



Key Information Document – Spread Bet on an Index

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.



This document was created/last updated on 16th September 2019.

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 (“SB”) is a leveraged financial derivative entered into with IG on a bilateral basis. It allows an investor to speculate on rising or falling prices in an underlying index.

An investor has the choice to buy (or go “long”) the SB to benefit from rising index prices; or to sell (or go “short”) the SB to benefit from falling index prices. The price of the SB is derived from the price of the underlying futures index price. For instance, if an investor is long a FTSE 100 SB and the price of the underlying index rises, the value of the SB 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 price of the underlying index falls the value of the SB 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 SBs has the effect of magnifying both profits and losses.

Objectives

The objective of the SB is to allow an investor to gain leveraged exposure to the movement in the value of the underlying index (whether up or down), without actually needing to buy or sell the underlying index. The exposure is leveraged since the SB 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 SBs. By way of example, if an investor buys a SB worth £2 per point with an initial margin amount of 10% and an underlying index price of 7000, the initial investment will be £1,400 (10% x 7000 x 2). The effect of leverage, in this case 10:1 (1 / 10%) has resulted in a notional value of the bet of £14,000 (7000 x 2). This means that for each 1 point change in the price of the underlying index so the value of the SB changes by £2. For instance, if the investor is long and the market increases in value, a £2 profit will be made for every 1 point increase in that market. However if the market decreases in value, a £2 loss will be incurred for each point the market decreases in value. Conversely, if an investor holds a short position, a profit is made in line with any decreases in that market, and a loss for any increases in the market.

The cash SB does not have a pre-defined maturity date and is therefore open-ended; by contrast, a future SB has a pre-define expiry date. As a result, there is no recommended holding period for either 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.

Failure to deposit additional funds in the case of negative price movement may result in the SB being auto-closed. This will occur when losses exceed the initial margin amount in a given position. In the case of futures 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

SBs are intended for investors who have knowledge of, or are experienced with, leveraged products. Likely investors will understand how the prices of SBs 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 in excess of the initial amount invested in a given position.

What are the risks and what could I get in return?

Risk indicato



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.

SBs 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 the entire balance of your account.**

Be aware of currency risk. It is possible to buy or sell SBs on an index 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 SB trade on an index is closed at a less favourable price, which could significantly impact how much you get back. We may close your open SB 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 SB. 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:

Index Spread Bet (held intraday)		
Index opening price:	P	7000
Bet size (£/pt):	TS	2
Margin %:	M	10%
Margin Requirement (£):	$MR = P \times TS \times M$	£1,400
Trade notional (£):	$TN = MR/M$	£14,000

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	7105	1.5%	£210	Favourable	6895	-1.5%	£210
Moderate	7035	0.5%	£70	Moderate	6965	-0.5%	£70
Unfavourable	6895	-1.5%	-£210	Unfavourable	7105	1.5%	-£210
Stress	6650	-5.0%	-£700	Stress	7350	5.0%	-£700

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 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 SB on an underlying index incurs the following costs:

This table shows the different types of cost categories and their meaning			
Daily Funded Bets 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.
Daily Funded Bets only	Ongoing costs	Daily holding cost	A fee is charged to your account for each night you position is held. This means the longer you hold a position, the more it costs.
Daily Funded Bets 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 roll over a futures bet into the next month or quarter, equal to half the applicable spread to open and close a trade.

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

SBs 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 SB on an index 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 you 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 or the Deutsche Bundesbank.

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 SB on an underlying index. These can be found on the trading platform.