered by profits made by traders on a pro rata basis.

Please ensure you fully understand the risks of trading in cryptocurrency futures and take care to manage your exposure. If you are in any doubt, please contact CoinfloorEX at [support@coinfloorex.com](mailto:support@coinfloorex.com). The information on this site is not directed at residents of the United States, Canada, Singapore, Japan, Australia and New Zealand or any particular country or jurisdiction where such distribution or use would be contrary to local law or regulation.