Key Information Document – Limited Risk spread bet on a Commodity

Purpose

This document provides you with key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Spread bets are provided by IG Europe GmbH ("IG") See www.ig.com or call 0800 409 6789 or +44 207 896 0079 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

A spread bet is a leveraged financial derivative entered into with IG on a bilateral basis. It allows an investor to speculate on rising or falling prices in an underlying bond.

An investor has the choice to buy (or go "long") the spread bet to benefit from rising commodity prices; or to sell (or go "short") the spread bet to benefit from falling commodity prices. The price of the spread bet is derived from the underlying commodity price, which may be either the current ("cash") price or a forward ("future") price. For instance, if an investor is long a daily funded oil spread bet and the underlying cash price of the oil rises, the value of the spread bet will increase - at the end of the bet IG will pay the difference between the closing value of the bet and the opening value of the bet. Conversely, if an investor is long and the cash price of oil falls, the value of the spread bet will decrease - at the end of the bet they will pay IG the difference between the closing value of the bet and the opening value of the bet. A spread bet referencing the underlying future price works in exactly the same way except that such bets have a pre-defined expiry date – a date upon which the bet either automatically closes or must be rolled into the next period. The leverage embedded within all spread bets has the effect of magnifying both profits and losses.

All limited-risk spread bets require a guaranteed stop loss. This enables an investor to put an absolute limit on their maximum loss per trade. If the market price moves through the investor's stop level, the trade is then closed at the requested price – with no risk of slippage even if the market gaps. A premium is charged if the stop loss is triggered, however if the investor closes the position before the stop loss is activated then no fee will be applied.

Term

A daily funded spread bet does not have a pre-defined maturity date, and is therefore open-ended. You'll be charged an interest fee for holding your position overnight, By contrast, a futures spread bet has a pre-defined expiry date and holding fees are built into the spread. As a result, it is down to the discretion of each individual investor to determine the most appropriate holding period based on their own individual trading strategy and objectives.

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

Objectives

The objective of the spread bet is to allow an investor to gain leveraged exposure to the movement in the value of the underlying commodity (whether up or down), without actually needing to buy or sell the underlying futures or the asset itself.

The exposure is leveraged since the spread bet only requires the investor to put up the maximum potential loss of the trade (excluding daily holding costs) or the minimum margin, rather than the full value of the position.

For limited-risk positions, the margin required will be the larger figure of the two calculations below:

1. (Bet size x stop distance) + (limited risk premium x bet size)
2. Bet size x price x margin rate

As an example, suppose you buy a spread bet at a size of €1/point on an underlying commodity price of 10,000. **You place a guaranteed stop 450 points away** and there is a 2-point limited risk premium. Your margin would be calculated as follows:

Calculation 1: (€1 x 450) + (2 x €1) = €452 margin

Calculation 2: €1 x 10,000 x 10% = €1,000 margin

So your margin requirement is €1,000 (the larger figure of the two).

In this case the margin rate for a limited-risk spread bet is the same as the margin rate for non-limited-risk spread bets, i.e. 10% of the total exposure. This means you have 10:1 leverage, resulting in a notional value of €10,000 (€1,000 x 10).

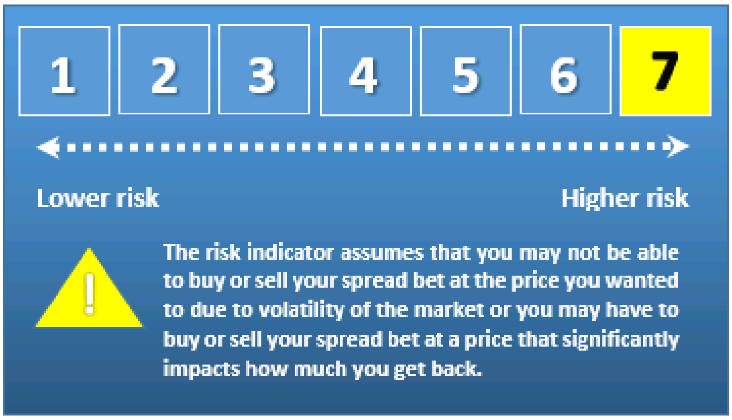
For every point the underlying market moves your profit or loss will change by €1. For instance, if you are long and the market increases in value, you'll earn €1 profit for every point the market moves. If the market decreases in value, you'll make a €1 loss for each point it moves. Conversely, if you were to hold a short position, you'd make a profit if the market price decreased and a loss if the market price increased.

Intended Retail Investor

Spread bets are intended for investors who have knowledge of, or are experienced with, leveraged products. Likely investors will understand how the prices of spread bets are derived, the key concepts of margin and leverage and the fact that losses may exceed deposits in a given position. Indeed, they will understand the risk/reward profile of the product compared to traditional share dealing. Investors will also have appropriate financial means and the ability to bear losses – up to the margin amount invested in the case of limited-risk positions.

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

Risk indicator



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

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

Spread bets are leveraged products that, due to underlying market movement, can generate losses rapidly. Guaranteed stops enable investors to put an absolute limit on their potential loss for each trade, to avoid losses beyond the initial amount invested. Please note that without this protection, losses can exceed the amount invested in a given position and you may be required to deposit additional funds to maintain your positions; hence it is possible to lose all of the funds on your account. There is no capital protection against market risk, credit risk or liquidity risk.

Be aware of currency risk. It is possible to buy or sell spread bets on a commodity 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 spread bet on a commodity is closed at less favourable price, which could significantly impact how much you get back. We may close your open spread bet if you do not maintain the minimum margin that is required, if you are in debt to the company, or if you contravene market regulations. This process may be automated.

This product does not include any protection from future market performance so you could lose some or all of your investment. If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from a consumer protection scheme (see the section "what happens if we are unable to pay you"). The indicator shown above does not consider this protection.

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:

Commodity spread bet (held one day)		
Commodity opening price:	P	10000
Bet Size (€/pt.):	TS	€1
Guaranteed Stop Distance:	GS	450
Premium:	p	2
Margin rate (%):	M	10% (min)
Margin Requirement is the greater value of the following two formulas (€):	*MR = TS x GS + p x TS*	-
	MR = TS x P x M	*€1,000*
Notional value of the trade (€):	*TN = MR / M*	*€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	- 4.52%*	**- 452 EUR**

Unfavourable	- 0.15%	- 15 EUR	
Moderate	0.5%	50 EUR	
Favourable	1.5%	150 EUR	

**Losses capped to max given stop loss level 450 points away and a guaranteed stop premium of 2.*

The figures shown include all the costs of the product itself. If you have been sold this product by someone else, or have a third party advising you about this product, these figures do not include any cost that you pay to them. The figures do not take into account your personal tax situation, which may also affect how much you get back.

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 its financial obligations to you, you may have significant losses up to the value of your investment (total loss). However IG segregates all all client funds from its own money in accordance with the Securities Trading Act (WpHG). If IG is unable to fulfil its obligations under securities transactions with its clients the EdW may be able to compensate them up to the value of €20,000.

What are the costs?

If you have been sold this product by someone else, or have a third party advising you about this product the person advising on or selling you this product may charge you other costs. If so, this person will provide you with information about these costs and how they affect your investment. The cost vary on the basis of the underlying investment options.

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

This table shows the different types of cost categories and their meaning			
Daily Funded Bets and Futures	**One-off entry or exit costs**	**Spread**	The difference between the buy price and the sell price is called the spread. This cost is realised each time you open and close a trade.
		Currency conversion	Any cash, realised profit and losses, adjustments, fees and charges that are denominated in a currency other than the base currency of your account, will be converted to the base currency of your account and a currency conversion fee will be charged to your account.
		Guaranteed Stop Premium	A premium is charged if the guaranteed stop is triggered.
Daily Funded Bets only	**Ongoing costs**	**Daily holding cost**	A fee is charged to your account for every night that your position is held. This means the longer you hold a position, the more it costs.
Daily Funded Bets and Futures	**Incidental costs**	**Distributor fee**	We may from time to time, after informing you, share a proportion of our spread, commissions and other account fees with other persons including a distributor that may have introduced you.
Futures only	**Other costs**	**Rollover costs**	We charge you to rollover a futures spread bet into the next month or quarter, equal to the applicable spread to open and close a trade.

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

Spread bets are intended for short term trading, in some cases intraday and are generally not suitable for long term investments. There is no recommended holding period, no cancellation period and therefore no cancellation fees. You can open and close a spread bet on a commodity at any time during market hours.

How can I complain?

If you wish to make a complaint about IG, you should contact our client services team on 0800 409 6789, or email helpdesk.uk@ig.com. If our client services team is unable to resolve the matter you may refer it to our compliance department. If you are classified as a retail client, and you do not feel that your complaint has been resolved satisfactorily, you are able to refer your complaint to BaFin or the Deutsche Bundesbank.

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

Other relevant information

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

The Terms and Policies section of our website contains important information regarding your account. You should ensure that you are familiar with all the terms and policies that apply to your account.