

Key Information Document – Spread Bets on Bonds

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 **Monecor (London) Ltd**, the product manufacturer, 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 **+44 (0) 20 7392 1494** or go to <https://www.etxcapital.com/> for more information. This document was created/last updated on 1 April 2020.



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

What is this product?

A spread bet is a leveraged contract entered with ETX Capital. It allows an investor to speculate on rising or falling prices in an underlying bond. A spread bet on a bond is one of the products offered by ETX Capital and these are over the counter financial products in which orders are executed outside a trading venue such as a regulated market within specific trading hours. The trading of a spread bet will be performed by ETX Capital where it agrees to settle in cash the performance of the asset which the investor decides to speculate on.

An investor has the choice to buy (or go “long”) the spread bet to benefit from rising bond prices; or to sell (or go “short”) the spread bet to benefit from falling bond prices. The price of the spread bet is derived from the underlying bond future, which may be either the undated or a forward price. Price movements in the value of the underlying asset are measured in points. For instance, if an investor is long the undated German Bund spread bet and the price of the underlying bond future rises, the value of the spread bet will increase - 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 underlying bond future falls, the value of the spread bet will decrease - 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. A spread bet referencing the underlying forward price works in exactly the same way except that such contracts have a pre-defined expiry date - a date upon which the contract 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.**

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 bond future (whether up or down), without a need to buy or sell the underlying future or the constituent asset. The exposure is leveraged since the spread bet only requires a small proportion of the notional value of the contract to be put down upfront as initial margin and is one of the key features of trading spread bets.

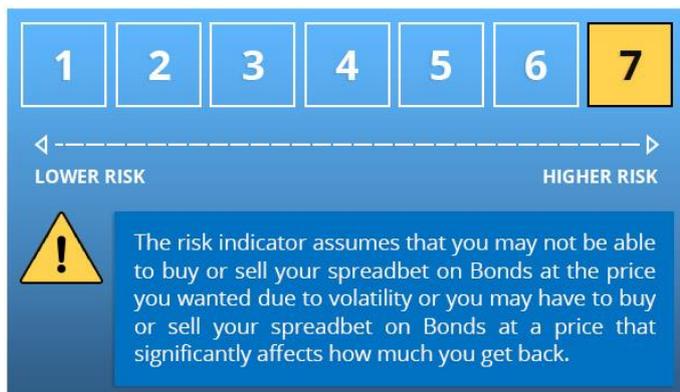
The undated spread bet does not have a pre-defined maturity date and is therefore open-ended; by contrast, a future spread bet has a pre-defined expiry date. As a result, there is no recommended holding period for either and it is down to the discretion of each individual investor to determine the most appropriate holding period based on their own individual trading strategy and objectives.

Failure to deposit additional funds in the case of negative price movement may result in the spread bet being auto-closed. This will occur when losses exceed the initial margin amount. In the case of future spread bets, investors will be given the option to roll their existing contract into the next period - i.e., from a March expiry into a June expiry. Rolling is at the discretion of the investor but failure to do so will result in the spread bet being auto-closed at the expiry date. ETX Capital also retains the ability to unilaterally terminate any spread bet contract where it deems that the terms of the contract have been breached. For more information and examples of the key features of trading spread bets, please see the ETX Capital website <https://www.etxcapital.com/>

Intended Retail Client

Spread bets are intended for investors who have knowledge of, or experience 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. 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 types and have the ability to bear losses in excess of the initial amount invested. In time of high volatility and or

macroeconomic uncertainty, asset values may fluctuate significantly and adversely affect an investor's positions. Such fluctuations can be even more significant in the case of leveraged products such as spread bets.



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. Losses can exceed the amount invested and you may be required to deposit additional funds in order to keep your positions open. There is no capital protection against market risk, credit risk or liquidity risk. The risks included in this paragraph are non-exhaustive and a comprehensive description of the risks involved can be found at ETX Risk Warning Notice. www.etxcapital.com/en-gb/legal/risk-warning-notice.

Be aware of currency risk. It is possible to buy or sell spread bets on a bond 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. **Losses may be incurred. Retail clients are subject to negative balance protection and your losses cannot exceed the amount invested.**

Market conditions may mean that your spread bet on a bond is closed at a less favourable price, which could significantly impact how much you get back. We may close your open spread bet 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. For all retail clients, a margin close-out protection is applied on an account level basis. This means that when the value of the account falls below 50% of the initial margin requirement (that was paid to enter into a spread bet position at any point in time), one or more spread bet positions will be closed out as soon as market conditions allow. We may set a higher percentage than 50%.

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

Performance scenarios

The scenarios shown illustrate how your investment could perform. 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 spread bet.

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

For example, if an investor buys a spread bet worth £1 per point of Bund with an initial margin amount of 20% and an underlying bond price of 162.170, the initial investment will be £3243.4 (20% x 162.170 x £1). The notional contract is £16,217.00 (1 x 162.170 x 100). This means for every 1 hundredth point change in price of the underlying market the value changes by £1. If the market decreases in value for each hundredth point decrease in the market, a £1 loss will incur.

Bond spread bet (held intraday)

| | | |
|----------------------------------|-----------------------------|------------|
| Bond opening price: | P | 162.170 |
| Bet size (£/pt): | TS | 1 |
| Margin %: | M | 20% |
| Margin Requirement (£): | $MR = P \times TS \times M$ | £3243.4 |
| Notional value of the trade (£): | $TN = P \times TS$ | £16,217.00 |

Table 1

| LONG Performance Scenario | Closing Price (Inc. Spread) | Price Change | Profit/Loss | SHORT Performance scenario | Closing Price (inc. spread) | Price Change | Profit/Loss |
|---------------------------|-----------------------------|--------------|-------------|----------------------------|-----------------------------|--------------|-------------|
| Favourable | 164.603 | 1.5% | £243.26 | Favourable | 159.737 | -1.5% | £243.26 |
| Moderate | 162.981 | 0.5% | £81.09 | Moderate | 162.981 | -0.5% | £81.09 |
| Unfavourable | 159.737 | -1.5% | -£243.26 | Unfavourable | 164.603 | 1.5% | -£243.26 |
| Stress | 154.062 | -5% | -£810.85 | Stress | 170.279 | 5% | -£810.85 |

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.

For more information and examples please see the ETX Capital website. <https://www.etxcapital.com/>

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 Money Rule. ETX Capital also participates in the UK's Financial Services Compensation Scheme (FSCS) which covers eligible investments up to £85,000 per person, per firm. See www.fscs.org.uk.

What are the costs?

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

| This table shows the different types of cost categories and their meaning | | |
|---|---------------------|--|
| 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. |
| 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. |
| 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. |
| Other costs | Rollover costs | We charge you to rollover a futures contract 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 longer term investment. There is no recommended holding period, no cancellation period and therefore no cancellation fees. You can open and close a spread bet 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 **+44 (0) 20 7392 1494**, by emailing customer.service@etxcapital.com or in writing to 26 Finsbury Square, London, EC2A 1DS. 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 for further information. If your complaint is about an advisory or discretionary manager acting on your account, please contact the firm providing the service. For further details, please refer to our Complaints Handling Policy at <https://www.etxcapital.com/en-gb/legal/complaints-procedure>

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 you have a strong internet signal before trading.

The Legal 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. For further details, please refer to the Legal section at <https://www.etxcapital.com/en-gb/legal>