Key Information Document – CFD

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 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 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?

Type

A contract for difference (“CFD”) is a leveraged contract entered into with CMC on a bilateral basis. It allows an investor to speculate on rising or falling prices in an underlying market such as a share, currency, commodity or index.

An investor has the choice to buy (or go “long”) the CFD to benefit from rising prices in the underlying market; or to sell (or go “short”) the CFD to benefit from falling prices. The price of the CFD is derived from the price of the underlying market price, which may be either the current cash price or a future price. For instance, if an investor is long a CFD and the price of the underlying rises, the value of the CFD will increase - at the end of the contract CMC 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 falls, the value of the CFD will decrease - at the end of the contract they will pay CMC the difference between the closing value of the contract and the opening value of the contract. A CFD referencing the underlying future 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 CFDs has the effect of magnifying both profits and losses.

Objectives

The objective of the CFD is to allow an investor to gain leveraged exposure to the movement in the value of the underlying index (whether up or down), without actually needing to buy or sell in the underlying market. The exposure is leveraged since the CFD 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 CFDs.

By way of example, if an investor buys a CFD worth £1 per point (e.g. 1 unit of UK100) with an initial margin amount of 5% and an underlying index price of 6000, the initial investment will be £300 (5% x 6000 x 1). The effect of leverage, in this case 20:1 (1 / 5%) has resulted in a notional value of the contract of £6000 (£300 x 20). This means that for each 1 point change in the price of the underlying index so the value of the CFD changes by £1. For instance, if the investor is long and the market increases in value, a £1 profit will be made for every 1 point increase in that market. However if the market decreases in value, a £1 loss will be incurred for each point the market decreases in value. Conversely, if an investor holds a short position, a profit is made in line with any decreases in that market, and a loss for any increases in the market.

Undated CFD contracts do not have an expiry date and are therefore open-ended but an overnight Holding Cost is charged. A forward contract has a pre-defined expiry date where the CFD is either cash settled (closed) or rolled into the next forward contact, - i.e., from a January expiry into a March expiry. Rolling is at the discretion of the investor. 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.

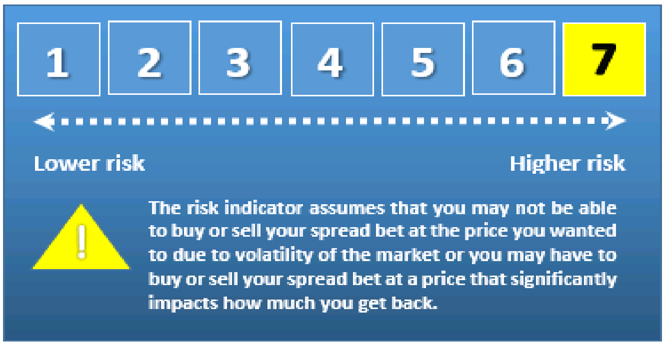
Failure to deposit additional funds in the case of negative price movement may result in the CFD being auto-closed. This will occur when losses plus the margin required for the product exceed the cash deposited. CMC also retains the ability to unilaterally terminate any CFD contract where it deems that 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 and the key concepts of margin and leverage. 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 of the total 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 complex instruments and come with a high risk of losing money rapidly due to leverage. Between 74-89% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money. 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 CFDs 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 CFD trade is closed at a less favourable price, which could significantly impact how much you get back. We may close your open CFD trade if you do not maintain the minimum margin that is required, 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.

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 CFD is derived from will increase or decrease due to changes in market risk factors. The three standard market risk factors are price movements, interest rates and foreign exchange rates.

Additionally, CFDs are leveraged products. The use of leverage allows you to take on a much larger exposure to the market than the amount deposited to open the trade, which has the effect of magnifying profits and losses.

What could affect my return positively?

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

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 trade.

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

Under severely adverse market conditions, you are at risk of losing more than the amount deposited to open your trade.

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 £85,000 per person, per firm. See www.fscs.org.uk.

What are the costs?

Trading a CFD incurs the following costs:

This table shows the different types of cost categories and their meaning			
Undated		**Spread**	The difference between the buy price and the sell price is

and Forwards	**On-off entry and exit costs**		called the spread. This cost is incurred 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.
Undated only	**Ongoing costs**	**Overnight holding cost**	A holding cost is charged to your account for every night that you hold a position. The amount could be positive or negative depending on the instrument you are holding and whether you are long or short. The longer you hold a position, greater the cost.
Forwards only	**Other costs**	**Rollover cost**	You incur a charge if you roll over a forward contract into the next month or quarter, equal to half the applicable spread to open and close a trade.
Undated and Forwards	**Optional one-off exit**	**Guaranteed stop loss order (GSLO)**	A guaranteed stop-loss order (GSLO) works in the same way as a stop-loss order except that it guarantees to close out a trade at the price specified, regardless of the market volatility or gapping. The cost of the GSLO is 100%refunded if it is not triggered.
Equities only	**Other costs**	**Commission charge**	We charge you a small fee each time you open and close a CFD on an equity.

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 long-term investments. There is no recommended holding period, no cancellation period and therefore no cancellation fees. You can open and close a CFD 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 020 7170 8200, 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 (improve or get worse). 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 CFD. Additional information on costs can be found on our website.