Key Information Document – Spread bet on a forex instrument

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.

Product

Product Name Spread bet on a forex instrument.

Product manufacturer London Capital Group Limited ("LCG UK"), authorised and regulated by the Financial Conduct Authority in the United Kingdom (FRN: 182110).

Further information You can find more information about LCG UK and our products https://www.lcg.com/markets/. You can contact us using the details on our website https://www.lcg.com/ or by calling +44 (0) 207 456 7020. This document was last updated on 1 January 2018.

Alert

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 commodity, security or index. 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 have the indirect exposure.

This document provides key information on a spread bet where the underlying investment option that you choose is a forex instrument. A foreign exchange derivative is a contract that has foreign exchange as the underlying asset. You can visit https://www.lcg.com/markets/ for information on the underlying assets available to you.

Objectives

The objective of a spread bet is to speculate on price movements in an underlying asset by obtaining an exposure to the underlying asset. Price movements in the value of the underlying asset are measured in points. For example, if you believe the value of a forex instrument is going to increase, you would make a spread bet on the value increasing (this is referred to as "going long"). If the price of the underlying asset is higher when your spread bet is closed, the amount of points that the price has risen multiplied by the size of your spread bet will be your profit, minus any relevant costs (detailed below). If you think the value is going to decrease, you would make a spread bet on this occurring (this is referred to as "going short" or "shorting"). If the price of the underlying asset is lower when your spread bet is closed, your profit will be the amount of points that the price has fallen multiplied by the size of your spread bet, minus any relevant costs (detailed below). However, if in either circumstance the price moves in the opposite direction and the spread bet is closed either by you or as a result of a margin call (detailed below), you would owe us the amount of loss you have incurred together with any costs.

To open a position and to protect us against any losses you incur, you are required to deposit a percentage of the total value of the contract in your account. This is referred to as the margin requirement (see further below). **Trading on margin can enhance any losses or gains you make.**

Intended Retail Investor

Spread Betting will not be appropriate for everyone. We would normally expect these products to be used by persons who:

(i) have a high-risk tolerance;

(ii) are trading with money they can afford to lose;

(iii) have experience with, and are comfortable trading on, financial markets and, separately, understand the impact of and risks associated with margin trading; and

(iv) want to generally gain short term exposures to financial instruments/markets, and have a diversified investment and savings portfolio.

Term

You can close your spread bet at any time, assuming the spread bet is open for trading. However, we may close your position before this time without seeking your prior consent if you do not maintain sufficient margin in your account, but we are under no obligation to do this. More information about when we can close your position is set out below.

What are the risks and what could I get in return?

Risk Indicator

1	2	3	4	5	6	**7**

Lower risk ← → Higher risk

You may not be able to cash in early. You must maintain sufficient margin in your account to keep your positions open. Trading on margin means you could lose significantly more than your initial investment.

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 high chance that you could lose more than your initial investment.

Be aware of currency risk. You will receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

In some circumstances you may be required to make further payments to pay for losses. **The total loss you may incur may significantly exceed the amount invested.** Losses can materialise quickly due to the use of margin (see further below).

Spread Betting requires you to maintain a certain level of funds in your account to keep your positions open. This is called margin. You will be able to open a position by depositing only a small percentage of the notional value of the position, creating a leveraged position. Leverage can significantly magnify your gains and losses. If the funds in your account are no longer sufficient to keep your position open, you will be required to make up this shortfall. This is a margin call. If you do not meet your margin call, we may close your position (immediately and without notice) and you will realise any losses. You could, therefore, lose more than your entire investment. When making a spread bet where you are going short, your losses could theoretically be limitless.

Our spread bets are not listed on any exchange, and the prices and other conditions are set by us in accordance with our best execution policy. The contract can be closed only with us, and are not transferable to any other provider. If you have multiple positions with us, your risk may be cumulative and not limited to one position.

The tax regime of the country in which you are domiciled may impact your return.

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 LCG UK is unable to pay out'). The indicator shown above does not consider this protection.

Performance Scenarios

This key information document is not specific to a particular product. It applies to a spread bet on any commodity. However, each spread bet you make with us is determined by you, as you select the amount you want to bet per point of movement in the underlying commodity (£/point). You will be responsible for choosing the underlying forex instrument, the size of your position and your margin (subject to limits), and whether to use any risk mitigation features we offer (for example stop loss orders). Each of your positions will also be impacted by any other open position you have with us.The underlying options offered for each spread bet will have a material impact on the risk and return of your investment. Specific information on the underlying investment options is available https://www.lcg.com/markets/.

This table shows the money you could get back under different scenarios. The scenarios assume you choose to buy a stake of £10 per pip relating to an underlying asset, EURGBP. This currency pair has a pip position of 0.0001, (see market information tables on website), therefore multiplying the bet size by the pip position will tell you how much you will make or lose for every pip movement in the EURGBP price. You will make or lose £10 for every pip the price moves up/down from where you bought.

Assuming you decide to buy a stake of £10 per pip of EURGBP at 0.8790 you will have notional exposure to the underlying asset £87,900. You will have to deposit at least £175.80 to cover the margin requirement, which is 0.2% of your notional exposure, leading to a leveraged exposure of 500:1. The scenarios also assume we charge an overnight financing fee, starting from 0.5% annualised on top of the relevant overnight market rate, in addition to our spread but there are no other fees. The below scenarios assume you deposit £1000 into your account to start.

Notional exposure of £87,900 | Initial margin £175.80 | Leverage 0.2%			
Scenarios		*Intra-day*	*10 days*
Stress scenario: *The price falls by 91.2 pips and we close you out at 0.86988*	***What you might lose after costs*** *Percentage return*	*-£912.00* -91.2%	*-£925.70* *-92.6%*
Unfavourable scenario: *The price falls by 20 pips and you exit the position at 0.8770*	***What you might lose after costs*** *Percentage return*	*-£200.00* -20.0%	*-£213.70* *-21.4%*
Moderate scenario: *The price falls by 20 pips and you exit the position at 0.8770*	***What you might lose after costs*** *Percentage return*	*-£5.00* *-0.5%*	*-£18.70* *-1.9%*

Favourable scenario: *The price increases by 20 pips and you exit the position at 0.8810*	***What you might get back after costs*** *Percentage return*	*£200.00* 20.0%	*£186.30* *18.6%*

The stress scenario above shows how small price movements can rapidly lead to losses and a forced close out of your position. In the above stress scenario you would owe us additional money for your trading losses and lose more than your investment. 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.

What happens if LCG UK is unable to pay out?

If LCG UK is unable to meet its financial obligations to you, this could cause you to lose the value of any spread bets you have with LCG UK. LCG UK segregates your 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 £50,000 per person, per firm. See www.fscs.org.uk.

What are the costs?

This table shows the different types of costs involved when you trade a spread bet

One off costs	**Spread**	The spread is the difference between the buy (offer) and sell (bid) price that we quote. For example, if the underlying asset is trading at 100, our offer price (the price at which you can buy) might be 101 and our bid price (the price at which you can sell) might be 99. You pay the spread on opening and closing a contract.
	Currency conversion	A currency conversion rate is charged if dealing in a currency other than your account currency, we charge 0.5% on such transactions.
Ongoing costs	**Overnight holding costs**	Cash positions on your account at the end of a trading will be subject to overnight holding costs. These can be positive or negative depending on the direction of the position, and the current holding rate. The usual market terms for holding costs related to FX is swap or tom-next. The charge is shown in terms of pips (or points on MT4) and is the difference between the interest paid to borrow the currency that is being notionally sold, and the interest received from the opposing currency that is being held. We will apply an additional 0.5% annualised borrow charge on top of the market swap rate.
Other costs	**Distributor fees**	We may make payments from time to time to certain partners who introduce business to us. These payments made be based on the revenues we earn and your trading activity. We only make these payments if they do not breach the Financial Conduct Authority's rules on inducements.

The costs will vary depending on the underlying investment options you choose. Specific information can be found https://www.lcg.com/markets/spreads-costs/.

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

This spread bet will expire in the event you do not have available margin. You should monitor the product to determine when the appropriate time is to exit. You can close your spread bet at any time before its designated expiry time, assuming the spread bet is open for trading.

How can I complain?

If you wish to make a complaint, you should contact our client services team on +44 (0) 207 456 7020, or email customerservices@lcg.com. If you do not feel your complaint has been resolved satisfactorily, you are able to refer your complaint to the Financial Ombudsman Service (FOS). See www.financial-ombudsman.org.uk for further information.

Other relevant information

You will find detailed information on our products by reviewing the Forex pages. You should ensure that you read the terms of business, order execution policy and risk warning notice displayed in the legal section of our website, at https://www.lcg.com/lcg-group/legal-documentation/. Such information is also available on request.