PRODUCT DISCLOSURE STATEMENT ('PDS')

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1. GENERAL INFORMATION

Before deciding whether to trade with us in the products we offer, you should consider this product disclosure statement ("PDS") and whether dealing in contracts for differences and any other margin trading products offered by us (together referred to in this PDS as 'CFDs') is a suitable investment for you. We recommend you obtain independent financial and taxation advice concerning this PDS, the Product Details and the Customer Agreement before you apply to open an account with us.

CFDs are speculative products, the geared nature of which places a significantly greater risk on your initial investment than non-geared investment strategies such as conventional share trading. The risk factors associated with trading CFDs are set out further in section 4.

The Product Details are available on our website, or by email at your request, and contain technical information on the market details for our CFDs, the associated costs for the CFDs and any amounts that we may require you to pay or amounts that we will pay you in respect of your account with us.

2. SIGNIFICANT FEATURES OF CFDs

2.1 TYPES OF CFD

Contracts for Differences (CFDs) are an agreement between two parties which allow you to make a profit or loss by reference to fluctuations in the price of an underlying share or other instrument, without actually owning the underlying product. The amount of the profit or loss will be the difference between the price when the CFD is opened and the price when it is closed, adjusted to reflect notional dividends and interest payments, where applicable.

You do not own or have any rights to the underlying asset. Adjustments to your CFD contract may be made by reference to the underlying instrument in accordance with section 2.5 or in other circumstances we might separately notify you of.

We offer CFDs to our customers on individual shares, stock indices, stock options, currencies, futures contracts and such other CFDs as may be notified to you from time to time. Most CFDs will be traded in Swiss francs, however, some CFDs may be denominated in a 'home' currency, such as a CFD on IBM stock in US dollars.

2.2 HOW TO OPEN A CFD

A position is opened by 'buying' or 'selling' a CFD:

BUYING – If you expect an instrument (be it a share, currency, commodity, index price or other) to rise, you buy the CFD

SELLING – If you expect an instrument (be it a share, currency, commodity, index price or other) to fall, you sell the CFD

2.3 HOW TO CLOSE A CFD

To close a 'bought' or 'long' CFD you sell, and to close a 'short' or 'sold' CFD you buy. With CFDs you can go 'short' (ie sell) just as easily as you can go 'long' (ie buy). With most CFDs you can hold the position for as long as you like. This may be for less than a day, or for months.

Some CFDs have a set expiry date, upon which the position will be closed automatically. These CFDs can be closed before the expiry date, provided you do so before the last time for dealing. Last times for dealing for all products are available in the Product Details or upon request from our dealers. It is your responsibility to make yourself aware of the last time for dealing for any CFDs in which you deal. If a CFD with a set expiry date has not been closed prior to the last time for dealing, it will be closed by us once we have ascertained the closing level of the CFD. The closing level will be:

- the last traded price at or prior to the close or the applicable official closing quotation or value in the relevant underlying market as reported by the relevant exchange; minus
- any commission or spread which is applied to the CFD when it is closed.

2.4 PRICE IMPROVEMENT

When you offer to open or close a CFD with us and our quote moves to your advantage before we accept that offer, we may, at our discretion and only within certain limits, pass on such a price improvement to you. If we choose to pass on a price improvement to you, your offer to open or close the CFD in question will be altered to the more favourable price. We will not alter your offer price if this would result in a CFD at a less favourable price than your offer.

2.5 COMMISSION, FINANCING COSTS, INTEREST AND DIVIDEND ADJUSTMENTS

When you trade a share CFD with us you deal at the market bid or offer price. We will charge a commission based on the underlying transaction value, in much the same way as if you were buying shares. The Product Details contain full details of our current commission charges. There is no commission to pay on a Stock Index CFD, Foreign Exchange CFD or CFD on stock index options; we quote an 'all-in' price, so the only charge is the dealing spread. Dealing spread means the difference between our 'buy' and 'sell' quote.

Where you have an open share CFD position, your account will be debited or credited to reflect interest and dividend adjustments as if you had bought or sold the underlying instrument. The direction of interest and dividend adjustments depends on whether the share CFD is used to create a long or short position. With a long position, your account is debited to reflect interest adjustments and credited to reflect any declared cash dividends. The effect of these adjustments is to mirror the effect of buying shares in the normal way, where you would fund the position daily and receive declared cash dividends.

With a short position, your account is adjusted for interest in accordance with the formula set out in section 3.9 and debited to reflect any declared cash dividends. These adjustments mirror the effect of selling shares, where interest may accrue on the proceeds of the sale, but you would cease to receive dividends. Details of applicable interest charges are contained in section 3.9 and in the Product Details.

Adjustments will be made to Stock Index CFDs to reflect dividends paid on constituent shares of a particular index (see section 2.13).

2.6 CFDS ON INDIVIDUAL SHARES

Trading individual shares on margin using a CFD allows you to take a position in a share without putting up the full contract value.

'Buying' a share CFD replicates the economic effect of buying a share position where you receive the benefit of all rises in the share price (and bear the cost of all falls in the share price). If a cash dividend is paid on the underlying share a positive adjustment is made to your account as a notional representation of that dividend. A negative adjustment is made to your account as a notional representation of the cost of funding an equivalent share position.

2.6 CFDS ON INDIVIDUAL SHARES (CONTINUED)

Buying or selling a share CFD is similar to normal share dealing in at least two important respects:

- you deal at the 'buy' or 'sell' price of the underlying share on the stock market; and
- you pay a commission (calculated as a percentage of the value of the transaction).

Unlike normal share dealing however, instead of paying the full value of the transaction you make a payment of margin which will be a percentage of the underlying contract value. In the case of leading Swiss shares, margins start from 5% of the value of the underlying share (see section 3.1). Details of the margin percentage requirements for different types of CFD are set out in the Product Details.

Your profit or loss will be made on the difference between when you open the CFD and when you close it and the sum of any notional adjustments representing dividends and interest, less our commission.

We will not allow new CFD positions to be opened when there is a trading halt over the underlying asset or trading in the underlying asset has otherwise been suspended, in accordance with market rules. Our reference to suspended markets is therefore limited to circumstances other than these, which are commonly out of hours markets or when an exchange is not operating for technical or other related reasons.

Please refer to section 23 of the Customer Agreement for information relating to our approach to trading when underlying assets are suspended or halted, including our discretions.

2.7 EXAMPLE OF OPENING AND CLOSING A 'BUY' CFD ON AN INDIVIDUAL SHARE

OPENING THE POSITION

ABC Example AG shares are quoted at CHF 2.85/CHF 2.86 in the market, and you decide that they are going to rise. You decide to 'buy' 10,000 shares as a CFD at CHF 2.86, the offer price. While your ABC Example AG position remains open, your account will be debited to reflect interest adjustments and credited to reflect any dividends.

Please note that if the size of your deal is such that it attracts our minimum charge on opening, you might be required to also pay minimum charge for that deal on closing even if you close the deal in a bundle with other deals where the aggregate size is above our minimum size.

CLOSING THE POSITION

Some weeks later, ABC Example AG has risen to CHF 3.20/3.21 in the market and you decide to take your profit. You sell 10,000 shares at CHF 3.20, the bid price. Your profit on the trade is calculated as follows:

Closing level:	CHF 3.20
Opening level:	CHF 2.86
Difference:	CHF 0.34
Gross profit on trade:	CHF 0.34 x 10,000 = CHF 3400

INITIAL MARGIN

The initial margin required to open your position is 10% x CHF 2.86 x 10,000 = CHF 2860. Applicable margin rates are detailed in the Product Details.

INTEREST ADJUSTMENTS

Interest costs are calculated daily on your overnight positions by applying the applicable interest rate to the daily closing value of the position. The daily closing value is the number of shares multiplied by the closing price. For example, the applicable interest charge (as calculated in accordance with section 3.9) might be 3.00% and the closing price of the shares on a particular day might be CHF 2.90. The closing value of a 10,000 share position would be CHF 29,000 (ie 10,000 shares x CHF 2.90). So the interest cost for the position for this particular day would be CHF 2.42 (ie CHF 29,000 x 3.00%/360). Interest adjustments are calculated in accordance with the formula set out in section 3.9 and posted to your account on a daily basis.

COMMISSION

For share CFDs commission is payable on the opening and closing transaction value. In the above example (and using a commission rate of 0.1%) the commission payable would be: Opening 10,000 x 2.86 x 0.1% = CHF 28.60; Closing 10,000 x CHF 3.20 x 0.1% = CHF 32.00. This could be subject to local tax.

CALCULATING THE OVERALL RESULT

To calculate the overall or net profit on the CFD you also have to take account of the commission you have paid and the interest and dividend adjustments that have been credited or debited. In the above example, you might have held the position for 21 days, at a total interest cost of, say, CHF 50.82. During this time if ABC Example AG declared a cash dividend of, for example, 6 centimes per share you would receive a positive dividend adjustment of CHF 600 (10,000 x CHF 0.06) to your account.

Gross profit on trade:	CHF 3400
Total commission:	(CHF 60.60)
Interest adjustment:	(CHF 162)
Dividend adjustment:	CHF 600
Net profit on trade:	CHF 3777.40

2.8 EXAMPLE OF OPENING AND CLOSING A 'SHORT' OR 'SOLD' CFD ON AN INDIVIDUAL SHARE

CFD ON AN INDIVIDUAL SHARE

Selling a share CFD is the opposite: you replicate a short position in the underlying share where you benefit from all falls in the underlying share price (and conversely bear the cost of all rises in the underlying share price). A negative adjustment will be made to your account representing a notional dividend if any cash dividends are paid on the underlying share and a positive adjustment will be made to your account representing the interest that you could have earned if the proceeds of the underlying share sale were placed on deposit. This example shows how you can use a CFD to achieve the same economic effect as selling a share short.

OPENING THE POSITION

It is July and you think XYZ Holdings AG is about to fall. The share is quoted in the market at CHF 3.71/CHF 3.72. You sell 10,000 shares as a CFD at CHF 3.71, which is the bid price at the time. Commission using a commission rate of 0.1% would be CHF 37.10 (10,000 shares x CHF 3.71 x 0.1%). Your margin percentage requirement for this trade is CHF 3710 (10,000 x 3.71 x 10%). Your account balance of CHF 5000 comfortably exceeds this. (For a full explanation of margin percentage requirements see section 3.1).

Because you have taken a short position, in this example your account is credited to reflect interest adjustments and debited to reflect any dividends. Interest adjustments are either credited or debited to your account using the formula explained in section 3.9.

INTEREST ADJUSTMENTS

The interest credit on your position is calculated daily, by applying the applicable interest rate to the daily closing value of the position. In this example, the applicable interest charge (as calculated in accordance with section 3.9) might be 1.00% and the closing price of the shares on a particular day might be CHF 3.70, giving a closing value of CHF 37,000 (ie 10,000 shares x CHF 3.70). So the interest credit for the position for this particular day would be CHF 1.03 (ie CHF 37,000 x 1.00%/360).

DIVIDEND ADJUSTMENT

At the end of August your position is still open at the time of the XYZ Holdings AG ex-dividend date. The amount of the declared cash dividend is 10 centimes per share and this is debited from your account. The adjustment is calculated as follows: 10,000 shares x CHF 0.10 = CHF 1000.

CLOSING THE POSITION

By early September, XYZ Holdings AG has risen to CHF 3.97/3.98 in the market and you decide to cut your loss and close the position. You buy 10,000 shares at CHF 3.98, the offer price. The commission on the transaction is 0.1% or CHF 39.80 (10,000 shares x CHF 3.98 x 0.1%). Your gross loss on the trade is calculated as follows:

Closing level:	CHF 3.98
Opening level:	CHF 3.71
Difference:	CHF 0.27
Gross loss on trade:	CHF 0.27 x 10,000 = CHF 2700

CALCULATING THE OVERALL RESULT

To calculate the overall or total loss on the CFD you also have to take account of the commission you have paid and the interest and dividend adjustments. In this example, you might have held the position for 65 days, earning a total interest credit of, say, CHF 219. You have been debited a dividend adjustment of CHF 1000. The overall or total result of the trade is a loss, calculated as follows:

Gross loss on trade:	(CHF 2700)
Total commission:	(CHF 76.90)
Interest adjustment:	CHF 219
Dividend adjustment:	(CHF 1000)
Overall or total loss:	(CHF 3557.90)

You should also take into consideration the impact of any borrowing charges, as discussed in section 3.8.

2.9 LIMITED RISK PROTECTION

We offer a guaranteed Limited Risk facility, which allows you to trade certain CFDs on a wide range of shares, indices and currencies without assuming a potentially open-ended liability in the event of a violent stock-market movement. When you trade on a Limited Risk basis you specify a Stop Order level at which your position will be closed should the market move against you. We guarantee that, when our bid (in the case of sell CFDs) or offer (in the case of buy CFDs) reaches or goes beyond the level specified by you, we will close a Limited Risk CFD at exactly the agreed stop level. However, in determining whether our quote has gone beyond the agreed level, we will be entitled (but not obliged), at our discretion, to disregard any prices quoted by us during periods in the relevant underlying market that in our reasonable opinion may give rise to short-term price spikes or other distortions (eg pre and post-market auction periods).

In the event that a Guaranteed Stop on a long position is triggered as a result of a stock going ex-dividend (and any consequent price adjustment made by us pursuant to the Product Details or otherwise), where the notional dividend is credited to your account we reserve the right to deduct part or all of that notional dividend credit from your account, or, in the event that a notional dividend credit has yet to be made, to reduce the notional dividend credit made to you.

There is an extra charge for this service, which is similar in effect to an insurance premium. For share CFDs the amount starts at 0.3% of the underlying transaction value (as defined in section 3.3) and for stock index CFDs it is normally charged as additional 'spread'. Further details of the charges for Limited Risk protection are set out in the Product Details. Circumstances where the premium might vary include volatile market conditions. Limited Risk protection is not available on all CFDs and the size of the positions on which we are able to offer this facility may be limited. Details of availability and premium will be confirmed with you before you enter into a Limited Risk CFD with us.

2.10 EXAMPLE: BUYING A SHARE CFD WITH LIMITED RISK PROTECTION

OPENING THE POSITION

DEF Holdings AG is quoted at CHF 8.67/8.69 in the market, and you buy 2000 shares as a CFD at CHF 8.69, the offer price, on a Limited Risk basis. You decide to put your Guaranteed Stop Order at CHF 8.00. Should the market move against you, your position would be closed at exactly CHF 8.00, even if, for example, the share opened at a substantially lower level after an overnight profit warning. So the most you can lose on the position (excluding our commission, Limited Risk premium, interest and dividend adjustments) is CHF 1380 (CHF 8.69, the opening level, minus CHF 8.00, the Stop Order level = CHF 0.69. CHF 0.69 x 2000 shares = CHF 1380).

The commission on the transaction (0.1%) is CHF 17.38 (2000 shares x CHF 8.69 x 0.1%). The Limited Risk premium is also charged when the position is opened. In this case it is 0.3% or CHF 52.14 (2000 shares x CHF 8.69 x 0.3%).

The margin required for a Limited Risk trade of this type is equal to the maximum potential loss. In this example the margin required would therefore be CHF 1380.

TRIGGERING THE GUARANTEED STOP ORDER

The following day, DEF Holdings AG issues a trading statement that disappoints the market and the shares open sharply lower at CHF 7.25 before trading down as low as CHF 7.05. Your Guaranteed Stop Order is triggered, and your position is closed at CHF 8.00, even though the share opened well below this level. You sell 2000 shares as a CFD at CHF 8.00. The commission, using the same example rate, is 0.1% or CHF 16 (2000 shares x CHF 8.00 x 0.1%).

Your gross loss on the trade is calculated as follows:

Opening level:	CHF 8.69
Closing level:	CHF 8.00
Difference:	CHF 0.69
Gross loss on trade:	CHF 0.69 x 2000 = CHF 1380

Without the Guaranteed Stop Order, you would have been lucky in this example to close your position at CHF 7.25 (the opening market price), representing a gross loss on the trade of CHF 2880. Instead you have limited your gross loss to CHF 1380 (excluding transaction costs).

CALCULATING THE OVERALL RESULT

To calculate the overall or total loss of the CFD you also have to take account of the commission and Limited Risk premium you have paid and the interest and dividend adjustments. In this example, you might have held the position for 1 day, at a total interest cost of CHF 3.86. There are no dividends to allow for.

You total loss is calculated as follows:

Gross loss on trade:	(CHF 1380)
Total commission:	(CHF 33.38)
Limited Risk premium:	(CHF 52.14)
Interest adjustment:	(CHF 3.86)
Overall or total loss:	(CHF 1469.38)

You should view our Limited Risk facility as a form of insurance, protecting your capital against unexpected sharp price moves or even a longer term price move against your position.

2.11 NON-GUARANTEED ORDERS: STOP ORDERS, LIMIT ORDERS AND BUFFER LIMITS

We also offer various Non-Guaranteed Orders such as Stop Orders (including conventional Stop Orders and Trailing Stops), Limit Orders and Buffer Limits, each called an 'Order', that allow you to open or close a CFD when our quote for that instrument reaches or goes beyond the level of your Order.

These Non-Guaranteed Orders can apply for various periods which must be specified by you. What is known as a 'Day Order' will apply until the next close of business for the relevant underlying market or earlier. On our website you may be able to specify the period for which the Order is valid up to a maximum of 24 hours from making the Order. Alternatively you can specify that the Order is to apply for an indefinite period (a 'good till cancelled' or 'GTC' Order). Whether you place your Order by telephone, internet, mobile dealing or any other method available to you, it is however very important that you make the duration of your Order clear.

If placing your Order by telephone please note that Day Orders are treated as expiring at the close of the day's trading on the underlying market itself, so it will not include any overnight trading sessions for that underlying market.

If we accept one of these Orders, then when our bid (in case of Sells) or our offer (in case of Buys) reaches or exceeds the level of your Order your instruction will be triggered and subsequently executed. Please note that in the case of Stop Orders placed in respect of CFDs on Order Book Shares, the Order Book Share the subject of the CFD must actually trade on the underlying market at or beyond the specified level in order for your Order to be triggered.

It is your responsibility to understand how an Order operates before you place any such Order with us. Examples are set out below at 2.12 and further information can be found on our website or by asking our dealers. By placing an Order with us you acknowledge that you understand the terms and conditions attached to such Order.

You should note that your Order may be executed irrespective of the length of time for which your Order is reached or exceeded. In volatile markets our quote might 'gap' through your Order level, so that the closing level (which still limits your loss) or the opening level may be beyond the exact level specified by you.

It is important to understand that when you place an Order, you are dealing with us as principal, you are not dealing on the underlying market. While we seek to execute your Order at the level that might have been achieved had a similar order been placed on the underlying market, it may not be possible to determine what such a level might have been. We do not guarantee your Order will be executed at any such level. We will exercise our reasonable discretion to determine when Non-Guaranteed Orders are triggered and the level at which they are executed.

You can cancel or amend the level of an Order with our agreement at any time before our quote or the relevant market reaches or exceeds your current specified level. We also reserve the right to aggregate and/or to work the instructions we receive from our clients to open or to close CFDs, including Stop Orders. Working the Order may mean that your Stop Order is executed in tranches at different bid prices (in the case of an Order to Sell) or offer prices (in the case of an Order to Buy), resulting in an aggregate opening or closing level for your CFDs that may differ both from your specified level and from the price that would have been attained if the Order had been executed in a single tranche. Aggregating an Order means that we may combine your Order with the Orders of other clients of ours for execution as a single Order. We may do so if we reasonably believe that this is in the overall best interests of our clients as a whole. However, on occasions, aggregation may result in you obtaining a less favourable price once your Order is executed.

Orders are available free of charge on most CFDs.

2.12 EXAMPLES OF NON-GUARANTEED ORDERS

EXAMPLE 1: SELLING A SHARE CFD WITH A CONVENTIONAL STOP ORDER

OPENING THE POSITION

XYZ International S.A.is quoted at CHF 5.45/5.46 in the market, and you sell 5000 shares as a CFD at CHF 5.45, the bid price. You decide to put your Non-Guaranteed Stop Order at CHF 5.70. There is no cost or fee charged for placing a Non-Guaranteed Stop Order. Should the market move against you, your position would be closed at CHF 5.70, however, should the market gap straight through your Non-Guaranteed Stop Order, your position would be closed at the next available level that we consider representative, fair and reasonable. In this example, we will assume that XYZ International S.A. shares gap straight through the Stop Order level of CHF 5.70 and the position is closed at CHF 5.75, resulting in a loss of CHF 1500 (excluding our commission, interest and dividend adjustments). This loss is calculated as (CHF 5.45, the opening level, minus CHF 5.75, the Stop Order level + market slippage of CHF 0.05 = CHF 0.30. CHF 0.30 x 5000 shares = CHF 1500).

2.12 EXAMPLES OF NON-GUARANTEED ORDERS (CONTINUED)

Placing a Non-Guaranteed Stop Order on a particular position can result in a substantial reduction in the margin requirement. The margin requirement is calculated as the difference between the current level of the position, CHF 5.45, and the Stop Order level, CHF 5.70, and adding a factor for market slippage. The market slippage factor is no more than 100% of the normal margin requirement. In this example, the margin required would equal CHF 2067.50 (CHF 5.70 Stop Order level – CHF 5.45 opening level = CHF 0.25. CHF 0.25 x 5000 shares = CHF 1250 plus additional CHF 817.50 required for market slippage calculated as 10% normal margin requirement x CHF 5.45, opening level x 5000 shares x 30% slippage factor = CHF 817.50). Margin requirements for positions with Non-Guaranteed Stop Orders will not exceed the normal margin percentage requirement based on the current share.

Interest and dividend adjustments are applied to positions in exactly the same way as to standard CFD positions, as described in section 2.5.

TRIGGERING THE STOP ORDER

After you have held the position for a few weeks, XYZ International S.A. releases some positive news which results in XYZ International S.A. shares opening significantly higher. XYZ International S.A. closed the previous day at CHF 5.05, but it opens at CHF 5.80/5.81. Your Non-Guaranteed Stop Order is triggered, and your position is closed at CHF 5.81, where it would be possible to buy 5000 shares back to close the position.

Your Gross loss on the trade is calculated as follows:

Opening level:	CHF 5.45
Closing level:	CHF 5.81
Difference:	CHF 0.36
Gross loss on trade:	CHF 0.36 x 5000 = CHF 1800

To calculate the total loss on the trade, you must also include commission, interest and any dividends that might be paid during the period the position was held.

Your total loss is calculated as follows:

Gross loss on trade:	(CHF 1800)
Total commission:	(CHF 56.30)
Interest adjustment:	CHF 50
Overall or total loss:	(CHF 1806.30)

EXAMPLE 2: BUYING A SHARE CFD WITH A TRAILING STOP

Trailing Stops are a type of Stop Order that track your profitable positions automatically – and close your trade should the market move against you. Trailing Stops prevent you having to monitor and move your stops constantly.

When you open your position you specify two numbers for your Trailing Stop:

STOP DISTANCE	how far away from the opening level your Stop is placed
STEP SIZE	the size of the increments by which the Stop can move

For example, say EFG A.G. is quoted at CHF 28.20/28.24 in the market. You buy 5000 shares as a CFD at CHF 28.24, and you set a Trailing Stop with a Stop distance of 30 points and a Step size of 10 points.

The Stop initially sits at CHF 27.94, ie 30 points behind your opening price. Immediately EFG A.G. starts to rise. Very soon our sell price has risen to CHF 28.34 (10 points above your opening price) and your Stop 'steps' up by 10 points to CHF 28.04 to re-establish a 30-point distance from the new market level.

The rally continues and by late afternoon EFG S.A. is trading at CHF 28.89/28.93. Your Stop has therefore moved automatically five more times, so you are now sitting on a healthy potential profit with your Stop waiting 35 points behind at CHF 28.54.

A surprise news announcement suddenly sends EFG A.G. share prices plummeting and within minutes trading is back down at CHF 28.30/CHF 28.34. Your Trailing Stop has been triggered and your position is closed 35 points below the recent high – at CHF 28.54, still well above your opening price of CHF 28.24.

With a conventional Stop Order you would still be in the market because your Stop Order would have remained at its initial level of CHF 27.94. By contrast, a Trailing Stop follows the market in a profitable direction.

The only difference between a Trailing Stop and a conventional Stop Order is that the level of a Trailing Stop moves positively with the market whereas the level of a conventional Stop Order remains fixed. Once a Trailing Stop is triggered, it is treated in exactly the same manner as a conventional Stop Order.

EXAMPLE 3: BUYING A SHARE CFD WITH A LIMIT ORDER

A Limit Order is an instruction to deal if our price moves to a more favourable level (eg to 'buy' if our price goes down to a specified level or to 'sell' if our price goes up to a specified level).

For example, if we were quoting shares in ABC A.G. at CHF 23.46/23.54 you might give a Limit Order to 'buy' at a limit of CHF 23.30. Your Limit Order will be triggered if at any time, inside or outside market hours, our offer quote moves through the level of the Limit Order (in this case CHF 23.30). We will normally accept a Limit Order on any open position except positions on options.

EXAMPLE 4: BUYING A SHARE CFD WITH A BUFFER LIMIT

A Buffer Limit is a special type of order that will be filled to the maximum extent possible at the time it is placed, up to and including your specified price level. This is ideal for situations where you are unable to deal at your desired size due to illiquidity of the underlying market.

For instance, say you want to buy a minor Swiss share. The market price is CHF 25.50/25.75 and you try to buy 50,000 shares as a CFD at the offer price of CHF 25.75, but your deal is rejected on the grounds that the full size is not available in the market at that price.

In order to open this position you could open a Buffer Limit to buy 50,000 shares up to a limit of, say, CHF 26.25. Your order will now be filled to the maximum possible extent: for example you might be filled with 15,000 shares at CHF 25.75, 20,000 shares at CHF 26 and 15,000 shares at CHF 26.25. If a Buffer Limit is not filled right away it will remain good for the day.

Please note that when you place a Buffer Limit with us, you are allowing us to open your position at a price worse than our quoted bid/offer price at the time you place your order, and/or in a size smaller than the size of the order.

2.13 STOCK INDEX CFDS

Trading on Stock Index CFDs allows you to gain exposure to a large number of different shares in one single transaction. They can be used to take positions on the direction of a whole market without taking a view on the prospects for any particular company's shares. A short position can be used as a rough, low-cost, hedge to protect a diversified share portfolio against market falls. A Stock Index CFD works in the same way as a CFD on an individual share in that they allow you to make a profit or loss by reference to fluctuations in the value of the underlying index, such as the Swiss Market Index (SMI). There is no commission payable on opening or closing a Stock Index CFDs however in the case of Cash Stock Index CFDs both interest and dividend adjustments may be applicable. When trading Stock Index Future CFDs there is no adjustments for interest or dividends.

Stock Index CFDs are opened in the same way as individual share CFDs (see section 2.2). You will be required to pay margin. Details of how this will be calculated are set out in section 3.1. There are two basic types of Stock Index CFDs these are Cash Stock Index CFDs and Future Stock Index CFDs.

IG offers a wide range of European, US and Asian futures, several of which we quote 24 hours a day even when the underlying futures market is closed. For the main indices we offer cash and future markets.

When trading Stock Index futures, it is important to remember that the current price of the future will not normally be the same as the price of the underlying index. There are, broadly speaking, two reasons for this:

Futures contracts usually trade at prices which reflect the interest advantage, and the disadvantage of foregone dividends, which is obtained by taking a long position in a futures contract rather than buying actual shares for cash. Interest rates are generally higher than dividend yields, so the future will usually have a natural premium, called a fair value premium, to the underlying index. Futures prices can respond to news or a change of sentiment more quickly than indices, which are not fully up to date until every individual share which they contain has traded. In a volatile market, futures contracts can trade at very substantial premiums or discounts to their underlying index. IG's quotes for Cash Stock Index CFD's take account of these phenomena.

EXPIRIES AND ROLL OVERS

All Stock Index future CFDs expire at the appropriate market level and date as detailed in the specific Product Details at market level adjusted for IG spread. Switzerland Blue Chip Futures for example expire at 22.00 CET on the appropriate expiration calculation date plus or minus IG spread. (Please check Product Details for appropriate expiry details).

Clients can ask for their trade to be rolled over to a later date provided the request is made prior to the last rollover time for that trade. (Again as specified in the Product Details).

When rolling over clients pay half IG spread to close and are given 40% spread concession on the opening leg of the rollover trade. Limited Risk clients pay the Limited Risk Premium in addition to normal spread on the opening leg of the roll over trade. For example, the June SMI expires on the 21st June. So on the evening of the 20th after the market closes at 22:00 CET, we would roll positions to September (the next quarter) basis the 20th June settlements.

Assuming the following settlements:

June	8000
September	8050

The normal IG spread is 3 points with a 3 point Limited Risk (Note: Spread and CR Premium may be subject to change).

A client with a short position would buy to close their June position at 8001.5 and sell Sep at 8049.1 (1.5 points to close, 0.9 points to open).

A client with a long Limited Risk position would sell to close their June position at 8998.5 and buy to open a Sep position at 8053.9 (1.5 points to close, 3.9 to open).

2.13 STOCK INDEX CFDS (CONTINUED)

EXAMPLE OF A CASH STOCK INDEX CFDS DIVIDEND ADJUSTMENT

As explained earlier, Futures contracts trade at prices which reflect the dividends companies are due to pay. When dividends are paid, these need to be adjusted for in the price of our cash Index CFDs contracts.

The SMI can pay dividends on any day of the week we will reflect this in our price at 16:00 CET the night before the ex dividend date.

For example, Nestle announces a dividend of 35 centimes per share and is the only company in the SMI that day to pay a dividend. Nestle's share price closes on the night before the ex-date at CHF 35.00. All things being equal a company's share price will fall by the price of the dividend being paid so when the share's trade ex-dividend, they should open up 35 centimes lower at CHF 34.65 on the morning of the ex-date.

If Nestle constitutes 10% of the SMI and the SMI is trading at 8000 then Nestle represents 800 points of the value of the SMI. With Nestle priced at CHF 35.00, a 1 point movement in its own share price equates to 0.22 SMI points. Therefore, a 35 centime movement in Nestle's share price should equate to an 8 point movement in the SMI.

At 17:30 on the night before the ex-date, we would adjust our fair value and take 8 points off the price of our cash SMI. IG would then charge or credit clients the dividend amount depending on their respective holdings at 17:30 on the night before the applicable shares ex-date. For further details see section 3.10.

INTEREST

Interest adjustments on Cash Stock Index CFD's are calculated and charged on a daily basis at an annual rate of interest for specifics on this calculation see section 3.9.

2.14 CFDs ON OPTIONS

We also offer a range of CFDs on the price of traded options on various products including leading stock indices, equities and forex. Details of these markets and products are listed in the Product Details. There is no commission to pay on CFDs on index options, currency options and commodity options; we quote an 'all-in' price, so the only charge is the dealing spread – the difference between our 'buy' and 'sell' quotes. For share options you pay a commission and this is set out in the Product Details. The margin requirements are also set out in the Product Details.

As an example, we offer stock index option CFDs on two types of traded options, puts and calls. A traded put option is the right to sell a market (the underlying market) at a fixed level, on or before a particular date. For example, a September 4500 FTSE 100 Index put is the right to sell the FTSE 100 Index at a level of 4500 on or before a specified date in September. A traded call option is the right to buy a particular market at a fixed level on or before a fixed date. For example, a December S&P 500 Index 1200 call option is the right to buy the December S&P 500 Index at 1200 on or before a specified date in December.

With traded options, the holder (or 'buyer') of the put or call has the right but not the obligation to exercise the option – they need only do so if it suits them. The writer (or 'seller') of the put or call has the obligation, if the option is exercised, to buy or to sell at the specified price (the 'strike price').

Profits or losses on option CFDs are made by reference to the movement of an option price. You are not buying or selling the option itself. It cannot be exercised by or against you and it cannot result in the acquisition or disposal of the underlying security, index or its constituents. You are able to close an option CFD at any time before expiry but at expiry, the difference between the closing price level and the price level at which you opened your CFD will determine your profits or losses. Customers should note that the options prices quoted are calculated by us using the Black Scholes formula. This is available on request from us or is printed in most standard options texts.

Your risk in dealing on 'long' options positions is limited because the maximum loss you can sustain is the cost of the option premium (it can only fall to zero). An option 'seller' sells an option believing that the underlying market will not move above or below the relevant strike price. If he is right, the option will expire worthless and he will receive the total price of the option. It is very important to note that the seller of an option faces an open ended risk, as there is no upper limit on the price of an option, and there is no limit to the level at which the 'seller' may be obliged to 'buy' the option to close out a losing position.

As the risks associated with buying and selling options are different from other CFDs we offer, margin requirements are calculated differently. The margin you will be required to pay for placing a 'buy' CFD on an option is the price at which you 'buy' the option multiplied by the deal size. This is the total amount that you can lose on your CFD. The margin requirement for 'selling' an option is variable. If the option has intrinsic value it is said to be 'in the money' and its value moves one-for-one with the underlying market; therefore, at worst, an option seller can be charged margin equal to what he would have paid had he taken a position in the underlying market. The margin percentage is never less than half the margin percentage for the underlying future, because there is always the possibility that the option may come into the money. So the margin percentage lies between a half and one times the equivalent for the underlying future, and is often equal to the price of the option sold.

2.15 FOREIGN EXCHANGE ('FOREX') CFDs

Forex CFDs allow you to gain exposure to movements in currency rates. Forex CFDs are opened in the same way as other CFDs. We will quote a bid and offer price for an exchange rate. For example we might quote the CHF against the US$ as 0.9548/0.9550. If you thought the CHF was going to rise against the US$ you would 'buy' the CFD at 0.9550. If you thought the CHF was going to fall against the US$ you would 'sell' the CFD at 0.9548. You can close your position in the same way. If the CFD is a buy, the closing level will be the lower figure quoted by us, if the CFD is a sell it will be the higher figure.

While holding a position overnight, your account is debited or credited using the applicable overnight Tom-Next rate (see section 3.9). Details of currency trading sizes and margin requirements are set out in the Product Details.

LIMITED RISK PROTECTION

As with the other CFDs that we offer, you can also take Limited Risk protection on your Forex CFDs to limit your losses at the level you select. The Limited Risk protection premiums payable on Forex CFDs may be found in the Product Details.

2.16 EXAMPLES OF FOREX CFDs

EXAMPLE 1: BUYING $US/YEN

OPENING THE POSITION

You decide to go long of the US dollar against the yen, and ask for a quote for 5 contracts, the equivalent of US$500,000 (contract sizes are set out in the Product Details). We quote you 118.00/118.03 and you buy 5 contracts at 118.03. There is no commission to pay on Forex CFD trades.

INTEREST ADJUSTMENTS

While the position remains open, an overnight adjustment is debited or credited to your account using the applicable Tom-Next rate.

In this example, the credit for one day might be ¥5025 (see section 3.9 for a detailed example of overnight Tom-Next).

CLOSING THE POSITION

Three weeks later, US$/yen has risen to 121.41/121.44, and you take your profit by selling 5 contracts at 121.41. Your gross profit on the trade is calculated as follows:

Closing transaction:	US$500,000 (5 contracts) x 121.41 = ¥60,705,000
Opening transaction:	US$500,000 (5 contracts) x 118.03 = ¥59,015,000
Gross profit on trade:	= ¥1,690,000

CALCULATING THE OVERALL RESULT

To calculate the overall or net profit, you also have to take account of the interest credit. In this example, you might have held the position for 20 days, earning a total interest credit of ¥98,500:

Gross profit on trade:	¥1,690,000
Interest credit:	¥98,500
Net profit:	¥1,788,500 = US$14,731 equivalent

You can choose which currency you wish to hold your account balance in. Conversions will be at a rate no less favourable to you than 0.5% below or above (as the case may be) the interbank spot exchange rate at the time of conversion. Exchange rates are subject to fluctuations and clients should always be aware of the effect that exchange rates will have on their positions.

EXAMPLE 2: SELLING US$/CHF WITH LIMITED RISK PROTECTION

OPENING THE POSITION

You decide to go short of the US dollar against Swiss francs, and ask for a quote for 2 contracts, the equivalent of US$200,000. We quote you 0.9556/0.9558 and you sell 2 contracts on a Limited Risk basis. The Limited Risk premium of 3 points is subtracted when the position is opened. This means the position is opened at 0.9553, the bid price minus 3 points.

You decide to put your Guaranteed Stop Order at 0.9650. This means that, should the market move against you, your position will be closed at exactly 0.9650, even if, for example, the market 'gaps' from 0.9540 to 0.9700 on unexpected news. So the most you can lose on the position is:

Stop Order level:	US$200,000 (2 contracts) x 0.9650 = CHF 193,000
Opening level:	US$200,000 (2 contracts) x 0.9553 = CHF 191,060
Maximum possible loss (ignoring interest adjustment which will increase your loss):	= CHF 1940

INTEREST ADJUSTMENTS

Interest adjustments are applied to Limited Risk positions in exactly the same way as to standard Forex CFD positions.

2.16 EXAMPLES OF FOREX CFDs (CONTINUED)

CLOSING THE POSITION

A week later, our quote for US$/CHF has risen to 0.9614/0.9616. You think the US dollar may now go higher and close your position by buying two contracts at 0.9616, the offer price. Your loss on the trade is calculated as follows:

Closing transaction:	US$200,000 (2 contracts) x 0.9616 = CHF 192,320
Opening transaction:	US$200,000 (2 contracts) x 0.9553 = CHF 191,060
Gross loss on trade:	= CHF 1260

CALCULATING THE TOTAL LOSS

To calculate the total loss, you also have to take account of the interest debit. In this example, you might have held the position for 7 days, incurring a total interest debit of CHF 40.60.

Gross loss on trade:	CHF 1260
Interest debit:	CHF 40.60
Total loss:	CHF 1300.60 = USD1352.54

2.17 COMMODITIES AND MONEY MARKET CFDS

We also offer a range of CFDs on the price of various commodity, interest rate and bond futures. These are often generically referred to by us as Future CFDs. Details of these products are listed in the Product Details. There is no commission to pay on these types of CFDs; we quote an 'all-in' price, so the only charge is the dealing spread – the difference between our 'buy' and 'sell' quotes. The margin requirements are set out in the Product Details. These types of CFDs have set expiry dates, upon or after which the position will be closed automatically, as described in section 2.3.

2.18 EXAMPLE: BUYING THE T-BOND (DECIMALISED)

OPENING THE POSITION

You believe long-term interest rates in the US will fall and therefore the price of Treasury Bonds will rise. You check the real-time price for our June Decimalised T-Bond online; the price is showing 10917/10925 and you decide to buy three contracts at 10925.

The Decimalised T-Bond is quoted in hundredths of a full Treasury Bond point (in the underlying market, T-Bonds are quoting in fractions of 1/32 of a full point). So 10925 is equivalent to 109-08 in the underlying, as 109-08 means 109 and 8/32, or 109 and 0.25 of a point. One contract is the equivalent of USD 10 per hundredth of a full point.

CLOSING THE POSITION

As you predicted, interest rates do fall and the price of Bonds rises accordingly. You check our current quote, and we are quoting the price 11000/11008. You close your position by selling three contracts at 11000. Had you left your position open up until the expiry date, the position would have closed at the closing price on that date, minus the closing spread.

Calculating the overall result:

Closing level:	11000
Opening level:	(10925)
Difference:	75

So the net profit on this trade would be 75 points x 3 contracts x USD 10 per point = USD 2250.

2.19 BINARY OPTIONS

A Binary Option is a special type of CFD with an 'all or nothing' payment profile. Binary Options allow you to trade on discrete financial events, such as the closing level of a stock index on a particular day. All Binary Options have only two possible results. For example, the Binary Option for the Wall Street Index to finish up on the day: Wall Street will either finish up or it will not. If you thought it was going to finish up, you would 'buy' our Binary Option on Wall Street. If you thought it was going to finish down, then you would 'sell' the Binary Option.

For a Binary Option, there are just two possible settlement prices.
Using the above example:

- if Wall Street closes up, then the Binary Option settles at 100;
- if Wall Street closes down (even if it is only a fraction of one point down), then the Binary Option settles at 0.

You can go long or short of any price that we quote. Binary Option prices are extremely sensitive to market fluctuations, particularly in the period immediately before expiry; however your level of risk is always certain. The deposit requirement for all Binary Options is an amount equal to your maximum loss on that Binary Option or, if you make a series of trades, your maximum possible loss on all of those trades.

We quote continuous two-way prices for every Binary Option, so you can take a profit on an open position or cut a loss at any time.

We offer two basic types of Binary Option, with different types of trigger condition:

1. Binary Options where the trigger condition is either a price barrier (eg DAX 30 Index to close up on the day) or a price range (eg FTSE 100 Index to close between down-20 points and down-30 points on the day).
2. American-style OneTouch Binary Options where the trigger condition is that a price level is reached or exceeded before expiry. If the trigger condition is achieved, this type of Binary Option settles immediately at 100.

BASIS OF QUOTATION

A range of possible Binary Options may be offered on the daily move/official settlement of each market. The price quotation for each Binary Option is expressed in points. If the outcome described by the Binary Option occurs, that Binary Option will settle at 100. If it does not occur, the Binary Option will settle at zero (see Product Details for settlement rules).

Spot Forex Binary Options are offered on various currency pairs. Quotations are based on the achievement of specified price levels in the spot rate concerned at 21.00 CET (see Product Details for settlement rules).

Our spread will vary according to the level of the price quotation and the time to expiry. Further details can be found in the Product Details.

BINARY OPTION SETTLEMENT

If the event described occurs the Binary Option will settle with a value of 100. Trades on all other Binary Options will settle at zero. For the purpose of settling Binary Options, the SMI or Wall Street price in question will be rounded to two decimal places, and the CHF/$US spot rate will be rounded to the nearest pip. If a market settles exactly on a Binary barrier after such rounding, that market will be taken to have settled above the barrier for the purposes of trade settlement. For instance, if the FTSE 100 Index closes exactly 20 points down, the FTSE Binary -10/-20 will settle at 100 and the FTSE Binary -20/-30 will settle at 0.

Further details on the types of Binary Options, the basis of our quotations, charges and any other rules are set out in the Product Details. There is no commission on Binary Options; the only charge is the dealing spread.

2.20 EXAMPLES OF HOW BINARY OPTIONS WORK

EXAMPLE 1: BUYING A WALL STREET 0/+20 BINARY OPTION

It is half an hour before the close of Wall Street, and the index is standing 15.5 points below the previous day's official settlement price. You think the market will rally before the close and end up on the day.

We quote a range of Binary Options on the daily settlement price of Wall Street. Our price for the market to finish between unchanged and up 20 points (0/+20) is 6.8 – 9.5.

You decide to buy 5 contracts at 9.5, the offer price. Each contract is worth CHF 10 per point. So you are risking 9.5 x 5 contracts x CHF 10 = CHF 475. You also know that, should the underlying market indeed finish up on the day, your position will be worth 100 x 5 contracts x CHF 10 = CHF 5000. This represents a potential return of over 1000%, decided in the next thirty minutes.

Ten minutes later, Wall Street has rallied and is up 2.5 points on the day. Our quote for the 0/+20 Binary Option is now 53.2 – 56.2. You decide to take your profit rather than risk waiting for the settlement price. You close the position at our bid price of 53.2.

Closing level:	53.2
Opening level:	9.5
Difference:	43.7
Net Profit on trade:	43.7 x 5 x CHF 10 = CHF 2185

EXAMPLE 2: SELLING A E/$ UP BINARY OPTION

The euro against the US dollar is standing 20 points below the previous day's settlement price (a spot rate derived from the price of EUR/USD at 21.00 CET). You think the market is not likely to recover by the next settlement.

Our price for the euro/dollar to finish up is 38 – 41.5.

You decide to sell 10 contracts at 38, the bid price. Each contract is worth CHF 10 per point. The worst outcome for you would be for the euro/dollar to finish up and therefore for the Binary Option to expire at 100. So you are risking (100 – 38) x 10 contracts x CHF 10 = CHF 6200. Should the underlying market not finish up on the day, however, the option would be worthless, meaning that you would make 38 x 10 contracts x CHF 10 = CHF 3800.

Several hours later, the exchange rate has recovered slightly but is still 10 points down on the day. Our quote for the EUR/USD Up Binary Option is now 11.8 – 15.3. You could take your profit here, but decide to hold on to the expiry.

2.20 EXAMPLES OF HOW BINARY OPTIONS WORK (CONTINUED)

At 21.00 CET, the EUR/USD finishes just 4 points lower than the previous day's settlement price. It is close, but the EUR/USD has finished down and therefore the EUR/USD Up Binary Option expires at 0.

Opening level:	38.0
Closing level:	0.0
Difference:	38.0
Net Profit on trade:	38.0 x CHF 100 = CHF 3800

2.21 IMPORTANT INFORMATION ABOUT THE EXAMPLES IN THIS SECTION

The examples in this section of the PDS are solely intended to illustrate how our products operate. They are not intended to give any representation about the performance of particular shares or other underlying products. Nor are they intended to give any representation about the volatility of particular shares or the Swiss market in general.

The companies used in the examples are completely fictional. The data used in the examples has been gathered in the 12 months prior to the publication of this PDS.

3. PRODUCT COSTS AND OTHER CONSIDERATIONS

3.1 MARGIN

Upon opening a CFD, you will be immediately required to lodge margin with us, which will either be a set value or a percentage of the value of the underlying transaction. The initial margin requirement must be placed on your account before a position is opened. For example, you buy a CFD of 10,000 HIJ AG shares priced CHF 2.50. For this deal, you are required to pay margin of 10% to us. The initial margin payment you make is therefore CHF 2500 (10,000 x CHF 2.50 x 10%).

INITIAL MARGIN REQUIREMENTS

For share, forex and some commodity CFDs the initial margin requirement is calculated as a percentage of the value of the opening CFD. Margin percentages for particular shares vary according to volatility and market conditions, and are normally between 5% and 75%. All other CFDs require a fixed amount per contract and these are available in the Product Details. The margin requirement for a Limited Risk CFD is equal to the amount which would be lost if the Stop Order were triggered.

The margin requirement for buying an option CFD is the opening price (or premium) multiplied by the contract value (per index point). This is the maximum possible loss on the position. The margin requirement for selling an option contract is variable and will be quoted to you on request immediately prior to opening the CFD. In general, it will be related to the opening level of the transaction, but will never be less than half the margin requirement for the underlying contract or greater than the full margin or deposit that would be required for the underlying contract.

MARGIN USING NON-GUARANTEED STOPS

Attaching a stop loss to a position can result in a substantial reduction to the deposit requirement. Sometimes it may not be possible for the stop order to be transacted at the price you have selected and you may incur 'slippage'. This can happen overnight or when the market moves very quickly. For this reason a slippage factor is added to the required deposit.

For a position with an attached Non-Guaranteed Stop Order, the deposit requirement is calculated using the distance between the opening level of the position and the stop level and adding a factor for 'slippage'. The 'slippage factor' is a percentage of the underlying margin requirement (see Product Details). The deposit requirement for positions with non-guaranteed stops will not exceed the deposit required for positions without a stop-loss.

FURTHER MARGIN PAYMENTS

For as long as a CFD is open, you are required to keep sufficient money on your account to meet the margin value requirement. Where margin is a floating amount rather than a fixed amount, we will dynamically recalculate the amount of margin that you are required to pay. For example, if one week after you open your HIJ AG CFD, the price of HIJ AG has risen to CHF 2.60, then you will be required to maintain a margin amount of CHF 2600, ie an extra CHF 100. Equally, if the price of HIJ AG drops, so does the amount of margin you are required to maintain.

We will specify the margin value required on your CFD at the time that you open the CFD. However, we reserve the right to alter that value at any time during which the CFD remains open. In extreme conditions or situations value or per-contract margin requirements higher than those shown in the Product Details may apply. This happened in the market crash of October 2008. It could also occur if, for example, the company to which a share CFD relates goes into receivership or insolvency. If any such event should occur, and we increase the required margin levels as a result, we will take steps to notify you if you already have an open CFD, or, if you wish to open a new CFD. We will notify you if we change the margin value on an open CFD, and the further amount of money required from you to keep the CFD open.

MAKING MARGIN PAYMENTS

It is your responsibility to constantly monitor your open positions to ensure that you retain the correct margin value on open positions. To assess whether you are due to pay margin, you must add up the margin requirements for all open positions on your account. If the cash on your account and the value of your open positions is less than the margin requirement on your account, you will be required to fund the shortfall. The amount for which you will be liable to pay will be sufficient to ensure that you have completely covered the margin requirement for all open positions on your account. Your current margin position (and any deficit) will be displayed on your secure section of our internet dealing site, or can be obtained from our dealers by telephone.

We may call you to inform you that you are liable to make an additional margin payment (a 'margin call'), however our failure to make a margin call in no way negates your obligation to monitor your margin position and pay any shortfall. If you do not pay us any shortfall immediately, the Customer Agreement gives us significant rights against you that you should be fully aware of. These rights include, but are not limited to, closing your open positions without prior notice to you. We have these rights as soon as you have a margin shortfall – however large or small.

Payments of margin are not a cost, per se, but you should be aware that we will not pay interest on margin payments.

Margin payments are required in the form of cleared funds in our bank account. We may agree to accept other assets as collateral in fulfilment of your margin requirements but, if we agree to do this, the holding of these assets will be subject to a further written agreement between you and us. This agreement will set out how your assets will be held by us and the circumstances in which they may be realised.

MARGIN CALL PRACTICES AND OUR DISCRETIONS

Client accounts are monitored by an automated close out process which highlights accounts entering into a margin call. The close out process is designed with the objective to minimise client losses and allows us to be proactive, identify accounts that breach the deposit ratio level and endeavour to take action (as deemed appropriate by us) before the market moves further against open trades. In all events, the close out process does not guarantee to prevent an account from running into negative equity. Trading leveraged products carries a risk of incurring losses in excess of the deposited funds.

In normal circumstances we endeavour to notify you of margin call by automated email which is generated and sent to your registered email address as soon as your account enters into margin call. This email serves as a notice that your account has breached the minimum required level of funds and any open trades are at risk of being closed out. You are responsible for monitoring your own account and ensuring adequate funds are maintained at all times. We have no obligation to provide notification and this service is provided to you on a best endeavours basis.

We do not provide notification when an account is approaching a margin call and you are responsible for monitoring your account at all times.

Any open positions on your account are deemed to be at risk of being closed out as soon as the account enters into a margin call.

Automated close out and/or the dealing desk follow a best endeavours First In First Out (FIFO) policy for closing trades. The FIFO method is date and time based, where we close out positions starting with the oldest first. The only exception applies to accounts with multiple positions that are held with and without stop orders, and here the following order for close out is applied:

- Position with no stops
- Positions with Non-Guaranteed Stops
- Positions with Guaranteed Stops (each part following FIFO protocol)
- Positions with no live price (at the time)/illiquid/suspended stocks. Positions with live prices would be closed before positions that cannot be traded out of in these circumstances

TRANSACTION VALUE

All CFDs have an underlying transaction value and some deposits and margins are based on this. By way of example, a 'buy' CFD on 10,000 HIJ AG shares at CHF 2.85 has a transaction value of CHF 28,500 (CHF 2.85 x 10,000). If the relevant deposit rate is 10% the required deposit would equal CHF 2850.

A stock index CFD worth CHF 25 per point and opened at our quote of 3000 would have a value of CHF 75,000 (3000 x 25). The margin requirements for Stock Index CFDs may be found in the Product Details.

3.2 COMMISSION ON INDIVIDUAL SHARE CFDS

Commission charges for Share CFDs are calculated as a percentage of the transaction value and/or as an amount per equivalent security or securities in the underlying market. Commissions are charged either on a percentage basis or on a cents per share basis and are subject to a minimum charge. You may be informed of the commission rates and financing rates which apply when you open your account, and from time to time at our discretion. In the absence of such information from us, commission on individual shares will be charged according to the standard schedule as outlined in the Product Details. Further details of commission rates are set out in the Product Details.

3.3 LIMITED RISK PREMIUMS

Limited Risk CFDs are available on certain CFDs at our discretion. Limited Risk CFDs carry a Limited Risk premium, which is paid on the opening of the position. The Limited Risk premium is calculated as a percentage of the underlying transaction value, and may vary according to the volatility of the stock. Further details are set out in the Product Details.

3.4 COMMISSION ON STOCK INDEX CFDS, STOCK INDEX OPTION CFDS, FOREX CFDS

No commission is payable on these CFDs. The only charge you pay is our dealing spread. Dealing spread is the difference between our quotes (the level at which you open a 'buy' or 'sell' a CFD). Dealing spreads vary according to the market concerned and are subject to variation, especially in volatile market conditions, and we may change our dealing spreads at any time. Wider spreads for stock indices apply when they are quoted outside normal market hours. The maximum spreads and further details are provided in the Product Details. Because dealing spreads depend upon activity in an underlying market the dealing spread when you close a CFD may be different to the dealing spread when you opened it.

In extreme conditions we will, where possible, continue to quote prices even where the underlying markets are suspended. In these unusual circumstances, spreads may be quoted which are significantly wider than those shown in the Product Details.

3.5 BALANCE ON YOUR ACCOUNT

The balance on your account will fluctuate according to the money you have deposited in your account, the trading conducted on your account and positions held. During the day your account balance(s), including all open positions, are valued against our current quote. Therefore your balance is constantly calculated in line with market movements. The balance is calculated at the end of the day using our current price to close your open CFDs. This balance is used to assess your available funds for use as margin requirement against current positions and to meet margin requirements on any new positions you may wish to take. The balance is used to establish if there is a requirement for additional margin. It is your responsibility to ensure that your account is sufficiently funded at all times, especially during volatile periods. If the balance on your account falls below the required deposit limit, you will only be allowed to close or reduce open positions, until the balance on your account is back in excess of the required margin percentage for all open positions.

If any of your positions are denominated in a currency other than the base currency of your account, they will be continually valued at the applicable interbank mid- market spot exchange rate (this may be found on information services such as Bloomberg or Reuters). Your statement will then value all your positions in your chosen base currency, which may be Swiss Francs, US dollars, euro or sterling (see also section 4.4).

3.6 PROFITS/LOSSES ON YOUR ACCOUNT

Profits made on your trading activities increase the balance on your account. Any surplus funds may be withdrawn from your account, on request. Losses made on your trading activities decrease the balance on your account, and therefore the margin available for opening new positions or keeping existing positions open.

3.7 PAYMENTS TO THIRD PARTIES

An amount, which may be calculated by reference to the commission or spread on CFDs opened by you, may be paid to third parties. Any such amount will be paid by us and not by you. We will provide you with details of such payments on written request.

Unless agreed in writing we do not pay interest to clients on money held by us in a separate account or on money paid to us as margin. This may be regarded as a cost, as you will have lost the opportunity to obtain interest (or some other return) on that money elsewhere.

3.8 COST OF BORROWING – 'SELLING' SHARE CFDs

Where you are short a share CFD position, you may incur a 'borrowing charge'. You will only incur a borrowing charge if we too incur such a charge when we open a hedging trade in respect of the same share in the underlying market; and we will pass the charge onto you with no mark up. To determine whether a charge applies, you should call our dealers in advance of trading. The borrowing charge (if applicable) will be calculated and posted to your account daily. The borrowing charge, and the ability to go short, can be changed at short notice.

3.9 INTEREST AND DIVIDEND ADJUSTMENTS

For CFDs on shares, stock indices, and forex, adjustments to reflect the effect of interest are calculated and posted to your account daily:

For Australian dollar denominated positions excluding forex and spot metals – a posting will take place for positions held at 4.50pm Sydney time.

For all other denominated positions excluding forex – a posting will take place for positions held at 23.00 CET.

For CFDs on forex and spot metals – adjustments to reflect the effects of interest are calculated and posted based on positions held at 23.00 CET.

The exception to this is a weekend posting which takes place as follows:

For Australian dollar denominated positions excluding forex – a posting will take place for a three day weekend interest adjustment based on positions held on Friday at 4.50pm Sydney time.

For all other denominated positions excluding forex – a posting will take place for a three day weekend interest adjustment based on positions held on Friday at 23.00 CET.

For CFDs on forex – a three day weekend interest adjustment is posted based on positions held on Wednesday at 23.00 CET.

Interest adjustments for shares are calculated according to the formula D = n x C x i/360.

Interest adjustments for stock indices are calculated according to the formula D = n x L x C x i/360.

Interest adjustments for Forex CFDs, which reflect the relative interest rates of the currencies concerned, are calculated according to the formula D = V x R; in each case where:

D = daily interest adjustment
n = number of shares or lots
C = current share or index price
L = lot size
i = applicable interest rate
V = the current value of the position in the second currency (equal to number of contracts x contract size x spot exchange rate)
R = Tom Next pips required to borrow overnight the currency that is being notionally sold less any interest earned from depositing overnight the currency that is being notionally bought (including an administrative charge not exceeding 0.3% per annum)

The formulas use a 360-day divisor for European, Australian and US shares and indices, and a 365 divisor for UK, Singapore and South African shares and indices. Interest in respect of long positions is debited from your account and interest in respect of short positions may be debited or credited from your account. The applicable interest rate is dependent on the currency in which you are dealing.

In the case of Forex CFDs, interest in respect of long or short positions may be debited or credited from your account depending on the overnight Tom-Next.

A dividend adjustment is applied when a share (or a component share in the case of stock indices) passes its ex-dividend date (including the ex-date of any special dividend) in the underlying market. In the case of long positions, the dividend adjustment is credited to your account, in the case of short positions it is debited from your account. The dividend adjustment for shares (Swiss or otherwise) varies depending on local tax arrangements which may vary from time to time.

An adjustment will also be made to your account to reflect the effect of a bonus share issue, scrip or rights issue affecting the underlying share if you have an open CFD position.

The maximum interest rate that may be levied under this PDS is the relevant interbank or central bank cash rate target +4% (for long positions) or -4% (for short positions). The relevant interbank or central bank cash rates used are available on request.

For CFDs on shares, adjustments to reflect the effect of interest and dividends are calculated and posted to your account daily. The exception to this is a weekend posting which takes place as follows:

For Swiss denominated positions excluding forex – a posting will take place at 5.30pm CET on Friday for a three day weekend adjustment.

For all other denominated positions excluding forex – a posting will take place at 10.00pm GMT on Friday for a three day weekend adjustment.

3.9 INTEREST AND DIVIDEND ADJUSTMENTS (CONTINUED)

For CFDs on forex, adjustments to reflect the effect of interest are calculated and posted to your account daily, with the exception of the three day weekend adjustment which is calculated and posted on Wednesday at 10.00pm GMT.

Interest adjustments on shares are calculated according to the formula D = n x C x i/360. Interest adjustments for stock indices and stock index options are calculated according to the formula D = n x L x C x i/360. Interest adjustments for Forex CFDs, which reflect the relative interest rates of the currencies concerned, are calculated according to the formula D = V x R/360; in each case where:

D = daily interest adjustment

n = number of shares or lots

C = current share or index price

L = lot size

i = applicable interest rate

V = the current value of the position in the second currency (equal to number of contracts x contract size x spot exchange rate)

R = a percentage rate which reflects the overnight interest differential between the two currencies, in each case the individual interest rates used to calculate R will be a maximum of one percentage point above or below (at our discretion) the local interbank offered rate for the currency concerned

The formulas use a 360-day divisor for European, Australian and US shares and indices, and a 365 divisor for UK, Singapore and South African shares and indices.

A dividend adjustment is applied when a share (or a component share in the case of stock indices) passes its ex-dividend date (including the ex-date of any special dividend) in the underlying market. In the case of long positions, the dividend adjustment is credited to your account, in the case of short positions it is debited from your account. The dividend adjustment for shares (Swiss or otherwise) varies depending on local tax arrangements which may vary from time to time. An adjustment will also be made to your account to reflect the effect of a bonus share issue, scrip or rights issue affecting the underlying share if you have an open CFD position.

The maximum interest rate that may be levied under this PDS is the relevant interbank or central bank cash rate target +4% (for long positions) or -4% (for short positions). The relevant interbank or central bank cash rates used are listed in the Product Details on our website or are available on request.

EXAMPLE EUR/USD IS 13960 AND TOM/NEXT RATE IS –0.2/–0.05 EUR LIBOR IS 0.85% AND USD LIBOR IS 0.31%			
You take a short position on one lot ($10 per point) of EUR/USD		**You take a long position on one lot ($10 per point) of EUR/USD**	
Tom/Next bid rate:	-0.2	Tom/Next offer rate:	-0.05
Deal size:	x -CHF 10	Deal size:	x CHF 10
Total:	CHF 2.00	Total:*	-CHF 0.50
TOTAL CHARGE: CHF2.00		**TOTAL CREDIT: CHF 0.50**	

*A negative charge is equivalent to a credit. Please also note that a positive Tom/Next offer rate on a long position would result in a charge, and a positive Tom/Next bid rate on a short position would result in a credit.

3.10 EXCHANGE FEES

With us, you trade CFDs on individual shares at market prices. To enable this, our dealing interface features share feed prices direct from the relevant stock exchange.

The prices we publish for equity CFDs on shares are supplied to our trading platform from the relevant exchange. Charges are incurred whenever we distribute data in this manner.

For clients who subscribe, the applicable exchange fees may be charged to your account in accordance with the terms set out in the Product Details published on our website. We reserve the right to remove your access to exchange prices if you do not have sufficient funds in your account to cover the data fees, and/or that your account may be left with a debit balance as a result of ongoing data fees.

Alternatively, we offer a 'delayed data' service which provides you with a delayed price stream free of charge. The delayed data service provides a real-time quote on request.

4. SIGNIFICANT RISKS ASSOCIATED WITH CFDS

4.1 THE RISKS OF TRADING WITH US

Before you apply to begin trading with us, you must carefully consider whether using CFDs is appropriate for you in the light of your circumstances and financial position. You should be aware that margin trading is a high risk geared investment strategy and we do not consider it suitable for many members of the public. You should not deal in CFDs unless you understand the nature of the contract you are entering into and the extent of your exposure to risk from that contract.

- CFDs involve different levels of exposure to risk and, in deciding whether to trade in such instruments, you should be aware of the following points
- Trading in CFDs carries a high degree of risk. The 'gearing' or 'leverage' involved in trading CFDs means that a small initial margin payment can potentially lead to large losses. The geared nature of CFDs also means that CFD trading can carry greater risks than conventional share trading, which is generally not geared
- A relatively small market movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you
- Most CFDs are off-exchange derivatives. This might be considered to involve greater risk than an on-exchange derivative as there is no exchange market on which to close out an open position – you are only able to open and close your positions with us
- Foreign markets will involve different risks to Swiss markets. The potential for profit or loss from CFDs relating to a foreign market or denominated in a foreign currency will be affected by fluctuations in foreign exchange rates. It is possible to incur a loss if exchange rates change to your detriment, even if the price of the instrument to which the CFD relates remains unchanged
- CFDs are contingent liability transactions which are margined and require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately, and they may only be settled in cash
- You may sustain a total loss of the margin that you deposit with us to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice. If you fail to do so within the required time, your position may be liquidated at a loss and you will be liable for any resulting deficit. You will be deemed to have received a notice requiring the payment of such funds, even if you are not at home or do not receive the messages we leave for you, if the notices are delivered to your nominated contact points
- Even if a CFD is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered into the contract
- Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that trading in the underlying market is suspended or restricted
- A Limited Risk CFD limits the extent of your liability, but you may sustain the loss in a relatively short time. Placing a Non-Guaranteed Stop Order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an Order if the underlying market moves straight through the stipulated price
- We will not provide you with personal financial product advice relating to CFDs and we will not make CFD recommendations of any kind. The only advice we will give you will be as to how CFDs work
- There is no clearing house for CFDs, and the performance of a CFD by IG Bank S.A. is not 'guaranteed' by an exchange or clearing house
- Our insolvency or default may lead to your positions being liquidated or closed out without your consent
- Although by dealing with us you will not be dealing in securities, you need to be aware that you may still be subject to the Federal Act on Financial Market Infrastructures and Market Conduct in Securities and Derivatives, FMIA and, in particular, the market manipulation and insider trading provisions of the Act
- The obligations to you under the Customer Agreement and the CFDs are unsecured obligations, meaning that you are an unsecured creditor of ours

4.2 DERIVATIVE MARKETS ARE SPECULATIVE AND VOLATILE

Derivative markets can be highly volatile. The prices of CFDs and the underlying securities, currencies, commodities, financial instruments or indices may fluctuate rapidly and over wide ranges and in reflection of unforeseen events or changes in conditions, none of which can be controlled by you. The prices of CFDs will be influenced by unpredictable events including, amongst other things, changing supply and demand relationships, governmental, agricultural, commercial and trade programs and policies, national and international political and economic events and the prevailing psychological characteristics of the relevant marketplace.

4.3 YOUR MONEY IS DEPOSITED IN A SEPARATE TRUST ACCOUNT

Like any Bank or securities dealer in Switzerland, IG Bank is required to sign the Agreement by Swiss banks and securities dealers on depositor protection. This means clients' deposits are protected up to a maximum of CHF 100'000 per client. Medium-term notes held in the name of the bearer at the issuing Bank are also considered deposits. Depositor protection in Switzerland is provided by esisuisse, and the depositor protection system is explained in detail at www.esisuisse.ch.

4.4 CURRENCY RISK

Balances in currencies other than Swiss francs may be maintained by you on your account and, when requested by you and/or necessitated by your trading, conversions between currencies will be made at an exchange rate no more than 0.5% less favourable to you than the prevailing interbank mid-market spot rate at the time of the conversion.

A crystallised profit or loss that is realised in a currency other than your base account currency will be converted on close unless requested otherwise by you. Different frequency options are available when opening an account and can be modified by you using the self-service function on our Electronic Trading Service or by request to us.

For example, if you open a CFD on the movement in price of IBM stock, it will be priced in US dollars. The deposit requirement for the CFD will be calculated in US dollars and you will be required to maintain the CHF equivalent as margin (assuming your account is denominated in CHF). Any variation in the USD/CHF exchange rate or the underlying CFD deposit calculation may alter the amount of Swiss francs required to maintain the margin requirement. Any crystallised profit or loss on the CFD will calculated and posted in US dollars. Conversion of this profit or loss to CHF is subject to your preferences.

You may choose to maintain your account in Swiss francs, US dollars, euro or sterling.

4.5 COUNTERPARTY RISK – CREDIT RISK AND HEDGING

Credit risk is the risk that a counterparty to us fails to perform its obligations which results in financial loss. Our management of credit risk is intended to protect the company and clients from any sudden changes in the liquidity, credit quality or solvency of our banks or brokers.

We do not take on market risk, but hedge exposure with IG Markets Limited, an affiliated group company. IG Markets Limited may take on market risk to facilitate instant execution of client trades, and therefore market risk limits are generally very conservative. Our revenue model is flow-based, whereby revenue streams are derived from commission, finance and spread capture on client trading transactions, and not from taking on market risk.

Banks and brokers used IG Markets Limited for hedging are selected on the basis of a risk assessment using set criteria, and the most significant counterparties are required to have an investment grade rating from S&P (or be a subsidiary of an entity holding such a rating).

4.6 ADVICE

We will not give you any personal financial product advice. Any general financial product advice that we may give you will have been prepared without taking into account your personal objectives, financial situation or needs. Accordingly, you should consider carefully trading with us and the appropriateness of any general advice having regard to your personal objectives, financial situation and needs, and obtain financial and legal advice before you open an account and trade with us.

Nothing in this PDS should be taken to be a recommendation to trade in CFDs or trade in any particular share, stock, index, commodity or currency by way of CFDs, and any reference to a particular share, stock, index, commodity or currency is for illustration only.

The Customer Agreement contains a provision by which you agree that you enter into all CFDs in reliance on your own judgement, and that we will not be liable for any losses, costs, expenses or damages suffered by you arising from any inaccuracy or mistake in any information we give to you in the absence of fraud, wilful default or gross negligence or as required by legislation.

4.7 TAX

There is a risk that the tax treatment of these products may change. In the event that we are obliged to pay any tax in respect of your personal liability for CFDs undertaken with us, the Customer Agreement contains an indemnity that would allow us to recover such payments from you.

4.8 CORPORATE EVENTS

We do not aim to make a profit from our clients from the outcome of corporate events such as rights issues, takeovers and mergers, share distributions or consolidations, and open offers. We aim to reflect the treatment we receive, or, would receive if we were hedging our exposure to you in the underlying market. However:

- the treatment you receive may be less advantageous than if you owned the underlying instrument;
- we may have to ask you to make a decision on a corporate event earlier than if you owned the underlying instrument;
- the options we make available to you might be more restricted and less advantageous to you then if you owned the underlying instrument; and/or
- where you have a stop attached to your open share CFD position, the treatment that you will receive from us will always, to the greatest extent possible, aim to preserve the economic equivalent of the rights and obligations attached to your CFD position with us immediately prior to the corporate event taking place.

5. OTHER TERMS AND CONDITIONS OF CFDS

5.1 TRADING AS PRINCIPAL

We will enter into all CFDs with you as principal, not as an agent. We will treat you as our client for all purposes and you will be directly responsible for performing your obligations under each CFD.

5.2 MINIMUM TRADE SIZES

Minimum trade sizes for some CFDs are set out in the Product Details. These may be varied and you should check the current Product Details for up to date information.

5.3 CONFIRMATIONS AND STATEMENTS

CFDs opened or closed by telephone will be confirmed during your conversation with our dealer. CFDs opened or closed via the internet will be confirmed on-screen. We will provide you with information about your CFDs by providing you with a statement. Statements will be posted to our on line trading platform (and emailed or posted if requested). If you elect to receive statements by post we reserve the right to levy an administration charge. Confirmations will give the details of any CFDs that you open or close with us. Your statements will include a summary of the financial position of your account and details of all transactions on your account for the statement period. We make every effort to ensure that all details are correct.

However, it is very important that you read your statements and contact us if you disagree with the contents or if you do not receive your statements.

You need to be aware of your account balance, your margin requirements for open positions, and whether you are approaching your margin call level. Your statement will also show whether your account has any excess funds available.

When we send you a confirmation or a statement you must review it and advise us of any mistakes or inaccuracies within the following time limits or you will be deemed to have accepted them, and they will be binding on you:

- if you receive your confirmations and statements by email, within 1 day of receiving your confirmation or statement or no later than 2 business days after the date on which your confirmation or statement was emailed to you; or
- if you receive your confirmation and statements by post, within 1 day of receiving your confirmation or statement or 5 business days after the date on which your confirmation or statement should have been received by you.

Any queries about your confirmations and statements should be made to our Trading Services Department. Any failure to advise of a mistake or inaccuracy will not preclude your right to make a complaint in accordance with our dispute resolution procedures (see section 6) but we reserve the right to rely upon the Terms of the Customer Agreement.

6. DISPUTE RESOLUTION

6.1 COMPLAINTS PROCEDURE

Any complaints will first be investigated by our Trading Services Department and, if they are unable to resolve the dispute to your satisfaction by our Compliance Department.

If the Compliance Department is unable to resolve the matter you may refer the matter to the Swiss Banking Ombudsman.

If you would like more information on how complaints are handled, please contact our Trading Services Department.

The Swiss Banking Ombudsman can be contacted at:

Bahnhofplatz 9
P.O. Box 1818
CH-8021
Zurich

Phone:
+41 (0) 43 266 1414