Key Information Document – Limited Risk CFD on a Commodity

Purpose

This document provides you with key information about this investment 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.

CFDs are provided by **IG Europe GmbH ("IG"),** a company incorporated in the Federal Republic of Germany and registered in the Düsseldorf Trade Register under number HRB80754. IG is authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") and Deutsche Bundesbank (Register number 148759). 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.

What is this product?

Type

A contract for difference ("CFD") is a leveraged contract entered into with IG on a bilateral basis. It allows an investor to speculate on rising or falling prices in an underlying commodity.

An investor has the choice to buy (or go "long") the CFD to benefit from rising commodity prices; or to sell (or go "short") the CFD to benefit from falling commodity prices. The price of the CFD is derived from the underlying commodity price, which may be either the current ("cash") price or a forward ("future") price. For instance, if an investor is long the standard cash oil CFD and the underlying cash price of the oil rises, the value of the CFD will increase - at the end of the contract IG will pay the difference between the closing value of the contract and the opening value of the contract. Conversely, if an investor is long and the cash price of oil falls, the value of the CFD will decrease - at the end of the contract they will pay IG the difference between the closing value of the contract and the opening value of the contract. A CFD referencing the underlying future price works in exactly the same way except that such contracts have a pre-defined expiry date – a date upon which the contract either automatically closes or must be rolled into the next period. The leverage embedded within all CFDs has the effect of magnifying both profits and losses.

All limited-risk CFDs require a guaranteed stop loss. This enables an investor to put an absolute limit on their maximum loss per trade. If the market price moves through the investor's stop level, the trade is then closed at the requested price – with no risk of slippage even if the market gaps. A premium is charged if the stop loss is triggered, however if the investor closes the position before the stop loss is activated then no fee will be applied.

Objectives

The objective of the CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying commodity (whether up or down), without actually needing to buy or sell the underlying contract or the asset itself.

The exposure is leveraged since the CFD only requires the investor to put up the maximum potential loss of the trade (excluding daily holding costs), rather than the full value of the position.

For limited-risk positions, the margin required will be the larger figure of the two calculations below:

1. (Number of contracts x contract size x stop distance) + (limited risk premium x contract size)
2. Number of contracts x contract size x price x margin rate

As an example, suppose you buy one CFD contract on an underlying commodity price of 6000, with a contract size of £10. **You place a guaranteed stop 45 points away** and there is a 2-point limited risk premium. Your margin would be calculated as follows:

Calculation 1: (1 x £10 x 45) + (2 x £10) = £470 margin

Calculation 2: 1 x £10 x 6000 x 10% = £6000 margin

So your margin requirement is £6000 (the larger figure of the two).

The margin rate for a limited-risk CFD is the same as the margin rate for non-limited-risk CFDs, in this case 10% of the total exposure. This means you have 10:1 leverage, resulting in a notional value of £60,000 (£6000 x 10).

As the contract size for this market is £10, for every point the underlying market moves your profit or loss will change by £10. For instance, if you are long and the market increases in value, you'll earn £10 profit for every point the market moves. If the market decreases in value, you'll make a £10 loss for each point it moves. Conversely, if you were to hold a short position, you'd make a profit if the market price decreased and a loss if the market price increased.

A cash CFD does not have a pre-defined maturity date, and is therefore open-ended. You'll be charged an interest fee for holding your position overnight, By contrast, a futures CFD has a pre-defined expiry date and holding fees are built into the spread. As a result, it is down to the discretion of each individual investor to determine the most appropriate holding period based on their own individual trading strategy and objectives.

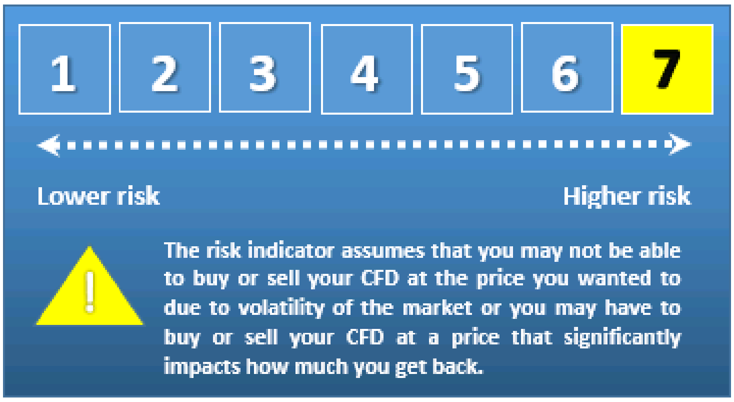
In the case of futures CFDs, all transactions will be automatically rolled over into the next period – ie, from a March expiry into a June expiry, unless the client opt out of this. IG also retains the ability to terminate any CFD where it deems that the terms of the bet have been breached.

Intended Retail Investor

CFDs are intended for investors who have knowledge of, or are experienced with, leveraged products. Likely investors will understand how the prices of CFDs are derived, the key concepts of margin and leverage and the fact that losses may exceed deposits in a given position. Indeed, they will understand the risk/reward profile of the product compared to traditional share dealing. Investors will also have appropriate financial means and the ability to bear losses – up to the margin amount invested in the case of limited-risk positions.

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.

CFDs are leveraged products that, due to underlying market movement, can generate losses rapidly. Guaranteed stops enable investors to put an absolute limit on their potential loss for each trade, to avoid losses beyond the initial amount invested. Please note that without this protection, losses can exceed the amount invested in a given position and you may be required to deposit additional funds to maintain your positions; hence it is possible to lose all of the funds on your account. There is no capital protection against market risk, credit risk or liquidity risk.

Be aware of currency risk. It is possible to buy or sell CFDs on a commodity 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 CFD on a commodity is closed at less favourable price, which could significantly impact how much you get back. We may close your open CFD 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 your investment. If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from a consumer protection scheme (see the section "what happens if we are unable to pay you"). The indicator shown above does not consider this protection.

Performance scenarios

The scenarios shown illustrate how your investment could perform. 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 investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you hold the CFD. 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:

Commodity CFD (held intraday)		
Commodity opening price:	**P**	6000
Trade size (per CFD):	**TS**	£10
Margin rate:	**M**	10% (min)
Margin Requirement (£):	***MR = P x TS x GS Dist***	*£6,000*
Notional value of the trade (£):	***TN = MR/M***	*£60,000*

Table 1

LONG Performance scenario	Closing price (inc. spread)	Price change	Profit/loss	SHORT Performance scenario	Closing price (inc. spread)	Price change	Profit/loss
Favourable	6090	1.5%	**£900**	Favourable	5910	-1.5%	**£900**
Moderate	6030	0.5%	**£300**	Moderate	5970	-0.5%	**£300**
Unfavourable	5910	-1.5%	**-£470**	Unfavourable	6090	1.5%	**-£470**
Stress	5700	-5.0%	**-£470**	Stress	6300	5.0%	**-£470**

**Losses capped to max given stop loss level 45 points away and a guaranteed stop premium of 2.*

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 investment. However IG segregates all all client funds from its own money in accordance with the Securities Trading Act (WpHG).. IG also participates in the Securities Trading Companies Compensation Fund (Entschädigungseinrichtung der Wertpapierhandelsunternehmen (EdW), 10865 Berlin/Germany), which covers eligible investments up to 90% of the claim, maximum €20,000 per person, per firm. See http://www.e-d-w.de

What are the costs?

Trading a CFD on an underlying commodity incurs the following costs:

This table shows the different types of cost categories and their meaning			
Cash and Futures	**One-off entry or 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 to the base currency of your account and a currency conversion fee will be charged to your account.
		Guaranteed Stop Premium	A premium is charged if the guaranteed stop is triggered.
Cash only	**Ongoing costs**	**Daily holding cost**	A fee is charged to your account for every night that your position is held. This means the longer you hold a position, the more it costs.
Cash and Futures	**Incidental costs**	**Distributor fee**	We may from time to time, after informing you, share a proportion of our spread, commissions and other account fees with other persons including a distributor that may have introduced you.
Futures only	**Other costs**	**Rollover costs**	We charge you to rollover a futures CFD into the next month or quarter, equal to the applicable spread to open and close a trade.

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

CFDs are intended for short term trading, in some cases intraday and are generally not suitable for long term investments. There is no recommended holding period, no cancellation period and therefore no cancellation fees. You can open and close a CFD on a commodity 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 Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). See

https://www.bafin.de/DE/Verbraucher/BeschwerdenAnsprechpartner/Ansprechpartner/Schlichtungsstelle/schlichtungsstelle_artikel.html 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 BaFin.

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 Policies 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.

Our Market Information sheets contain additional information on trading a CFD on an underlying commodity. These can be found on the trading platform.