Key Information Document –FX barrier options

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.

Barrier options are provided by **IG Europe GmbH ("IGE"),** a company incorporated in the Federal Republic of Germany and registered in the Düsseldorf Trade Register under number HRB80754. IGE is authorised and regulated by the Bundesanstalt für Finanzdienstleistungsaufsicht ("BaFin") and Deutsche Bundesbank (Register number 148759). See www.ig.com for more information or contact us on 0800 409 6789 or +44 207 896 0079.

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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

An FX barrier option is a derivative contract entered into with IG on a bilateral basis. It allows a client to speculate on the rising or falling price of an underlying FX pair. An FX barrier option is an exotic option on an underlying FX pair.

The underlying FX pair involves simultaneous buying and selling of two different currencies. The value of the currency pair therefore reflects how much the first currency, known as base currency, is worth of the second currency, known as variable currency.

The price of the barrier option is calculated by adding together the following two factors:

1. The difference between the knock-out level and the current "spot" price of the FX pair. This spot price is derived from prices sourced from major liquidity providers to the OTC FX and bullion market

2. A knock-out premium, corresponding to the cost for the knock-out level being guaranteed

There are two types of barriers: call and put. Clients can either go long (call) or short (put) on the underlying.

When buying a call contract (going long), the client thinks the price of the underlying instrument or asset will rise. When buying a put contract (going short), the client thinks the price of the underlying instrument or asset will fall. The price of the FX pair will rise if the base currency value has risen in relation to the variable currency and fall if the base currency falls in relation to the variable currency.

In both instances the client is expecting the price of the barrier option to increase by the difference between the strike price and underlying FX pair level increasing.

A given instantaneous move in the bid/ask price of the underlying results in an identical move in the price of the barrier option. This principle is altered where the knock-out premium varies. Such a situation will occur where IG increases the knock-out premium in anticipation of a perceived high-risk event at the time a client enters into a contract. The knock-out premium will decrease once the event has passed.

The risk on the position will vary depending on the knock-out level chosen by a client when buying a contract. The contract will automatically be closed out if the underlying price reaches the knock-out level. This enables a client to put an absolute limit on their maximum loss per contract.

The client is also charged a separate commission on opening and closing of the trade.

Objectives

This product provides exposure to the performance of an underlying FX pair without actually needing to buy or sell the underlying instrument.

The product is subject to an initial payment, a commission charge, the spread and a knock-out premium. With a sample position of $10,000 of a EUR/USD Call barrier option (100 contracts), the initial payment for the product will also be $10,000 where EUR/USD ask price is trading at 1.1700, the knock-out level was selected at 1.1602 points by the client and the knock-out premium is 2 points at the time of entering in the contract. $9800 is the difference between the knock-out level and GBP/USD multiplied by the trade size (100 contracts x $1 contract size), and $200 is the knock-out premium multiplied by the trade size. The commission charge is 10c per contract – so the position is also subject to a $10 charge taken on opening and closing.

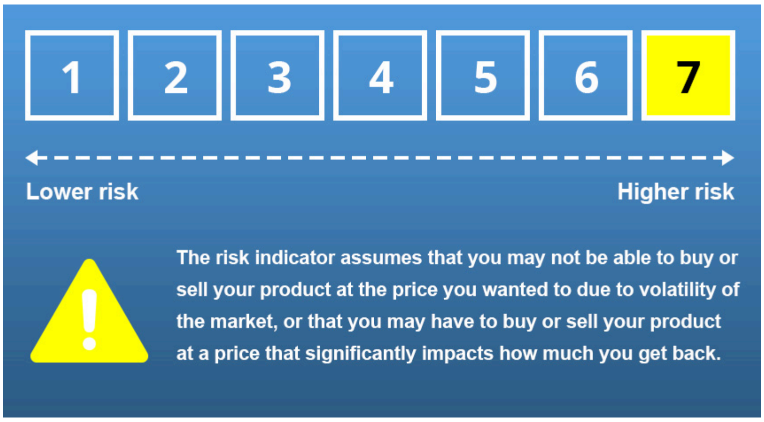
The client does not have the ability to modify the selected knock-out level during the product's lifetime.

It is not possible to make a recommendation for a holding period, although clients typically hold positions for less than a day. Any recommendation for the holding period would be misleading information for a speculative client.

A daily holding fee will be charged basis positions open at 10pm (UK time).

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.

Barriers are products that, due to underlying market movement, can generate losses rapidly. There is no capital protection against market risk, credit risk or liquidity risk. **It is possible to lose all of the money on your account.**

Be aware of currency risk. It is possible to place a barrier option on a knock-out on an underlying instrument 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 barrier option trade on an underlying instrument is closed at a less favourable price, which could significantly impact how much you get back; although if the knock-out level is triggered the position will be closed at the knock-out level. We may close your open barrier option if you do not maintain enough funds to cover overnight charges or the above stated currency risk, if you are in debt to the company, or if you contravene market regulations. This process may be automated.

Performance scenarios

The scenarios shown illustrate how your investment (in this case, an investment in a financial instrument) could perform, but are not an exact indicator. 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. What you get will vary depending on how the market performs and how long you hold the barrier 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:

FX barrier option (held for one day)	
Based on EURUSD data from 2016-01-29 to 2018-06-11 (inclusive)	
Barrier distance:	100 points from market price
Spread:	0.9 points
Knock-out premium:	1.2 points
Commission:	10c per lot

Table 1

LONG Performance scenario	Option value change	Total return on a 10k investment	SHORT Performance scenario	Option value change	Total return on a 10k investment
Favourable	66.32	**16631.97**	Favourable	67.7	**16770.19**
Moderate	-1.86	**9814.01**	Moderate	-1.86	**9814.01**
Unfavourable	-73.08	**2692.21**	Unfavourable	-71.21	**2878.5**
Stress	-100	**0**	Stress	-100	**0**

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 IG is unable to pay out?

If IG is unable to meet its financial obligations to you, you may lose the value of your investment. However IG segregates all client funds from its own money in accordance with the Securities Trading Act (WpHG). IG also participates in the Securities Trading Companies Compensation Fund (Entschädigungseinrichtung der Wertpapierhandelsunternehmen (EdW), 10865 Berlin/Germany), which covers eligible investments up to 90% of the claim, maximum €20,000 per person, per firm. See http://www.e-d-w.de.

What are the costs?

Trading a barrier option on an underlying FX pair incurs the following costs:

This table shows the different types of cost categories and their meaning		
One-off entry and 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.
	Commission	The client is charged a separate commission, reflected on the client's ledger, at opening and closing of the trade.
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.
	Knock-out premium	A variable premium that is charged for the knock-out level being guaranteed when it is triggered. A client may also be charged part of the premium without the knock-out level being triggered, if the premium was higher on opening of the trade than on closing.
Ongoing costs	**Daily holding cost**	A fee is charged to your account for every night that your position is held. This means the longer you hold a position, the more it costs.

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

Barrier options 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 barrier option on an FX pair at any time during market hours.

How can I complain?

If you wish to make a complaint about IG, you should contact our client services team on 0800 409 6789, or email helpdesk.uk@ig.com. If our client services team is unable to resolve the matter you may refer it to our compliance department. If you do not feel that your complaint has been resolved satisfactorily, you are able to refer your complaint to the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin). See

https://www.bafin.de/DE/Verbraucher/BeschwerdenAnsprechpartner/Ansprechpartner/Schlichtungsstelle/schlichtungsstelle_artikel.html for further information.

You can also refer to the European Commission's Online Dispute Resolution Platform, however it is likely that you will be referred to the BaFin.

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 terms and agreements 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 barrier option on an underlying FX pair.