Key Information Document – Contracts for Difference on an Option

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.

Contracts for Difference on Options are offered by InterTrader Limited ("InterTrader"). InterTrader is a Gibraltar incorporated company, authorised and regulated by the Gibraltar Financial Services Commission and is subject to limited regulation by the Financial Conduct Authority for its Branch activity (ref 597312).
This document was last updated on 15th July 2020.

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

What is this product?

Type

An option is 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, on or before an agreed expiry date. We allow trading on two types of option. The buyer of a call has the right to buy the underlying asset. He is speculating that the price will rise. The buyer of a put has the right to sell the underlying asset. He is speculating that the price will fall.

The buyer of an option pays only a fixed premium but may make (theoretically) unlimited profits if the market goes his way. The seller of an option can at best make only the fixed premium but may face unlimited losses if the market goes against him.

The price of an option at any point in time depends on a number of factors: The price of the underlying asset; the agreed purchase or sale price; the time remaining to maturity; the expected volatility of the underlying asset price; risk free interest rates. The value of your Spread Bet may be affected by changes in any of these factors.

Your trade with InterTrader is a Spread Bet. It will be settled in cash according to the value of the option. You will not actually have the right or the obligation to undertake any trade in the underlying market.

Because the profit/loss profile is not symmetrical, the notional trading requirement varies according to whether you have bought or sold the option.

Risk profile	Margin incurred
Long Call	Stake size x option premium
Long Put	Stake size x option premium
Short Call	Stake size x underlying deposit factor
Short Put	Stake size x underlying deposit factor

Objectives

There are three potential objectives of placing a spread bet on an option: 1) to limit risk, 2) protect against potential losses as part of a wider portfolio or 3) speculate. Spread bets on options can allow an investor to gain leveraged 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. The exposure is leveraged since the spread bet option only requires a small proportion of the notional value of the position to be put down upfront as initial margin and is one of the key features of spread betting. By way of example, if an investor buys £10 per point of the October FTSE 7400 call option at a price of 20 the total investment will be £200 (20 x £10). As per the Black-Scholes model, for each 1 point change in the price of the option so the value of the option position 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 InterTrader 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.

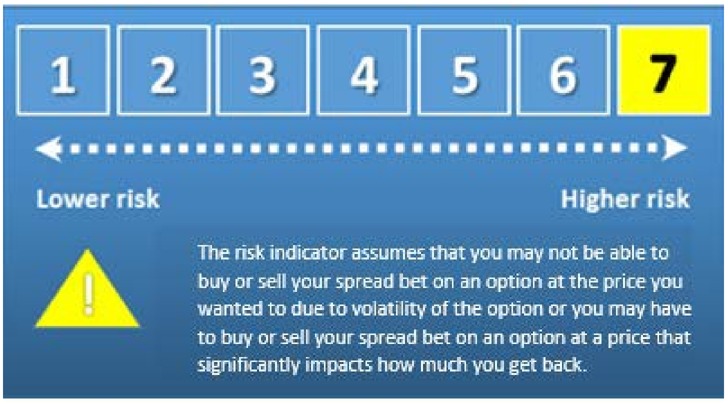
Failure to deposit additional funds in the case of negative price movement may result in the spread bet being auto-closed. InterTrader also retains the ability to unilaterally terminate any spread bet contract where it deems that the terms of the contract have been breached.

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 spread bets are derived and the key concepts of margin and leverage, and that losses may exceed deposits in a given position. 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.

CFDs are leveraged products that, due to underlying market movement, can generate losses rapidly. Losses can exceed the amount invested in a given position and you may be required to deposit additional funds in order to maintain your positions. There is no capital protection against market risk, credit risk or liquidity risk. **It is possible to lose the total balance on your account.**

Be aware of currency risk. It is possible to buy or sell CFDs on an option 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 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.

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. 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 spread bet option. The stress scenario shows what you might get back in extreme market circumstances, and it does not take into account the situation where we are not able to pay you.

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

FTSE Index spread bet Option (held intraday)		
Underlying Index price:	**P**	7500
Option type and Strike:	**S**	7500 Call
Option price:	**Y**	100
Trade size :	**TS**	£10
Margin %:	**M**	20%
Short Margin Requirement (£):	***MR = P x TS x M***	*£15,000*
Notional value of the trade (£):	***TN = MR/M***	*£75,000*
Long margin Requirement (£):	***MR = Y x TS***	*£1,000*

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	125	25%	£250	Favourable	70	-30%	£300
Moderate	105	5%	£50	Moderate	90	-10%	£100
Unfavourable	90	-10%	-£100	Unfavourable	105	5%	-£50
Stress	70	-30%	-£300	Stress	125	25%	-£250

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.

What happens if InterTrader Limited is unable to pay out?

What happens if InterTrader Limited is unable to pay out?
If InterTrader is unable to meet its financial obligations to you, you may lose the value of your investment. However, InterTrader segregates all retail client funds from its own money in accordance with applicable Client Asset rules. InterTrader is also part of the Gibraltar Investor Compensation Scheme. http://www.gics.gi/gicswhowhat.html

What are the costs?

Placing a spread bet on an option incurs the following costs:

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

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

Options are intended for short or longer term trading, in some cases intraday and could be 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 an option at any time during market hours.

How can I complain?

In the first instance you can contact our Customer Support team via email at support@intertrader.com or via telephone on +44 203 364 5189. You can also contact the Compliance Department at Compliance@intertrader.com. 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 or the Gibraltar Financial Services Commission.

Other relevant information

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.

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.