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WHAT'S THIS DOCUMENT FOR?

This document will show you the costs and charges associated with our products (spread betting and CFDs) and markets.

You'll find formulae for how we calculate our charges, both throughout the document and collected in Appendix A, as well as worked examples. You can apply these to your own trades to estimate the cumulative effect of our costs and charges on your returns.

It's important to remember that your total costs will increase proportionate to your trading sizes and volumes.

COMMODITIES

The costs and charges

When you open a daily funded bet or trade cash CFDs on one of our commodity markets, you'll pay:

1. Our spread (the difference between the bid and ask prices; includes the market spread, which can vary dependant on market conditions)

2. An overnight funding adjustment (if you hold your position past 10pm UK time)

The overnight funding adjustment

The formula for calculating the overnight funding adjustment on commodities is broken down into two parts; the daily movement along the futures curve (**basis**), and the **IG charge**.

We call this an adjustment, not an outright charge, because the **basis** may be a credit or a debit. This will depend on the direction of your trade and the slope of the futures curve. Please read Appendix B: How we price our undated commodity markets for more information about the basis, and how it will affect your position.

Formulae

1. Formula for **commodities overnight funding adjustment =**

   EITHER **nights held x (trade size x (basis + IG charge))**, for long trades on upward-sloping futures curves, or short trades on downward-sloping futures curves; trades in which you will pay the basis,

   OR **nights held x (trade size x (basis – IG charge))**, for short trades on upward-sloping futures curves, or long trades on downward-sloping futures curves; trades in which you will receive the basis.

2. Formula for the **basis** = (P3 – P2) / (T2 – T1)

   P2 = price of front future

   P3 = price of next future

   T1 = expiry date of the previous front future

   T2 = expiry date of the front future

3. Formula for the **IG charge** = Undated mid price x 2.5% / 365. The undated mid price is a snapshot of the mid price of the cash CFD or DFB on the relevant date.

Commodities spread bet example

Imagine you are long £10 per point on US Oil, with a spread of 2.8 points. The cost of your trade, if you don't hold it overnight, is the spread. 10 x 2.8 = £28.

Let's look at what the trade would cost if you held it for one night, based on the following:

T1 and T2 difference	= 31 days
P2	= 4700
P3	= 4770
Undated mid price	= 4730
Overnight adjustment	= £10 x (((4770 – 4700) / 31) + (4730 x 2.5% / 365)) Trade size / P3 - price of next future / P2 - price of front future / T2 – T1 / Undated mid price = £10 x (£2.258 + £0.324) = £22.58 + £3.24 Overnight adjustment / IG charge = £25.82

In this example, the IG charge for holding the position overnight is £3.24. The £22.58 basis adjustment will appear in the running profit or loss on the position as either a credit or debit, depending on the direction of your trade and the slope of the futures curve.

Based on the above example held for one night, the total cost would be as follows:

Spread = £28

Overnight funding charge (within adjustment) = £3.24

Total cost = £31.24

For any position opened before 10pm Friday that is still open after 10pm Friday, the basis adjustment will be made for three days as opposed to one. This three-day adjustment is applied on the Sunday night or Monday morning.

Commodities CFD trade example

Imagine that you're selling three standard contracts of Coffee – New York (Arabica). The contract size is $3.75, and the spread is 20 points.

Let's look at what the trade would cost if you held it for two nights, based on the following:

T1 and T2 difference	= 90 days
P2	= 12470
P3	= 12825
Undated mid price	= 12668.9
Overnight adjustment	= $11.25 x (((12825 – 12470) / 90) – (12668.9 x 2.5% / 360)) Trade size / Price of next future / Price of front future / T2 - T1 / IG charge = $11.25 x (3.944 – 0.88) Basis / IG charge = $44.37 – $9.90 = $34.47 (received) 2 x $34.47 Nights held = $68.94

Since this is a dollar trade, we also need to convert it into sterling. We charge an admin fee of 0.3% of the conversion rate. Say the conversion rate on this day is 1.3305 – with our admin fee, we get a conversion rate of 1.3344915.

Converted overnight adjustment = $68.94/1.3344915

= £51.66 (received)

Based on the above example held for two nights, the total cost would be as follows:

Spread	= 20 x $3.75 x 3
	= $225
Converted spread	= $225/1.3344915
	= £168.60
Overnight funding charge (within adjustment)	= 2 x 9.76
	= $19.52
Converted overnight funding charge	= $19.80/1.3344915
	= £14.84
Total cost	**£183.44**

FOREX

The costs and charges

When you open a daily funded bet or trade cash CFDs on one of our forex markets, you'll pay:

1. Our spread (the difference between the bid and ask prices; includes the market spread, which can vary dependant on market conditions)

2. An overnight funding charge (if you hold your position past 10pm UK time)

Forex settles on a T+2 basis, so if you hold a position overnight on a Wednesday, you'll be charged for three days' carry.

Formulae

1. Formula for forex **overnight funding charge = nights held x (tom-next rate including annual admin fee) x trade size**

2. Formula for **annual admin fee =**

   EITHER **cash mid price x 0.8%** for mini contracts and spread bets,

   OR **cash mid price x 0.3%** for CFD standard contracts.

We take our tom-next rate from the underlying market. For more information on how tom-next is calculated, please see <ins>Appendix C: What is tom-next?</ins>

Forex spread bet example

Imagine that you're short £5 per point on EUR/USD, with a spread of 0.75, and you hold the position for two nights.

Underlying tom-next	= 0.56/-0.58
Cash mid price	= 11780
Admin fee	= 11780 x 0.8% / 360 = 0.26
Tom-next with admin fee	= 0.30 / -0.84 We use this positive number in our calculation, as this is a short position
Total cost: **Spread**	= 0.75 x £5 = £3.75
Overnight funding	Tom-next with admin fee = 2 x 0.3 x £5 Days held / Trade size = £3.00 (received) (£2.60 of which is the IG admin fee: 2 x 0.26 x £5 = £2.60)
Total cost	**= £0.75 (spread minus overnight funding received)**

Forex CFD trade example

Imagine that you're buying 5 contracts of GBP/USD, with a spread of 0.9, held for one night on Wednesday. Forex trades are settled on a T+2 basis, so if you hold a position overnight on a Wednesday, you pay to hold your position for three nights rather than one. However, you'll only be charged our admin fee once.

Underlying tom-next	= 0.27/-0.3
Cash mid price	= 13176
Admin fee	= 13176 x 0.3% / 360 = 0.11
Tom-next with admin fee	= (3 x 0.27) – 0.11/ (3 x -0.3) – 0.11 = 0.7/-1.01 We use this negative number in our calculation, as this is a long position

Since this is a dollar trade, we also need to convert it into sterling. We charge an admin fee of 0.3% of the conversion rate. Say the conversion rate on this day is 1.3176 – with our admin fee, we get a conversion rate of 1.3136472.

Total cost:

Spread	= 0.9 x $50 = $45
Converted spread	= $45/1.3136472 = £34.26
Overnight funding	= -1.01 x $50 = $50.50
Converted overnight funding	= 50.50 / 1.3136472 = £38.44 (£4.19 of which is the IG admin fee: 0.11 x $50 = $5.50, which converted = $5.50/1.3136472 = £4.19)
Total cost	**= £72.70**

SHARES

The costs and charges

When you open a daily funded bet or trade cash CFDs on one of our share markets, you'll pay:

1. Our spread (the difference between the bid and ask prices) on spread bets, or our commission on CFD trades

2. The market spread, which can vary dependant on market conditions

3. An overnight funding charge (if you hold your position past 10pm UK time)

4. Borrow (if shorting a share market)

Formulae

1. **Overnight funding charge = nights held x (market closing price x trade size x (2.5% +/- LIBOR)) / 365**

If you're long, you pay LIBOR (or the equivalent interbank rate). If you're short, you receive it.

Shares spread bet example

Imagine that you're long £25 per point on Barclays. You hold your trade for 3 nights, with a closing price of 184.20 each evening.

Current UK LIBOR rate	= 0.37%
Market spread	= 0.05 points
IG spread	= 0.41
Total spread	= 0.46
Total cost: **IG spread**	= 0.41 x £25 = £10.25
Market spread	= 0.05 x £25 = £1.25
Overnight funding	Nights held / Trade size / LIBOR = 3 x (184.2 x 25 x (2.5%+0.37%)/365 Market closing price = £1.09
Total cost	**= £12.59**

Shares CFD trade example

Now imagine you're selling 250 Apple share contracts, held for four nights with a price of 167.20 each evening.

Current US LIBOR rate = 1.24%.

Annual borrow charge = 0.60%

Market spread = 0.1

Since this is a dollar trade, we also need to convert it into sterling. We charge an admin fee of 0.3% of the conversion rate. Say the conversion rate on this day is 1.3305 – with our admin fee, we get a conversion rate of 1.3265085.

Total cost:

Market spread	= 0.1 x 250 = $25
Converted market spread	= 25 / 1.3265085 = £18.85
IG commission	= $30 ($15 to open and $15 to close)
Converted IG commission	= 30/1.3265085 = £22.62
Overnight funding	= 4 x 250 x 167.20 x (2.5%-1.24%) / 360 = $5.85
Converted overnight funding	= 5.85 / 1.3265085 = £4.41
Borrow	= 4 x 250 x 167.2 x 0.6%/360 = $2.78
Converted borrow	= 2.78 / 1.3265085 = £2.10
Total cost = market spread + IG commission + overnight funding + borrow	**= £18.85 + £22.62 + £4.41 + £2.10** **= £47.98**

INDICES

The costs and charges

When you open a daily funded bet or trade cash CFDs on one of our index markets, you'll pay:

1. Our spread (the difference between the bid and ask prices; includes the market spread, which can vary dependant on market conditions)

2. An overnight funding charge (if you hold your position past 10pm UK time)

Formulae

1. **Overnight funding charge = Nights held x (market closing price x trade size x (admin fee +/- LIBOR)) / 365**

Our admin fee is 2.5% for spread bets and standard CFD contracts, and 3% for minis. If you're long, you pay LIBOR (or the equivalent interbank rate). If you're short, you receive it.

Indices spread bet example

Imagine that you're buying £10 per point of our FTSE 100 DFB. You hold your trade for two nights, with a closing price of 7488 on both evenings.

Current UK LIBOR rate = 0.37%.

You open and close your position during market hours, so the total spread charged is one point.

Total cost:

Spread = £10 x 1
= £10

Overnight funding = 2 x (£10 x 7488 x (2.5% + 0.37%)/365)
= £11.78

Total cost = £21.78

Indices CFD trade example

Imagine that you're selling 20 mini contracts of Germany 30 cash. You hold your trade for seven nights (including the weekend), with a price of 13446 at 10:00pm on all evenings.

Current EURIBOR rate = –0.372%.

You open and close your position during market hours, so the total spread charged is one point.

Total cost:

Spread = €20 x 1
= €20

Since this is a euro trade, we also need to convert it into sterling. We charge an admin fee of 0.3% of the conversion rate. Say the conversion rate on this day is 0.8749 – with our admin fee, we get a conversion rate of 0.8775247.

Converted spread	= €20 x 0.8775247 = £17.55
Overnight funding	= 7 x €20 x 13446 x (3% - (-0.372%)/360 = €176.32
Converted overnight funding	= €176.32 x 0.8775247 = £154.73
Overall cost	= £172.28

EQUITY OPTIONS

The costs and charges

When you open a daily funded bet or trade cash CFDs on one of our equity options, you'll pay:

1. Our spread on spread bets/our commission on CFD trades

2. The market spread, which can vary dependant on market conditions

The spread is the difference between the bid and ask prices.

Equity options spread bet example

Imagine you're selling £20 per point of the Marks and Spencer Group 300 PUT expiry JAN, and hold until expiry.

IG spread = 1 point

Market spread = 3.75 points

Total cost:

IG spread = £20 x 1
= £20

Market spread = £20 x 3.75
= £75

Total cost = £95

Equity options CFD trade example

Imagine you're buying 15 lots of the SPY 25750 CALL expiry DEC, and hold for 2 weeks. One lot = 100 shares for US equity options.

IG commission = $5 per lot, charged to open and close

Market spread = 3 points

Total cost:

IG commission = 2 x 15 x $5

= $150

Since this is a dollar trade, we also need to convert it into sterling. We charge an admin fee of 0.3% of the conversion rate. Say the conversion rate on this day is 1.3305 – with our admin fee, we get a conversion rate of 1.3265085.

Converted IG commission = $150 / 1.3265085

= £113.08

Market spread = $0.03 x 15 x 100

= $45

Converted market spread = $45/1.3265085

= £33.92

Total cost = £147

APPENDIX A: FORMULA SHEET

These are the formulae you'll find used throughout this document, displayed here for quick reference.

CURRENCY CONVERSION FEE

0.3% x conversion rate

COMMODITIES

Overnight funding adjustment

EITHER

Trade size x (basis + IG charge) for long trades on upward-sloping futures curves, or short trades on downward-sloping futures curves; trades in which you will pay the basis.

OR

Trade size x (basis - IG charge) for short trades on upward-sloping futures curves, or long trades on downward-sloping futures curves; trades in which you will receive the basis.

Basis

$(P3 – P2) / (T2 – T1)$

$P2$ = price of front future

$P3$ = price of next future

$T1$ = expiry date of the previous front future

$T2$ = expiry date of the front future

IG charge

Undated mid price x 2.5% / 365

The undated mid price is a snapshot of the mid price of the cash CFD or DFB on the relevant date.

FOREX

Overnight funding charge

(tom-next rate including annual admin fee) x trade size

Annual admin fee

EITHER

**Cash mid price x 0.8%** for mini contracts and spread bets.

OR

Cash mid price x 0.3% for CFD standard contracts.

SHARES AND INDICES

Overnight funding charge

Market closing price x trade size x (admin fee +/- LIBOR) ÷ 365

Our admin fee is 2.5% for spread bets and standard CFD contracts, and 3% for minis. If your position is long, you pay LIBOR (or the equivalent interbank rate). If you're short, you receive it.

APPENDIX B – HOW WE PRICE OUR UNDATED COMMODITY MARKETS
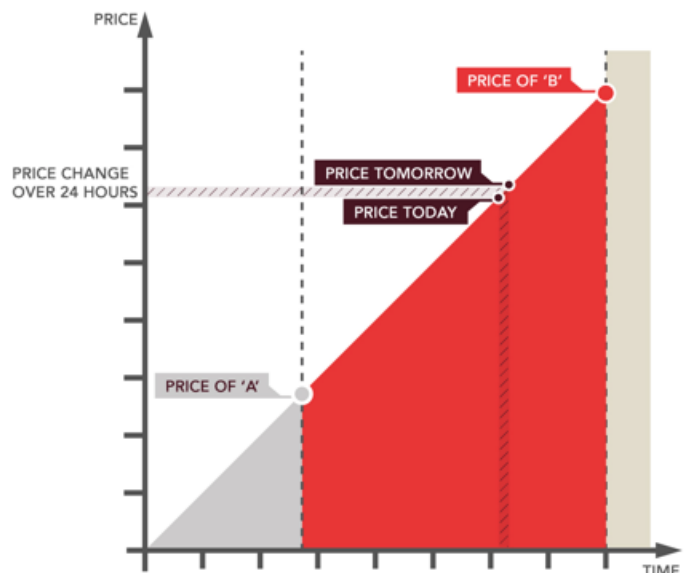
To price our undated commodity markets, we use two futures contracts on the underlying commodity. For each market we look at the contracts that have sufficient liquidity, then use the two with the nearest expiry dates.

The one that has the closest expiry date is called the front month contract, and is labelled 'A' in our diagram. The one with the second-nearest expiry date is called the back month contract and is labelled 'B'.

As soon as the previous contract expires, the price we offer is equal to the price of 'A'. When 'A' expires, 'B' becomes the front month contract, and our price is equal to the price of 'B'.

In between these two expiry points, our price gradually moves from the price of 'A' towards the price of 'B'. Depending on the commodity, the price of 'B' can be higher or lower than the price of 'A'.

What this means for overnight funding

Our undated price will predictably and regularly move along this curve with the passage of time, rather than in reaction to actual stimuli. As a result, you're not eligible to make a profit or loss on the movement. Each overnight funding adjustment for these markets reflects this, crediting or debiting one day's movement along the forward curve from the price of 'A' towards the price of 'B'.

If you have a long position on a 'rising' market (more accurately, a market with an upward-sloping curve), your account will be debited by the amount the market has 'risen' (or rather, progressed along the curve) that day. Conversely, you won't lose anything if you have a short trade on a market with an upward-sloping curve – we'll credit your account the necessary amount.

APPENDIX C – WHAT IS TOM–NEXT?

Tom-next is short for tomorrow-next day, the means by which forex speculators avoid taking physical delivery of currency and are able to keep forex positions open overnight.

Like commodities, forex trades would – if left unchecked – normally result in the trader taking delivery of the asset they have traded. In forex the expected delivery day is two days after any transaction. In order to keep a trade open overnight, forex providers will swap any overnight positions for an equivalent contract that starts the next day. The price difference between the two contracts is called the tom-next adjustment.

Tom-next is calculated by adjusting the closing level of the open position with the interest rate of the currencies involved. If you are buying a currency with a higher interest rate then you receive an interest payment, if you are buying a currency with a lower interest rate you have to pay interest.