



Key Information Document – Spread bet 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.

Spread bets are provided by IG Europe GmbH ("IG"), a company incorporated in the Federal Republic of Germany and registered in the Frankfurt am Main Trade Register under number HRB 115624. 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 spread bet is a leveraged financial derivative 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 spread bet 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 spread bet and the price of the underlying FX pair rises, the value of the spread bet will increase - at the end of the bet IG will pay the difference between the closing value of the bet and the opening value of the bet. Conversely, if an investor is long and the spot price of the underlying FX pair falls, the value of the spread bet will decrease - at the end of the bet they will pay IG the difference between the closing value of the bet and the opening value of the bet. The leverage embedded within all spread bets has the effect of magnifying both profits and losses.

The current ("spot") prices we offer to you are derived from prices sourced from major liquidity providers to the OTC FX and bullion market. The forward ("future") prices we offer to you are derived in the same way. Spread bet prices are usually quoted by scaling the underlying FX price by x10000.

Objectives

The objective of the spread bet is to allow an investor to gain leveraged exposure to the movement in the value of the underlying FX pair (whether up or down), without actually needing to buy or sell the underlying FX pair. The exposure is leveraged since the spread bet only requires a small proportion of the notional value of the bet to be put down upfront as initial margin and is one of the key features of trading spread bets.

By way of example, EUR/GBP is trading at 8495.0 / 8496.0 and an investor buys a spread bet worth £10 per point with an initial margin amount of 5% (calculated against the reverse price, the offer or sell price in this case), the initial investment will be £4,247.50 ($0.05 \times 10 \times 8495.0$), which demonstrates the effect of leverage of, in this case 20:1 (1/.05).

In this example each 1 point change (one to the left of the decimal point) in the price of the underlying FX pair so the value of the spread bet changes by £10. For instance, if the investor is long and the market increases in value, a £10 profit will be made for every 1 point increase in that market. However if the investor is short, a £10 loss will be incurred for each point the market decreases in value.

The spot spread bet does not have a pre-defined maturity date and is therefore open-ended. There is no recommended holding period and 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. The forward spread bet has a pre-defined maturity date but can be exited prior to the date.

Additional funds may need to be deposited in the case of negative price movement. Failure to do so may result in the spread bet being auto-closed.

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

Intended Retail Investor

Spread bets are intended for investors who have knowledge of, or experience with, leveraged products. Likely investors will understand how the prices of spread bets 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.

Spread bets are leveraged products that, due to underlying market movement, can generate losses rapidly. Losses can exceed the amount invested in a given position and you may be required to deposit additional funds in order to maintain your positions. There is no capital protection against market risk, credit risk or liquidity risk. It is possible to lose all of the funds on your account.

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 spread bets 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 spread bet 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 spread bet 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 spread bet. 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 spread bet (held intraday) | | |
|------------------------------------|-----------------------------|---------------------|
| FX pair opening price: | P | 8495/8496 |
| Bet size (£/pt): | TS | £10 per point |
| Margin %: | M | 5% |
| Margin Requirement (£): | $MR = P \times TS \times M$ | £4,247.50/£4,248.00 |
| Notional value of the trade (£): | $TN = P \times TS$ | £84,950/£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 | 8623 | 1.5% | £1270 | Favourable | 8368 | -1.5% | £1270 |
| Moderate | 8538 | 0.5% | £420 | Moderate | 8453 | -0.5% | £420 |
| Unfavourable | 8369 | -1.5% | -£1270 | Unfavourable | 8622 | 1.5% | -£1270 |
| Stress | 8071 | -5.0% | -£4250 | Stress | 8920 | 5.0% | -£4250 |

The figures shown below 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 retail client funds from its own money in accordance with the BaFin client money rules (§84 WpHG, §16 MiFID, §10 WpDVerOV). If IG is unable to fulfil its obligations under securities transactions with its clients the EdW may be able to compensate them up to the value of €20,000.

What are the costs?

Trading a spread bet on an underlying FX pair incurs the following costs:

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

| | | | |
|---------------------------|-------------------------------------|----------------------------|--|
| Forward & Spot | 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. |
| | 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. |
| Spot 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. |

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

Spread bets 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 spread bet 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. If our client services team is unable to resolve the matter you may refer it to our compliance department. If you are classified as a retail client, and do not feel that your complaint has been resolved satisfactorily, you are able to refer your complaint to BaFin or the Deutsche Bundesbank

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 spread bet on an underlying FX pair. These can be found on the trading platform.