

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.

Short Spread Bet Options are offered by **CMC Spreadbet plc** (“CMC”), a company registered in England and Wales, number 02589529. CMC Spreadbet plc is authorised and regulated by the Financial Conduct Authority in the United Kingdom, register number 170627. Call 020 7170 8200 or go to www.cmcmarkets.com for more information.



This document was last updated on 4 October 2024.

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

What is this product?

Options are financial derivatives. This product is a Short Spread Bet Option (“**Short SB Option**”) entered into with CMC on a bilateral basis. It allows an investor to speculate on rising or falling prices in an underlying instrument (or volatility) by betting an amount per point, known as the Stake, on the Short SB Option. Selling options is often referred to as ‘writing options’.

You can enter into two types of Short SB Options, 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. When spread betting with CMC, Short SB Options are always cash settled and the settlement of a Short SB Option will not result in the acquisition of any underlying asset.
- A Put Option which 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. When spread betting with CMC, Short SB Options are always cash settled and the settlement of a Short SB Option will not result in the acquisition of any underlying asset.

In respect of Short SB Options, other factors that can impact the value include but are not limited to, the remaining time to expiry or implied volatility of the underlying asset. This means that even if the value of the underlying asset has not changed, the value of the SB Option may change and decrease.

You will receive a payment equivalent to the SB Option Price x Stake, for providing us with the option to exercise the Short SB Option. For the rest of this document, all scenarios outlined will use a Stake of 1, and therefore any payments received will be equivalent of the opening SB Option price. You are required to either pay or hold cash in your Account as Margin (calculated according to the Margin Rate and detailed in CMC’s Cost Disclosure document available on our website) to cover any potential losses arising from our exposure under the Short SB Option.

Your Short SB Option will automatically come to an end at the specified time on the Expiry Date. If the relevant attributes are not met on the Expiry Date (in respect of the Strike Price), the option will not be exercised, and will automatically expire. You will retain the equivalent of the SB Option price of the opening bet for being exposed to the option. If the relevant attributes are met on the Expiry Date (in respect of the Strike Price), the option will be automatically exercised, and you will be ‘in the money’. In this scenario, you will owe us an amount linked to the value of the option on the Expiry Date depending on the underlying price on the Expiry Date, (you may owe significantly more than the opening SB Option price you received for providing the option to us).

Selling options carries inherent risks and your losses under a Short SB Option are potentially unlimited. A worst-case scenario for a Call SB Option seller is a strong market rally far greater than the opening SB Option price received. A worst-case scenario for a Put SB Option seller is a downward market move far greater than the opening SB Option price received. Retail investors benefit from negative balance protection. If you are a retail investor, we may close out your Short SB Option before the Expiry Date if the amount that you would have to pay us upon the exercise of our option under the Short SB Option is the same as, or exceeds, the total amount of cash held in your Account (including your Margin).

In this scenario, your Short SB Option will be closed out, and you will lose all the cash held in your Account with us, less the initial payment. If you have a negative Cash balance on your Account, we will waive our right to claim the deficit and your Account will be returned to a zero (0) balance. We calculate the value of a Short SB Option on an ongoing basis for the purposes of determining when we may have to close-out your Short SB Option before the Expiry Date.

Objectives

The objective of a Short SB Option 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). A Short SB Option provides an investor with an initial cash payment for providing the option right, but in return the investor is exposed to movements in the value of the SB Option.

Short SB Options have a pre-defined expiry date and automatically either expire or are cash settled at the specified time on the Expiry Date. Short SB Options may be closed before the expiry date if the Investor does not deposit additional funds as Margin in the case of a negative price movement. Retail customer losses will be limited to all the invested capital in their Account due to Negative Balance Protection (which will be more than the amount they initially receive for providing the Short SB Option).

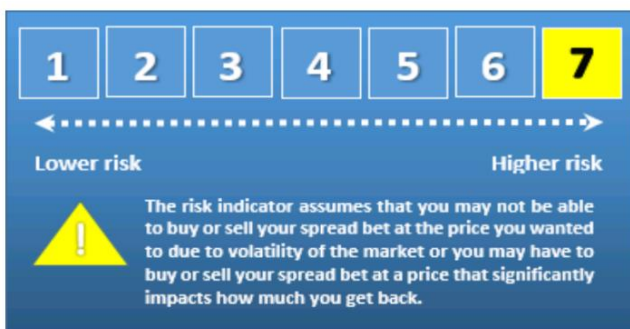
There is no recommended holding period for a Short SB Option, and it is down to the discretion of each individual investor to determine the most appropriate holding period based on their own individual trading strategy and objectives. CMC retains the ability to unilaterally terminate any Short SB Option in accordance with our Financial Betting Terms of Business.

Intended Retail Investor

Short SB Options are intended for investors who have knowledge of, or experience with, derivatives investment products. Likely investors will understand how the prices of put and call options are derived and the key concept of margin. They will understand the risk/reward profile of the product compared to traditional share dealing, and desired 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 entirety of the cash held in their Account), or if they are a Professional Client, be able to bear losses exceeding the capital 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.

Short SB Options are complex instruments that, due to underlying market movements, can generate losses rapidly. 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 a Short SB Option 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. Retail customers will benefit from Negative Balance Protection, which means your losses in respect of your Short SB Options will be limited to the total amount of cash that you hold in your Account with us.

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 Short SB Option 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 Position.

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 Position. The market risk factors for this product mean that your returns may be negatively impacted even where the value of the underlying asset price remains the same.

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

Under severely adverse market conditions, your losses are potentially unlimited. Retail customers are limited to the risk of losing all the cash held on their Accounts with us due to Negative Balance Protection.

What happens if CMC Spreadbet 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?

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

One-off costs	Entry costs	Spread	The impact of the costs you pay when entering your investment, which includes spread costs
	Exit costs	Spread and currency conversion (where appl.)	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 Short SB Option)
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 applied by CMC can be found in our Next Generation Costs Disclosure document available on our website.

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

Short SB Options are intended for short term trading, but also for longer term investments in cases where the SB Options 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 Short SB Option at any time during trading hours and your Short SB Option will either close on its Expiry Date, or earlier if you do not maintain sufficient Margin and/or your losses may exceed the amount of cash you hold in your Account with us.

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. 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 Short SB Option. Additional information on costs can be found on our website.