

Key Information Document – Spread bet

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 offered by Capital Index (UK) Limited, (“Capital Index”, “we”, or “us”) a company registered in England and Wales, number 09532185. Capital Index is authorised and regulated by the Financial Conduct Authority (FCA) in the United Kingdom, registration number: 709693. Call 0207 060 5120 or go to www.capitalindex.com for more information.

This document was last updated on 01st June 2023.



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

What is this product?

Type

This document relates to products known as ‘spread bets’. A spread bet allows you to obtain an indirect exposure to an underlying asset such as a security, commodity or currency. This means you will never own the underlying asset, but you will make gains or suffer losses as a result of price movements in the underlying asset to which you the indirect exposure.

This document provides key information on spread bet where the underlying investment option that you choose is a commodity e.g. WTI Crude Oil.

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 commodity (whether up or down), without actually needing to buy or sell the underlying commodity. 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 spread bets. As an example, if an investor buys a WTI Crude oil spread bet worth £2 per point (each point being a change of 0.01 in the price) with an initial margin of 10% and an underlying buy price of 39.710, the initial investment will be £794.20 (Trade Size x Price x Margin requirement as a % = (£2 / 0.01) x 39.710 x 10%). The effect of the 10:1 leverage has resulted in a notional value of the contract of £7,942 (£39.71 x 100 x 2). This essentially means that each 1 point change in the price of the underlying, the value of the spread bet changes by £2 - i.e. a 1 point move in the direction of the client’s trade means the client makes £2 and similarly a 1 point move against the client’s trade means the client loses £2.

A spread bet on a commodity does not have a pre-defined expiry date. There is no recommended holding period 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.

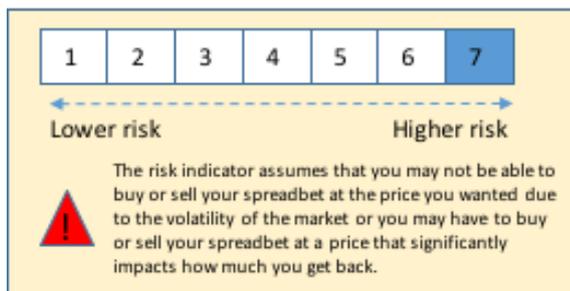
Failure to deposit additional funds in order to meet the margin requirement as a result of negative price movement may result in the spread bet being auto-closed. Assuming that only one position is being open at the time on the account, this may occur when equity on the account reaches 50% of minimum margin required for this particular open position. Capital Index 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

Spread bets are intended for investors who have knowledge of, or are experienced with, leveraged products. Investors should understand how the prices of spread bets are derived, the key concepts of margin and leverage and the fact that although Retail Clients are subject to negative balance protection, they can still lose their entire investment. Indeed, clients will understand the risk/reward profile of the product compared to traditional share dealing. Investors will also have appropriate financial means and the ability to bear losses of the entire investment.

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 these products 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 these products as 7 out of 7, which is the highest risk class. This is because there is a very high chance that you could lose all your investment, if you are a Retail client.

Spread bets are leveraged products that can, due to underlying market movements, generate losses rapidly. Losses can be up to the entire amount invested (if you are a Retail Client benefiting from negative balance protection). There is no capital protection against market risk, credit risk or liquidity risk.

Even though Retail Clients are subject to negative balance protection, the total loss you may incur may include the entire amount invested.

Market conditions may mean that your spread bet trade is closed at a less favourable price, which could significantly impact how much you get back. We may close your open spread bet trade if you do not maintain the minimum margin that is required, if you are in debt to Capital Index, or if you contravene market regulations. This process maybe automated.

This product does not include any protection from future market performance so you could lose some or all of your investment if you are a Retail Client. If we are not able to pay what is owed to you, you could lose your entire investment. However, you may benefit from a consumer protection scheme (see the section, "What happens if Capital Index is unable to pay out?").

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. The stress scenario shows what you might get back in extreme market circumstances. The following assumptions have been used to create the scenarios in Table 1:

WTI Crude Spread bet (held intraday)		
Opening Price	P	39.710
Tick Value	TV	0.01
Trade Size (per £)	TS	£2
Margin %	M	10%
Notional Value of the trade	$TN = TS / TV \times P$	£7,942
Margin Requirement (£)	$MR = TN \times M$	£794.20

LONG Performance Scenario	Closing price (inc Spread)	Price Change	Profit / Loss	SHORT Performance Scenario	Closing price (inc Spread)	Price Change	Profit / Loss
Favourable	40.307	1.50%	£91.36	Favourable	39.114	-1.50%	£91.36
Moderate	39.909	0.50%	£30.45	Moderate	39.511	-0.50%	£30.45
Unfavourable	39.114	-1.50%	-£91.36	Unfavourable	40.306	1.50%	-£91.36
Stress	27.797	-30%	-£2,382.60	Stress	51.623	30%	-£2,382.60

The stress scenario above shows how small price movements can rapidly lead to significant losses, including losses greater than the initial margin requirement and can also result in a forced close out of your positions if you do not maintain the minimum margin requirements to keep your positions open. **It is possible to lose the total balance on your account.**

This does not take into account a situation where we are unable to pay you.

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 and are not exact indicators. What you get will vary depending on how the market performs and how long you keep the investment.

The figures shown include all the costs of the product itself. The figures do not take into account your personal tax situation, which may also affect how much you get back. This performance scenario assumes you only have one position open, and does not take into account the negative or positive cumulative balance you may have if you have multiple open positions with us.

What happens if Capital Index is unable to pay out?

If Capital Index is unable to meet its financial obligations to you, you may lose the value of your investment. Capital Index segregates all retail client funds from its own money in accordance with the UK FCA’s Client Asset rules. Should segregation fail, your investment is covered by 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?

This table shows the different type of cost categories and their meaning.

Cash	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.
	Ongoing costs	Daily holding cost (swaps)	There is a daily fee charged to your account for each night that your position is held for WTI Crude and Brent crude oil commodities only. There is no daily holding cost for any other commodity as for them rollover is charged on the day of expiry.

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 long term investments. There is no recommended holding period, no cancellation period and therefore no cancellation fees. **You can close your spread bet at any time during the market hours for that spread bet.**

How can I complain?

If you wish to make a complaint, you should contact our Client Services Team on +44 20 7060 5120, or email Complaints@capitalindex.com, or in writing to Capital Index (UK) Ltd 75, King William Street, London, EC4N 7BE. If, after receiving a Final Response from the firm, 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.

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.

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. These can be found on our website www.capitalindex.com

For Retail Clients, a margin close out rule is applied on an account level basis. This means that when the value of the account equity falls below 50% of the initial margin requirement (that was paid to enter into all of the open CFD and/or spread bet positions at any point in time), one or more CFD and/or spread bet positions will be closed out. We may set a higher percentage than 50%.

Professional clients can lose more than their deposits and they may be required to deposit additional funds to cover their losses.