



Key Information Document – FX barrier options

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.

Barrier options are provided by **IG Europe GmbH (“IG”)**. See www.ig.com or call 0800 181 8831 (DE) or 0800 202 512 (AT) for more information. IG is authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”) and Deutsche Bundesbank. The BaFin is responsible for supervising IG in relation to this Key Information Document.

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You are about to purchase a product that is not simple and may be difficult to understand.

What is this product?

Type

An FX barrier option is a derivative contract entered into with IG on a bilateral basis. It allows a client to speculate on the rising or falling price of an underlying FX pair. An FX barrier option is an exotic option on an underlying FX pair.

The underlying FX pair involves simultaneous buying and selling of two different currencies. The value of the currency pair therefore reflects how much the first currency, known as base currency, is worth of the second currency, known as variable currency.

The price of the barrier option is calculated by adding together the following two factors:

1. The difference between the Knock-out level and the current “spot” price of the FX pair. This spot price is derived from prices sourced from major liquidity providers to the OTC FX and bullion market
2. A Knock-out premium, corresponding to the cost for the Knock-out level being guaranteed

There are two types of barriers: call and put. Clients can either go long (call) or short (put) on the underlying.

When buying a call contract (going long), the client thinks the price of the underlying instrument or asset will rise. When buying a put contract (going short), the client thinks the price of the underlying instrument or asset will fall. The price of the FX pair will rise if the base currency value has risen in relation to the variable currency and fall if the base currency falls in relation to the variable currency.

In both instances the client is expecting the price of the barrier option to increase by the difference between the strike price and underlying FX pair level increasing.

A given instantaneous move in the bid/ask price of the underlying results in an identical move in the price of the barrier option. This principle is altered where the Knock-out premium varies. Such a situation will occur where IG increases the Knock-out premium in anticipation of a perceived high-risk event at the time a client enters into a contract. The Knock-out premium will decrease once the event has passed.

The risk on the position will vary depending on the Knock-out level chosen by a client when buying a contract. The contract will automatically be closed out if the underlying price reaches the Knock-out level. Upon reaching the Knock-out level, the position is immediately and automatically closed and the entire premium is lost.

The client is also charged a separate commission on opening and closing of the trade.

Term

The product does not have a fixed lifetime. It can however end at any time if the price of the underlying reaches the selected Knock-out level.

Objectives

This product provides exposure to the performance of an underlying FX pair without actually needing to buy or sell the underlying instrument.

The product is subject to an initial payment, a commission charge, the spread and a Knock-out premium. With a sample position of €10,000 notional of a EUR/USD Call barrier option (100 contracts), the initial payment for the product will be \$10,600 where EUR/USD ask price is trading at 1.0600, the Knock-Out level was selected at 1.0496 points by the client and the Knock-Out premium is 2 points at the time of entering in the contract. \$10,400 is the difference between the Knock-out level and EUR/USD multiplied by the trade size (100 contracts x \$1 contract size), and \$200 is the Knock-out premium multiplied by the trade size. The commission charge is 10cents per contract – so the position is also subject to a \$10 charge taken on opening and closing.

The client does not have the ability to modify the selected Knock-out level during the product's lifetime.

It is not possible to make a recommendation for a holding period, although clients typically hold positions for less than a day. Any recommendation for the holding period would be misleading information for a speculative client.

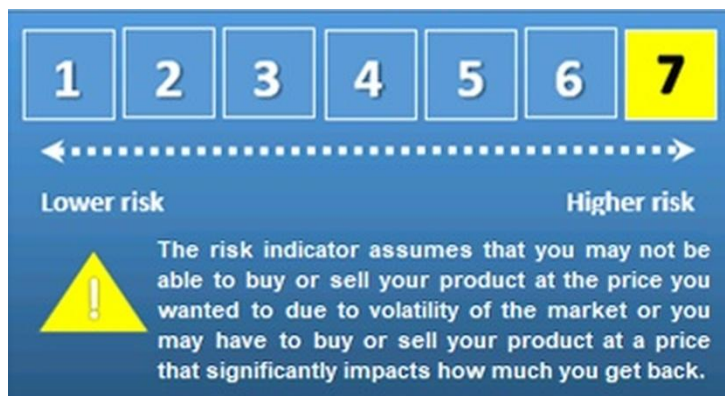
A daily holding fee will be charged basis positions open at 10pm (UK time).

Intended Retail Investor

Trading options is intended for investors who have knowledge of, or are experienced with, derivatives. Likely investors will have some understanding of how the prices of options are derived. Indeed, they will understand the risk/reward profile of the product compared to traditional share dealing. Investors will also have appropriate financial means to cover all their living expenses and are therefore able to bear losses up to the amount invested in a given position.

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

Risk indicator



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets or because we are not able to pay you.

We have classified this product as 7 out of 7, which is the highest risk class. This rates the potential losses from future performance of the product at a very high level.

Barriers are products that, due to underlying market movement, can generate losses rapidly. There is no capital protection against market risk, credit risk or liquidity risk. **It is possible to generate significant losses up to the total loss of your invested capital.**

Be aware of currency risk. It is possible to place a barrier option on a Knock-out on an underlying instrument 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 barrier option trade on an underlying instrument is closed at a less favourable price, which could significantly impact how much you get back; although if the Knock-out level is triggered the position will be closed at the Knock-out level. We may close your open barrier option if you do not maintain enough funds to cover overnight charges or the above stated currency risk, if you are in debt to the company, or if you contravene market regulations. This process may be automated.

⚠ Important note: If the underlying reaches the knock-out level selected by the client, the barrier option expires worthless, resulting in the complete loss of the premium paid by the client.

Performance scenarios

What you will get from this product depends on future market performance. Market developments in the future are uncertain and cannot be accurately predicted. The scenarios shown are illustrations based on results from the past and on certain assumptions. Markets could develop very differently in the future.

The following assumptions have been used to create the scenarios in Table 1:

FX barrier call option (held one day)		
Underlying FX price:	P	10600
Knock-out Level:	K	10496
Barrier distance:	$D = P - K$	104
Knock-out premium (points):	p	2
Commission (per contract):	c	\$0,1
Number of Contracts:	u	100
Difference between Price and K.O. (€):	$DPK = D \times N$	\$10.400
Upfront paid K.O. premium (€):	$UK = p \times N$	\$200
Notional value (premium paid) (€):	$NR = DPK + UK$	\$10.600 or €10.000

Table 1

LONG / SHORT Performance scenario	Percentage return (based on Notional value)	Profit/loss after costs
Minimum	There is no minimum guaranteed return. You could lose some or all of your investment.	
Stress	-100,00%	- 10.009,60 EUR (total loss of the premium)
Unfavourable	-73,08%	- 7.308 EUR
Moderate	-1,86%	- 186 EUR
Favourable	66,32%	6.632 EUR

Note: The notional value corresponds to the premium actually paid by the investor (intrinsic value + Knock-out premium) not the notional value in the underlying. In the stress scenario (Knock-out event), this premium is lost entirely. A later recovery of the underlying no longer benefits the investor.

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.

The stress scenario shows what you might get back in extreme market circumstances. The scenarios shown represent possible outcomes calculated based on simulations.

What happens if IG is unable to pay out?

If IG is unable to meet the IG-side financial obligations to you, you may suffer significant losses up to the entire value of your investment (total loss). However, IG strictly segregates all retail client funds from its own funds, in accordance with § 84 WpHG (German Securities Trading Act) and § 10 WpDVerOV (Securities Services Conduct and Organisation Regulation). IG also participates in the Compensation Scheme of German Securities Trading Companies (Entschädigungseinrichtung der Wertpapierhandelsunternehmen (EdW), 10856 Berlin, Germany), which covers eligible investments up to 90% of the claim, but subject to a maximum of €20,000 per person, per firm. See <http://www.e-d-w.de>

What are the costs?

The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs and show you how these costs will affect your investment.

The tables show the amounts that are taken from your investment to cover different types of costs. These amounts depend on how much you invest and how long you hold the product. The amounts shown here illustrate an example investment amount and the illustrative holding period shown below, as there is no recommended holding period for this product.

We have assumed:

- You would get back the amount that you invested (0% return).
- €10,000 (notional amount) is assumed.

	If you exit after 1 night
Total costs	5 €
Cost impact	<0,1 %

This illustrates the impact of costs on your return over a holding period of 1 year or less. This percentage cannot be directly compared with the cost impact figures of other PRIIPs.

These figures illustrate the costs in relation to the notional value of the PRIIP.

Trading a barrier option on an underlying FX pair incurs the following costs:

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

Cost category	Cost type	Description	Amount if you exit after 1 night (EUR)
One-off entry and exit costs	Spread	The difference between the buy price and the sell price is called the spread. This cost is realised each time you open and close a trade.	Opening: 1 € Closing: 1 €
	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.	Opening: 1 € Closing: 1 €
	Commission	The client is charged a separate commission, reflected on the client's ledger, at opening and closing of the trade.	0 €
Incidental costs	Distributor fee	We may from time to time share a proportion of our spread, commissions and other account fees with other persons including a distributor that may have introduced you.	0 €
	Knock-out premium	A variable premium that is charged for the Knock-out level being guaranteed when it is triggered. A client may also be charged part of the premium without the Knock-out level being triggered, if the premium was higher on opening of the trade than on closing.	Opening: 2 € Closing: -2 €
Ongoing costs	Daily holding cost	A fee is charged to your account for every night that your position is held. This means the longer you hold a position, the more it costs.	1 €
	Transaction costs	This is an estimate of the costs we incur when hedging the market risk associated with this option. The actual amount will depend on the extent of the market transactions required to do so.	0 €
Total costs			5 €

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

Barrier options 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 barrier option on an FX pair at any time during market hours.

How can I complain?

If you wish to make a complaint about IG, you should contact our client services team on 0800 181 8831, or email kundenberatung.de@ig.com. If our client services team is unable to resolve the matter you may refer it to our compliance department. If you do not feel that your complaint has been resolved satisfactorily, you are able to refer your complaint to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). See https://www.bafin.de/DE/DieBaFin/Kontakt/Verbraucher/verbraucher_node.html.

You can also refer to the European Commission's Online Dispute Resolution Platform, however it is likely that you will be referred to the BaFin.

Other relevant information

If there is a time lag between the time you place your order and the moment it is executed, your order may not be executed at the price you expected (improve or get worse). Ensure your internet signal strength is sufficient before trading.

The terms and agreements 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.