

#### 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.

CFDs are provided by **Monecor (London) Ltd**, a company registered in England and Wales, number 00851820. ETX Capital is a trading name of Monecor (London) Limited which is authorised and regulated by the Financial Conduct Authority in the United Kingdom, register number 124721.

Call 0800 138 4582 or go to [www.etxcapital.com](http://www.etxcapital.com) for more information. This document was created/last updated on August 24<sup>th</sup>, 2018.



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

#### What is this product?

##### Type

Options are a financial derivative instrument that gives you the right, but not the obligation to purchase or sell an asset at a specified price, known as the strike price, before a certain expiry date. Options are a versatile financial instrument that can be broken down into two forms: calls and puts. A call is the right to buy an asset for a given price within a given period of time. Buyers of a call option are speculating on an increase in the price of an asset. They have the right to buy an asset at the strike price of the contract. Sellers of a call option are speculating on a fall in the price of an asset (or to remain stable). Selling options is often referred to as 'writing options'. Buyers of a put option are speculating on a fall in the price of an underlying asset. Sellers of a put option are speculating on a rise in the price of an underlying asset (or at least stay stable). Selling options carries inherent risks. For call options, the option is said to be in-the-money if the share price is above the strike price. A put option is in-the-money when the share price is below the strike price. The amount by which an option is in-the-money is referred to as intrinsic value. An option is out-of-the-money if the price of the underlying remains below the strike price (for a call), or above the strike price (for a put). An option is at-the-money when the price of the underlying is on or very close to the strike price.

A contract for difference ("CFD") on an option allows an investor to speculate on rising or falling prices (or volatility) in an underlying instrument. When trading on options with ETX Capital one never actually owns the right to the option. Clients are speculating on the price and value of a particular option.

An investor has the choice to buy (or go "long") the option to benefit from rising prices in the underlying (or an increase in volatility). The price of the option is derived from a number of factors. These include the price of the underlying instrument, which may be either the current ("cash") price or a forward ("future") price; the time to expiry and the volatility in the underlying market. All option prices are derived using the Black Scholes formula and the aforementioned parameters. For instance, if an investor is long a FTSE 100 call option and the value of the option increases either via an increase in the underlying or a rise in volatility - at the end of the contract ETX Capital will pay the difference between the closing value of the contract and the opening value of the contract. Conversely, if an investor is long and the price of the CFD option falls, at the end of the contract they will pay ETX Capital the difference between the closing value of the contract and the opening value of the contract. An options contract will have a pre-defined expiry date. The contract will automatically be closed out basis the pre-determined settlement rules on this pre-defined expiry date unless the contract is closed before by the client.

When buying options there is a maximum loss, unlimited profit profile. When selling options there is a limited profit and potentially unlimited maximum loss profile. When buying an option, an option premium (price) is paid. The premium is paid when the contract is initiated. When selling (writing) options the margin incurred is equal to the underlying assets margin factor multiplied by the stake size.

##### Objectives

There are three potential objectives of trading a CFD on an option: 1) to limit risk, 2) protect against potential losses as part of a wider portfolio or 3) speculate. CFDs on options can allow an investor to gain exposure to the movement in the value of the underlying instrument (whether up or down), without actually needing to buy or sell the underlying asset or constituent parts or to gain exposure to the volatility of the underlying instrument. ETX does not offer leverage on option CFDs

As per the Black- model, for each 1 point change in the price of the option so the value of the option contract changes by £10. As previously stated this change in the options price may arise from a move in the underlying asset or a change in the volatility on the underlying asset or both.

All options offered by ETX Capital have a pre-defined expiry date. As a result, there is no recommended holding period for options and it is down to the discretion of each individual investor to determine the most appropriate holding period based on their own individual trading strategy and objectives. ETX does not offer writing (selling) for calls or puts on options

Failure to deposit additional funds in the case of negative price movement may result in the option being auto-closed. This will

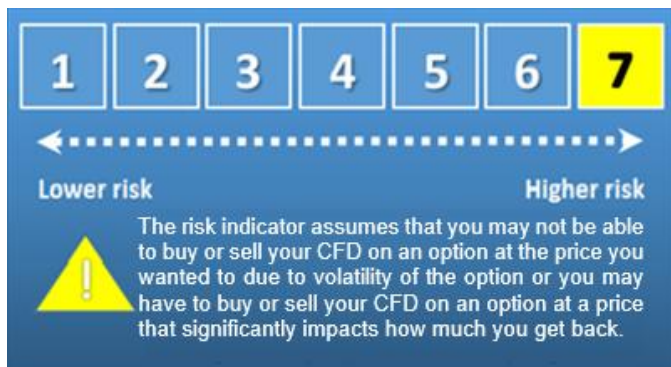
occur when losses exceed the initial margin amount. ETX Capital also retains the ability to unilaterally terminate any CFD option contract where it deems that the terms of the contract have been breached.

### Intended Retail Investor

CFDs are intended for investors who have knowledge of, or experience with, leveraged products. Likely investors will understand how the prices of CFDs are derived, the key concepts of margin and leverage, and that losses may exceed deposits. They will understand the risk/reward profile of the product compared to traditional share dealing, and desire short-term, high-risk exposure to an underlying asset. Investors will also have appropriate financial means, hold other investment types and have the ability to bear losses in excess of the initial amount invested.

### 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. ETX does not offer leverage on option CFDs. The client is required to hold the full notional value of the option position at current market value. 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 a CFD on an option 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.

In some circumstances you may be required to make further payments to pay for losses. **The total loss you may incur may significantly exceed the amount invested.** Market conditions may mean that your CFD option trade on an underlying instrument is closed at a less favourable price, which could significantly impact how much you get back. We may close your open option contract 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.

If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from a consumer protection scheme (see "what happens if we are unable to pay you"). The indicator shown above does not consider this protection.

#### Performance scenarios

The scenarios shown illustrate how your investment could perform. You can compare them with the scenarios of other products. The scenarios presented are an estimate of future performance based on evidence from the past on how the value of this investment varies, and are not an exact indicator. What you get will vary depending on how the market performs and how long you hold the CFD option.

For example if an investor buys £10 per point of the March 2018 FTSE 7500 call option at a price of 160. The total investment will be £1600 (£10 x 160). For each 1 point change in the price of the option the value of the option position changes by £10.

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

CFD Option		
Option type and Strike:	S	7500 Call
Current Option price:	Y	160
Trade size (per CFD):	TS	£10
Margin %:	M	100%
Notional value of the trade (£):	$TN = Y \times TS$	£1600
Long margin Requirement (£):	$MR = (Y \times TS) \times M$	£1600

Table 1:

Buying a Call Performance	Closing Price (Inc. Spread)	Price Change	Profit/Loss
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Scenario			
Favourable	200	25%	£400
Moderate	168	5%	80
Unfavourable	144	-10%	-£160
Stress	112	-30%	-£480

The figures shown an example of a trade 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.

For more information and examples please see the ETX website.

### What happens if ETX Capital is unable to pay out?

If ETX Capital is unable to meet its financial obligations to you, you may lose the value of your investment. However ETX Capital segregates all retail client funds from its own money in accordance with the UK FCA's Client Asset rules. ETX Capital also participates in the UK's Financial Services Compensation Scheme (FSCS) which covers eligible investments up to £50,000 per person, per firm. See [www.fscs.org.uk](http://www.fscs.org.uk).

### What are the costs?

Trading a CFD on an option incurs the following costs:

This table shows the different types of cost categories and their meaning		
One-off entry and exit costs	Spread	The difference between the buy price and the sell price is called the spread. This cost is realised each time you open and close a trade.
	Currency conversion	Any cash, realised profit and losses, adjustments, fees and charges that are denominated in a currency other than the base currency of your account, will be converted to the base currency of your account and a currency conversion fee will be charged to your account.
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.
	Commission	A share commission rate is charged, known as basis points.
Incidental costs	Distributor fee	We may from time to time where permitted by applicable law share a proportion of our spread, commissions and other account fees with other persons including a distributor that may have introduced you.

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

CFDs are intended for short term trading, in some cases intraday and are generally not suitable for longer term investment. There is no recommended holding period, no cancellation period and therefore no cancellation fees. You can open and close a CFD on an option at any time during market hours.

### How can I complain?

If you wish to make a complaint, you should contact our Client Management Team on 0800 138 4582, by emailing [customer.service@etxcapital.com](mailto:customer.service@etxcapital.com) or in writing to One Broadgate, London EC2M 2QS. If you do not feel that your complaint has been resolved satisfactorily, you may refer your complaint to the Financial Ombudsman Service (FOS). See [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk) for further information. If your complaint is about an advisory or discretionary manager acting on your account, please contact the firm providing the service.

### 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.