Key Information Document – spread bet on a knock-out

Purpose

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

Spread bets are provided by **IG Index Ltd ("IG")**, a company registered in England and Wales, under number 01190902. IG is authorised and regulated by the Financial Conduct Authority (Register number 114059). See www.ig.com for more information or contact us on 0800 409 6789 or +44 207 896 0079.

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

Type

This product is a financial spread bet, a derivative contract governed by UK law entered into with IG on a bilateral basis.

Objectives

This product provides exposure to the performance of an underlying market. The spread bet underlying is a knock-out option on an underlying instrument or asset (non-major/major currency pair, precious metal, non-major and major indices and other references, cryptocurrencies). It allows a client to speculate on rising or falling prices of these underlying instruments.

This product expires annually.

During the product's lifetime, both positive and negative changes in the price of the underlying will be reflected. These changes may be rapid.

The risk on the position will vary depending on the knock-out level chosen by a client when entering into a contract. The contract will automatically be closed out if the underlying instrument or asset price reaches the knock-out level. This enables a client to put an absolute limit on their maximum loss per contract.

There are two types of knock-outs: bull and bear. Clients can either go long (bull) or short (bear) on the underlying. Depending on whether the clients chooses to go long or short, the knock-out level selected will have to be below or above the current underlying instrument or asset price when entering into a contract.

The price of the knock-out option is made of the addition of the following two factors:

1. Difference between the knock-out level and the underlying instrument or asset bid/ask price
2. A knock-out premium, corresponding to the cost for the knock-out level being guaranteed

When entering into a bull contract (going long), the client thinks the price of the underlying instrument or asset will rise. When entering into a bear contract (going short), the client thinks the price of the underlying instrument or asset will fall.

In both instances the client expects the price of the knock-out option to increase. A given instantaneous move in the bid/ask price of the underlying instrument or asset results in an identical move in the price of the knock-out option. This principle is altered where the knock-out premium varies. Such a situation will occur where IG increases the knock-out premium in anticipation of a perceived high-risk event at the time a client enters into a contract. The knock-out premium will decrease once the event has passed.

The knock-out premium payable by the client is built into the opening price of the trade. In the case of positions closed prior to expiry where the knock-out level has not been hit, this premium is effectively received by the client and incorporated into the exit price.

The product is subject to initial payment of margin. With a sample position of £10,000 in notional amount of the FTSE 100 Knock-out (£98 per point), the margin payment for the product will also be £10,000 where the FTSE 100 is trading at 7500, the knock-out level was selected at 7400 points by the client and the knock-out premium is 2 points at the time of entering in the contract. £9804 is the difference between the knock-out level and the FTSE 100 index multiplied by the trade size (£98 per point), and £196 is the knock-out premium multiplied by the trade size.

The client does not have the ability to modify the selected knock-out level during the product's lifetime.

It is not possible to make a recommendation for a holding period, although clients typically hold positions for less than a day. Any recommendation for the holding period would be misleading information for a speculative client. A daily holding fee will be charged basis positions open at 10pm (UK time).

Additional information

Additional costs are incurred where the base currency of a product is different from the client's base account currency.

The product is not available for rollover where the underlying forward instrument has expired. If the contract is held until expiry of the underlying forward instrument, the product will settle on the basis the underlying in accordance with pre-determined rules.

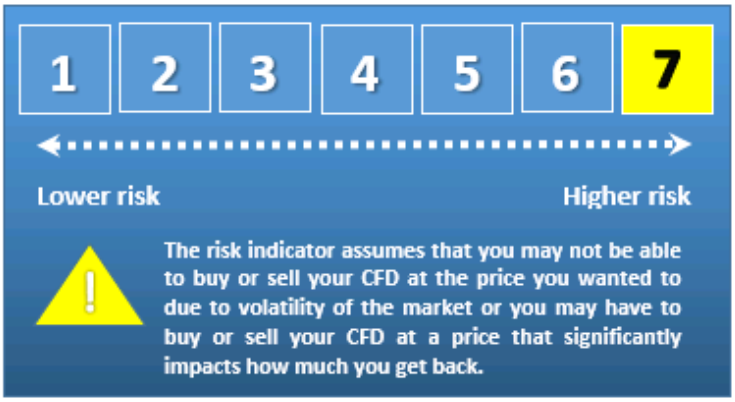
Where the underlying instrument of the product is an equity index, dividend adjustments will be made on the client's account via a ledger adjustment to cancel out the associated impact on the client's contract. The knock-out level of the product is not adjusted.

Intended retail client

The product is aimed at clients who seek to participate in the performance of an underlying due to its price movements and/or to hedge another position. These products have a very short holding period. The product is intended for clients who have knowledge of, or are experienced with, derivative contracts. Likely clients will have the understanding of the risk/reward profile of the product. Clients will also have appropriate financial means and the ability to bear the losses generated by a contract. The amount at risk remains the same throughout the duration of the trade, and you may lose all of the capital put up.

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 this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance of the product at a very high level.

Spread bets on knock-outs are products that, due to underlying market movement, can generate losses rapidly. There is no capital protection against market risk, credit risk or liquidity risk. **It is possible to lose all of the money on your account.**

Be aware of currency risk. It is possible to place a spread bet on a knock-out on an underlying instrument in a currency which is different to the base currency of your account. The final return you may get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

Market conditions may mean that your spread bet knock-out trade on an underlying instrument is closed at a less favourable price, which could significantly impact how much you get back; although if the knock-out level is triggered the position will be closed at the knock-out level. We may close your open knock-out contract if you do not maintain the minimum margin that is required, if you are in debt to the company, or if you contravene market regulations. This process may be automated.

This product does not include any protection from future market performance so you could lose some or all of the capital put up. If we are not able to pay you what is owed, you could lose the entire value of your position. However, you may benefit from a consumer protection scheme (see the section 'what happens if IG is unable to pay out?'). The indicator shown above does not consider this protection.

Performance scenarios

The scenarios shown illustrate how your position of £10,000 could perform over the next 1 day under different scenarios. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this position varies, and are not an exact indicator. What you get will vary depending on how the market performs, and how long you hold the spread bet knock-out. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

The following assumptions have been used to create the scenarios in Table 1:

UK

BULL/BEAR Knock-out on FTSE 100 (held intraday)		
Underlying index price:	**F**	7500
Knock-out level:	**K**	7400/7600
Knock-out premium:	**Pr**	2
Knock-out price:	**P**	102
Trade size:	**TS**	£98
Margin %:	**M**	100
Margin requirement (£):	***MR = P x TS x M***	£10,000
Notional value of the trade (£):	***TN = MR/M***	£10,000

Table 1

BULL Performance scenarios	Price (inc spread)	Price change	Profit/loss	BEAR Performance scenarios	Price (inc spread)	Price change	Profit/loss
Stress	96.9	-5.0%	**-£500**	Stress	96.9	-5.0%	**-£500**
Unfavourable	100.5	-1.5%	**-£150**	Unfavourable	100.5	-1.5%	**-£150**
Moderate	102.5	0.5%	**£50**	Moderate	102.5	0.5%	**£50**
Favourable	103.5	1.5%	**£150**	Favourable	103.5	1.5%	**£150**

The figures shown include all the costs of the product itself. If you have been sold this product by someone else, or have a third party advising you about this product, these figures do not include any cost that you pay to them. The figures do not take into account your personal tax situation, which may also affect how much you get back.

What happens if IG is unable to pay out?

If IG is unable to meet its financial obligations to you, you may lose the value of your position. However, IG segregates all retail client funds from its own money in accordance with the UK FCA's Client Asset rules. IG also participates in the UK's Financial Services Compensation Scheme (FSCS) which covers eligible positions up to £50,000 per person, per firm. See www.fscs.org.uk.

What are the costs?

Trading a spread bet on a knock-out incurs the following costs:

One-off entry and exit costs	**Spread**	The difference between the buy price and the sell price is called the spread. This cost is realised each time you open and close a trade.
	Currency conversion	Any cash, realised profit and losses, adjustments, fees and charges that are denominated in a currency other than the base currency of your account will be converted at the mid-price plus an admin fee of 0.3%.
	Knock-out premium	A variable premium that is charged if the knock-out level is triggered.
Incidental costs	**Distributor fee**	We may from time to time share a proportion of our spread, commissions and other account fees with other persons, including a distributor that may have introduced you. This will not have reflection on the spread applied to client whatsoever.
Ongoing costs	**Daily holding cost (daily funded bets only)**	A fee is charged to your account for every night that your contract is held. This means the longer you hold a contract, the more it costs.

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

Spread bets on knock-outs are intended for short-term trading. For clients purchasing the product for hedging purposes, the holding period depends on the hedging horizon and could be suitable for longer-term positions. There is no recommended holding period, no cancellation period and therefore no cancellation fees.
You can open and close a spread bet on a knock-out at any time during market hours.

How can I complain?

If you wish to make a complaint about IG, you should contact our client services team on 0800 409 6789, or email helpdesk.uk@ig.com. If our client services team is unable to resolve the matter you may refer it to our compliance department. If you do not feel that your complaint has been resolved satisfactorily, you are able to refer your complaint to the Financial Ombudsman Service (“FOS”). See www.financial-ombudsman.org.uk for further information.

You can also refer to the European Commission’s Online Dispute Resolution Platform, however it is likely that you will be referred to the FOS.

Other relevant information

If there is a time lag between the time you place your order and the moment it is executed, your order may not be executed at the price you expected. Ensure your internet signal strength is sufficient before trading.

The ‘terms and agreements’ section of our website contains important information regarding your account. You should ensure that you are familiar with all the terms and policies that apply to your account.