



## Key Information Document – Limited Risk CFD on an FX pair

### 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](http://www.ig.com) for more information or contact us on 0800 409 6789 or +44 207 896 0079.

This document was created/last updated on 19<sup>th</sup> November 2018.



**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 for an underlying FX pair.

FX is always traded in pairs, and trading a CFD on an FX pair involves the simultaneous buying and selling of two different currencies. An FX pair quote will show both currencies, e.g. EUR/GBP, the first currency (EUR) is known as the base currency and the second (GBP) is known as the variable currency.

FX trading gives an investor the choice to buy (or go “long”) the currency pair if they think the price of the “base” currency will rise in relation to the “variable” or “quote” currency, or alternatively to sell (or go “short”) the currency pair if they think that the price of the variable currency will rise in relation to the base currency.

For instance, if an investor is long on EUR/GBP CFD and the price of the underlying FX pair 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 spot price of the underlying FX pair 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. The leverage embedded within all CFDs has the effect of magnifying both profits and losses.

The current or “spot” price we offer to you are derived from prices sourced from major liquidity providers to the OTC FX and bullion market.

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 FX pair (whether up or down).

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 EUR/GBP priced at 0.84950/0.84960 which is equivalent of 100,000 EUR or £10/pt. **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:  $(1 \times £10 \times 45) + (2 \times £10) = £470$  margin

Calculation 2:  $1 \times £10 \times 0.8496 \times 3.33\% = £2,829.17$  margin

So your margin requirement is £2829.17 (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 3.33% of the total exposure. This means you have 33:1 leverage.

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.

The spot 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.

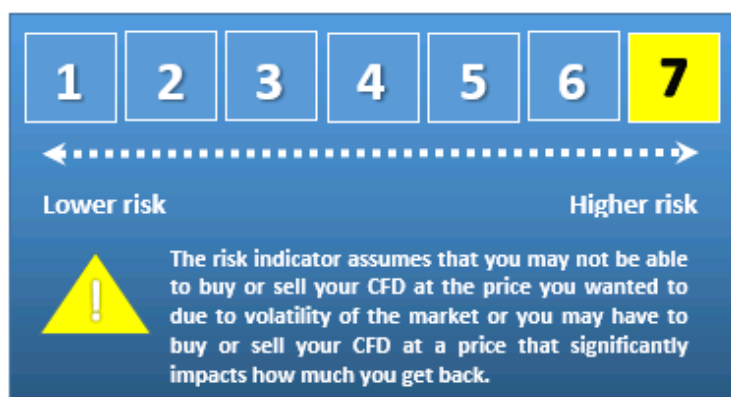
IG also retains the ability to terminate any CFD where it deems that the terms of the contract have been breached.

### Intended Retail Investor

CFDs are intended for investors who have knowledge of, or experience with, leveraged products. Likely investors will understand how the prices of CFDs are derived, the key concepts of margin and leverage, and that losses may exceed deposits in a given position. They will understand the risk/reward profile of the product compared to traditional share dealing, and desire short-term, high-risk exposure to an underlying asset. Investors will also have appropriate financial means, hold other investment types and have the ability to bear losses in excess of the initial amount invested in a given position.

### 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.** Your profit and loss for an FX pair is always determined in the variable currency so when you buy or sell CFDs on an FX pair in a variable currency different to the currency of your trading account, there will be a currency conversion. 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 trade on an FX pair is closed at less favourable price, which could significantly impact how much you get back. We may close your open CFD 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 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 "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, but are not an exact indicator. 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. 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:

FX pair CFD (held intraday)		
FX pair opening price:	P	0.84960
Trade size (per CFD):	TS	£10 per point
Margin %:	M	3.33%
Margin Requirement (£):	$MR = P \times TS \times M$	£2829.17
Notional value of the trade (£):	$TN = P \times TS$	£84,960

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	0.86230	1.5%	<b>£1270</b>	Favourable	0.83680	-1.5%	<b>£1270</b>
Moderate	0.85380	0.5%	<b>£420</b>	Moderate	0.84530	-0.5%	<b>£420</b>
Unfavourable	0.83690	-1.5%	<b>-£1270</b>	Unfavourable	0.86220	1.5%	<b>-£1270</b>
Stress	0.80710	-5.0%	<b>-£4250</b>	Stress	0.89200	5.0%	<b>-£4250</b>

\*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 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 FX pair incurs the following costs:

This table shows the different types of cost categories and their meaning		
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 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.
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.
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.

### **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 an FX pair 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](mailto: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](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 (improve or get worse). Ensure your internet signal strength is sufficient before trading.

The Legal Documents 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.

The Product Overview on our platform contains additional information on trading a CFD on an underlying FX pair.