

## KEY INFORMATION DOCUMENT (CALL OPTIONS ON SHORT TERM INTEREST RATE FUTURES)

**Purpose:** This document provides 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:** ICE Futures Europe (“IFEU”) - Call Options on Short Term Interest Rate (“STIR”) Futures - <https://www.ice.com/futures-europe>  
Options On Three Month SONIA Futures / Three Month Euribor Futures  
Mid-curve Options (1, 2, 3, 4 or 5 Years) on Three Month SONIA Futures / Three Month Euribor Futures  
Call +44 (0)20 7429 4640 for more information or email: [ICEFuturesEurope-FixedIncome@ice.com](mailto:ICEFuturesEurope-FixedIncome@ice.com)  
IFEU is a recognised investment exchange supervised by the Financial Conduct Authority.  
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**Alert:** *You are about to purchase a product that is not simple and may be difficult to understand.*

### What is this product?

**Type:** Derivative. **Call Options on STIR Futures** are considered to be derivatives under Annex I, Section C of **MiFID 2014/65/EU**.

### Objectives:

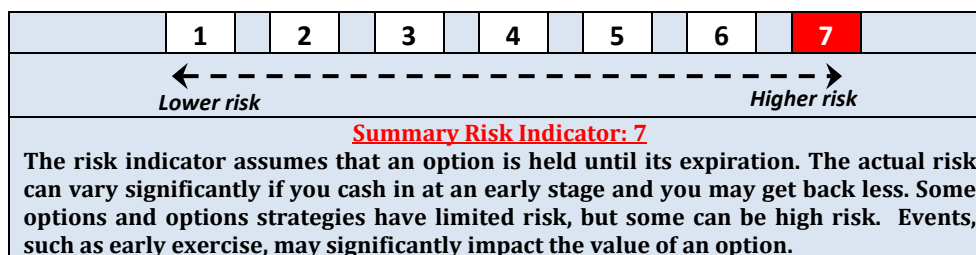
Call Options on STIR Futures are physically settled derivatives. A Call Option gives the **buyer** the right, but not the obligation, during the fixed period stated in the contractual terms, to buy the underlying STIR Future at a pre-determined price (strike price). **Sellers** (writers) of a Call Option take on an obligation to make delivery of the underlying STIR Future, if the Call Option is exercised by the buyer. IFEU Call Options on STIR Futures are American style. Each option series has a maturity date (“**Last Trading Day**”), after which the product will expire. You can close your position on any trading day up to and including the Last Trading Day. If you (as a **buyer**) ‘opened’ a position by buying a Call Option, you sell the same contract to ‘close’ your position. If you (as a **seller**) ‘opened’ a position by selling a Call Option, you buy the same contract to ‘close’ your position. Factors that impact a Call Option’s value include, but are not limited to, the strike price, time until expiration and value of the underlying STIR Future. Call Options may in certain circumstances be unilaterally terminated by IFEU and may be terminated by ICE Clear Europe Ltd. (“**ICEU**”) (see “What happens if IFEU is unable to pay out?” below) following an event of default of a Clearing Member or invoiced back. Call Options will (unless you choose to close the position beforehand) automatically expire on the expiry date.

### Intended retail investor:

This product is not designed to be marketed to a specific type of investor or to fulfil a specific investment objective or investment strategy. A retail investor should become familiar with the characteristics of this product to make an informed decision on whether or not this product fits their investment needs. If in doubt, a retail investor should contact their broker or investment adviser to obtain investment advice.

### 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 market. We have classified this product as **7 out of 7**, which is the highest risk class. This rates the potential losses from future performance at a very high level.
- **Be aware of currency risk. You may 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.**
- This product does not include any protection from future market performance so you could lose some or all of your investment.
- If ICEU (see “What happens if IFEU is unable to pay out?” below) or any intermediary are not able to pay you what is owed, you could lose your entire investment.
- **The risk and reward profile of a Call Option depends on its terms, but will involve the following considerations: Buyers** of Call Options can incur a maximum loss equal to the option premium, plus any transaction costs. **Sellers** (writers) of Call Options take on an obligation to make delivery of the underlying STIR Future on or before the Last Trading Day if the Call Option is exercised. Sellers can incur unlimited losses. **Selling options can be high risk and requires extensive product knowledge.** The profit or loss potential of a Call Option on the expiration date depends on the exercise price and the premium paid by a Buyer or the premium received by a Seller. The price of the Call Option premium depends on several factors, such as the price

movement of the underlying STIR Future, interest rates, time remaining to expiry and the market expectations on volatility. Additionally, the potential for profit or loss of the Call Option position depends highly on the way the position is used, e.g. Call Options can be traded as a risk management tool to hedge other investments or as a stand-alone investment.

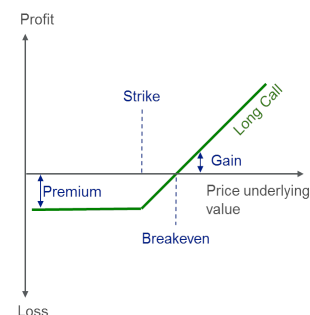
- This product can expose a retail investor to unlimited liabilities in certain circumstances and can be used for a variety of purposes e.g. for hedging/risk management or as a stand-alone instrument. This is a complex product and is only likely to be appropriate for the most experienced, sophisticated and knowledgeable types of investors.

### Performance scenarios:

These graphs illustrate how your investment could perform. You can compare them with the pay-off graphs of other derivatives products in different Key Information Documents.

The graphs presented give a range of possible outcomes and are not an exact indication of what you might get back. What you get will vary depending on how the underlying will develop. For each value of the underlying the graphs show what the profit or loss of the product would be. The horizontal axis shows the various possible prices of the underlying value on the expiry date and the vertical axis shows the profit or loss.

### Buy Call Option on STIR Future:



**Transaction:** Buy Call Option.

**Investment:** Call Option premium amount and margin is also required.

**Margin:** Initial margin requirement, up to the amount required for having a position in the STIR Future (0.05-0.10% of the contract notional value) plus variation margin to mark to market prices on a daily basis.

**Market expectation:** Rising market. Buying this product holds that you think the price will increase i.e. rates will go down.

**Profit/loss calculation:** The profit or loss at expiration is calculated as follows:

**Step one:** Take the price of the underlying value minus the Call Option's strike price. When the result of this calculation is a negative figure, the result is set at zero.

**Step two:** Take the result of Step one and subtract the premium paid to buy the Call Option.

**Step three:** The previous calculation determines the result per unit of the underlying value, but the total profit or loss of a Call Option contract depends on the monetary value of the tick size, or minimum price movement, of the contract. The total profit or loss of a Call Option is therefore calculated by multiplying the value of Step two by the relevant tick size. In the case of Call Options on Three Month SONIA Futures and Three Month Euribor Futures, this is £6.25 and €6.25 respectively.

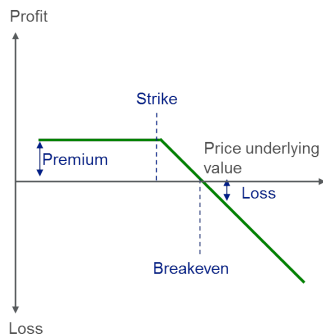
**Profit and loss characteristics:**

**Profit:** Unlimited.

**Loss:** Your maximum loss would be that you will lose all your investment (premium paid) plus transaction costs.

**Break-even:** Reached when the price of the underlying STIR Future rises above the strike price by the same amount as the premium paid to establish the position.

### Sell Call Option on STIR Future:



**Transaction:** Sell Call Option.

**Investment:** None, but margin is required.

**Margin:** Initial margin requirement, up to the amount required for having a position in the STIR Future (0.05-0.10% of the contract notional value) plus variation margin to mark to market prices on a daily basis.

**Market expectation:** Falling market. Selling this product holds that you think the price will fall i.e. rates will go up.

**Profit/loss calculation:** The profit or loss at expiration is calculated as follows.

**Step one:** Take the price of the underlying value minus the Call Option's strike price. When the result of this calculation is a negative figure, the result is set at zero.

**Step two:** Take the premium received and subtract the result of Step one.

**Step three:** The previous calculation determines the result per unit of the underlying value, but the total profit or loss of a Call Option contract depends on the contract tick size, or minimum price movement, of the contract. The total profit or loss of a Call Option is therefore calculated by multiplying the value of Step two by the relevant tick size. In the case of Call Options on Three Month SONIA Futures and Three Month Euribor Futures, this is £6.25 and €6.25 respectively.

**Profit and loss characteristics:**

**Profit:** Limited to the premium received from selling the Call Option.

**Loss:** Your maximum loss is unlimited in a rising market and you may lose all of your investment and be required to make additional payments significantly exceeding the initial margin payment.

**Break-even:** Reached when the price of the underlying STIR Future falls below a price that would be equal to the strike price plus the premium received from selling the Call Option.

Buying or selling a STIR Call Option is one of the ways that you can take a 'long' or 'short' STIR Future position and depends on the investor's individual trading strategy.

The scenarios shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

### What happens if IFEU is unable to pay out?

IFEU is not responsible for paying out under the investment. All derivatives traded on IFEU are centrally cleared by ICEU. IFEU and ICEU are not within the jurisdiction of the UK Financial Services Compensation Scheme. In the event of a default by ICEU or your intermediary your position may become subject to ICEU's default procedures in accordance with its clearing rules, which may

ultimately expose you to a risk of financial loss. It is possible that you may be included in any other compensation scheme depending on the exchange trading participant/member, clearing member, broker or other intermediary involved in a retail derivative transaction concerning this product. If you are in any doubt as to your position you should seek independent professional advice.

#### What are the costs?

##### Costs over Time and Composition of Costs:

IFEU charges fees which are applied to Clearing Members. The full fee schedule is available on our website ([https://www.ice.com/publicdocs/futures/IFEU\\_Fees\\_Interest\\_Rate\\_Products.pdf](https://www.ice.com/publicdocs/futures/IFEU_Fees_Interest_Rate_Products.pdf)). The person selling you or advising you about this product may pass on IFEU and ICEU charges and charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time. Further or associated costs may be charged to retail investors by the exchange trading participant/member, brokers or other intermediaries involved in a retail derivative transaction.

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

**There is no recommended holding period for this product.** IFEU STIR Call Options can be held until expiration. IFEU STIR Call Options are American style so the buyer can exercise the Call Option on any day up to and including the Last Trading Day. Options will expire on the relevant maturity date unless validly exercised. Whether or not retail investors choose to do so will depend on their investment strategy and risk profile.

- ✓ A short Call Option position (i.e. a position opened by selling a Call Option) can be closed by entering a buy order (e.g. by giving the relevant instructions to your broker) in the market on any trading day up to and including the Last Trading Day.
- ✓ A long Call Option position (i.e. a position opened by buying a Call Option) can be closed by entering a sell order (e.g. by giving the relevant instructions to your broker) in the market on any trading day up to and including the Last Trading Day.

#### How can I complain?

Retail investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship in relation to this product or to the IFEU Complaints Handling Officer. Complaints must be made in writing to: The Complaints Handling Officer, ICE Futures Europe, 5<sup>th</sup> Floor, Milton Gate, 60 Chiswell Street, London, EC1Y 4SA, or can be emailed to: [ICEFuturesEurope-Complaints@ice.com](mailto:ICEFuturesEurope-Complaints@ice.com). See <https://www.ice.com/futures-europe/regulation> for full details of IFEU's Complaints Handling Procedures).

#### Other relevant information

**Contract specifications setting out key details of all IFEU STIR Call Options traded on our markets are published on IFEU's website:**

Options On Three Month SONIA Futures / Three Month Euribor Futures

<https://www.ice.com/products/79341513/Options-on-Three-Month-SONIA-Index-Future>

<https://www.ice.com/products/38527989/Options-on-Three-Month-Euribor-Futures>

Mid-curve Options (1, 2, 3, 4 or 5 Years) on Three Month SONIA Futures / Three Month Euribor Futures

<https://www.ice.com/products/79341516/One-Year-Mid-Curve-Option-on-Three-Month-SONIA-Index-Future>

<https://www.ice.com/products/79341532/Two-Year-Mid-Curve-Option-on-Three-Month-SONIA-Index-Future>

<https://www.ice.com/products/79341534/Three-Year-Mid-Curve-Option-on-Three-Month-SONIA-Index-Future>

<https://www.ice.com/products/79341536/Four-Year-Mid-Curve-Option-on-Three-Month-SONIA-Index-Future>

<https://www.ice.com/products/79341538/Five-Year-Mid-Curve-Option-on-Three-Month-SONIA-Index-Future>

<https://www.ice.com/products/38541225/One-Year-Mid-Curve-Options-on-Euribor-Futures>

<https://www.ice.com/products/38527990/Two-Year-Mid-Curve-Options-on-Euribor-Futures>

<https://www.ice.com/products/38527991/Three-Year-Mid-Curve-Options-on-Euribor-Futures>

<https://www.ice.com/products/38527992/Four-Year-Mid-Curve-Options-on-Euribor-Futures>

<https://www.ice.com/products/33146922/Five-Year-Mid-Curve-Options-on-Euribor-Futures>

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