Key Information Document – Long OTC Option Contract

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.

Long OTC Option Contracts are offered by **CMC Markets UK plc** ("CMC"), a company registered in England and Wales, number 2448409. CMC Markets UK plc is authorised and regulated by the Financial Conduct Authority in the United Kingdom, register number 173730. Call 020 7170 8200 or go to www.cmcmarkets.com for more information.



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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?

Options are financial derivative instruments. This product is a Long Over-The-Counter (OTC) Option Contract ("**Long OTC Option Contract**") entered into with CMC on a bilateral basis. It allows an investor to speculate on rising or falling prices in an underlying instrument (or in volatility). In this document, "Long" refers to the position of an investor who buys an option. The opposite position, "Short", refers to selling or writing an option.

You can enter into two types of Long OTC Option Contracts, either:

- A Call Option, which provides the holder (buyer) with a right (but not an obligation) to buy an underlying asset at the Strike Price or, where an option is cash-settled, receive a cash payment if the underlying price is above the Strike Price, at a specified Expiration Date and Expiration Time. If you are the writer (seller) of a Call Option you have the obligation to sell an underlying asset, or where an option is cash-settled, make a cash payment if the holder exercises the option.
- A Put Option provides the holder (buyer) with a right (but not an obligation) to sell an underlying asset at the Strike Price or, where an option is cash-settled, receive a cash payment if the underlying price is below the Strike Price, at a specified Expiration Date and Expiration Time. If you are the writer (seller) of a Put Option, you have the obligation to buy an underlying asset, or where an option is cash-settled, make a cash payment if the holder exercises the option.

The price of a Long OTC Option Contract is subject to the value of the underlying asset or market, the relevant strike price, the moneyness (i.e. proximity of the strike to the underlying asset/market value), interest rates, volatility and the time to the Expiry Date.

You pay a Premium for the right to exercise the option for your Long OTC Option Contract. The Premium will be settled on a net basis when the Contract is closed, exercised, or reaches its Expiry Date, whichever occurs first. This means that the premium, any profit or loss, and other amounts payable under the Contract will be settled as a single amount to your Account. The calculation of that Premium is outlined in CMC's Cost Disclosure document available on our website.

Your Long OTC Option Contract will automatically come to an end at the specified time on the Expiry Date.

If the relevant attributes are met on the Expiry Date (in respect of the Strike Price), you will be 'in the money' and your option will be automatically exercised.

If the relevant attributes are not met on the Expiry Date (in respect of the Strike Price), you will be 'out of the money', so your option will not be exercised and will automatically expire.

Where the underlying asset is a Grey Market IPO product: A Grey Market IPO product provides synthetic exposure to a company's expected share price before its initial public offering ("IPO") and carries a high risk of loss. Please refer to the Key Information Document for the underlying product for more information. The option is priced by reference to the Grey Market IPO price and relevant factors including volatility, which is estimated due to the absence of an observable market. Spreads may therefore be wider than for other options.

If the IPO is completed, your option will transition to an option referencing the listed share. If the IPO is cancelled or indefinitely postponed, your option will terminate and will be settled using the applicable price. If the IPO has not occurred by the Expiry Date, your option will be settled using the applicable settlement reference for the underlying asset.

Objectives

The objective of a Long OTC Option Contract is to allow an investor to express a view on volatility or direction, and the movement in the value of the underlying asset (whether up or down), but without having a guaranteed obligation to buy or sell in the underlying market at the strike price.

An investor's losses for a Long OTC Option Contract are limited to the amount of the Premium paid.

There is no recommended holding period for a Long OTC Option Contract, 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. CMC retains the ability to unilaterally terminate any Long OTC Option Contract where it deems that the terms of that Contract have been breached.

Intended Retail Investor

Long OTC Option Contracts are intended for investors who have knowledge of, or experience with, investment products such as derivatives. Likely investors will understand how the prices of put and call options are derived. They will understand the risk/reward profile of the product compared to traditional share dealing, and desire exposure to an underlying asset. Investors will also have appropriate financial means, hold other investment types and have the ability to bear losses of the total amount invested (i.e. the Premium paid for the Long OTC Option Contract).

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.

Long OTC Option Contracts are complex instruments. There is no capital protection against market risk, credit risk, or liquidity risk.

Be aware of currency risk. It is possible to open or close a Long OTC Option Contract 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.

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.

Investment Performance Information

What are the main factors likely to affect your future returns?

Market Risk is the risk that the value of the underlying market that the Long OTC Option Contract is derived from will increase or decrease due to changes in market risk factors. The standard market risk factors are price movements, volatility, time to expiration, interest rates, and foreign exchange rates (where applicable).

What could affect my return positively?

Favourable changes in the market risk factors for the underlying market may positively impact the value of your Contract.

What could affect my return negatively?

Unfavourable changes in the market risk factors for the underlying market and your trading costs, including any third- party costs, may negatively impact the value of your Contract.

What outcome might you expect where the Contract is closed under severely adverse market conditions?

Under severely adverse market conditions, you are at risk of losing the entire Premium that you paid for your Long OTC Option Contract.

What happens if CMC Markets UK plc is unable to pay out?

If CMC is unable to meet its financial obligations to you, you may lose the value of your investment. However, CMC segregates all retail client funds from its own money in accordance with the UK FCA's Client Asset rules. CMC also participates in the UK's Financial Services Compensation Scheme (FSCS) which covers eligible investments up to £120,000 per person, per firm. See www.fscs.org.uk.

What are the costs?

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

One-off costs	**Entry costs**	Various	The impact of the costs you pay when entering your investment, which includes spread costs
	Exit costs	Various	The impact of the costs you pay when exiting your investment, which includes spread cost and currency conversion costs (where the account currency is different from the currency for the Long OTC Option Contract)
Ongoing costs	**Portfolio transaction costs**	Not applicable	The impact of the costs of us buying and selling underlying investments for the product.
	Other ongoing costs	Not applicable	The impact of the costs we take for any ongoing administration of your investment.
Incidental Costs	**Performance related fees**	Not applicable	The impact of the costs for any performance related fees payable in connection with your investment
	Carried interest	Not applicable	The impact of any carried interest costs related to your investment

There are no ongoing or incidental costs charged by CMC. Further information on the specific costs applicable to CMC's Long OTC Option Contracts can be found in our Cost Disclosure document available on our website.

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

Long OTC Option Contracts are intended for short term trading, but also for longer term investments in cases where Contracts have far dated Expiry Dates.

There is no recommended holding period, no cancellation period and therefore no cancellation fees. You can open and close a Long OTC Option Contract at any time during market hours prior to the Expiry Date/ Time at which point your Long OTC Option Contract will automatically close.

How can I complain?

If you wish to make a complaint, you should contact our Client Management Team on 020 7170 8200 or by emailing clientmanagement@cmcmarkets.co.uk or in writing to CMC Markets UK plc, 133 Houndsditch, London EC3A 7BX. 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.

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 Legal Documents 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.

The Product Overview on our platform contains additional information on trading a Long OTC Option Contract. Additional information on costs can be found on our website.