

CME Group Short Term Interest Rate Short Call Option

Key Information Document

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

This document provides information relating to **call options on certain short term interest rate (“STIR”) futures** contracts which have been listed by either **Chicago Mercantile Exchange, Inc (“CME”)** or **The Board of Trade of the City of Chicago, Inc (“CBOT”)**. CME and CBOT are referred to below as the “Exchange”. CME and CBOT are Designated Contract Markets based in the USA, and are subsidiaries of CME Group. CME and CBOT are regulated by the Commodity Futures Trading Commission. Details of the specific products which are covered by this document can be found on the CME Group website at www.cmegroup.com/priipskids.

Call +1 312 930 1000 for more information. This document is dated 1 January 2024.

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

What is this product?

The product is an option on a futures contract listed for trading and cleared in accordance with the requirements of the US Commodity Exchange Act and the Commodity Futures Trading Commission regulations thereunder.

The objective of the product is for you to sell to a third party the right to buy exposure to a specified short term interest rate, through the subsequent purchase of a futures contract on the interest rate, at the option’s strike price, and to receive a payment for this sale. Information on the underlying interest rate can be found online at www.cmegroup.com/priipskids. At the expiration of the futures contract, it is cash-settled against the value of the interest rate at that time.

As the seller of a call option contract, you have the obligation to sell the underlying futures contract at the option’s strike price, if a buyer chooses to exercise and you are selected by the Exchange’s clearing house to make the sale. The buyer of the option has the right to buy the futures contract at the option’s strike price. When a buyer exercises an option, the Exchange’s clearing house will select an option seller at random to meet the obligation, and you may be selected. At the expiration of the option, the Exchange has arrangements to automatically exercise options with remaining intrinsic value on behalf of the option buyer.

The call option contract is made available for trading in a number of monthly expiration dates, referred to as ‘contract months’. The range of contract months available for trading, and the day and time at which the product ceases trading can be found online at www.cmegroup.com/priipskids. Exercise of an option results in the formation of a futures contract with a specific contract month. The futures contract month which corresponds to a specific option contract month is described at www.cmegroup.com/priipskids. The buyer of the call option contract has up to the day it ceases trading to exercise their right to buy the futures contract. The buyer may exercise their option on any Exchange business day – this is known as an ‘American style’ exercise provision.

Other than the right to exercise the option granted to the buyer, there are no early termination provisions in the terms of the call option contract. The sale of an option contract can offset a purchase of an option contract (and vice versa), and therefore offsetting purchases or sales can close out an option position. The Exchange may however modify or terminate the availability of trading under its emergency procedures.

As the seller of a call option contract, you will receive the price of the option in full when you sell it. The price of an option is also known as the premium. Prices of the product are quoted in basis points, with the value being this price multiplied by a fixed currency amount. As there is a potential for loss on a short option position, the Exchange’s clearing house will require a margin deposit from you, which is an amount of money that must be deposited when a short option position is opened, and is also referred to as ‘performance bond’. The amount of margin held on deposit must be maintained at a minimum level set by the Exchange’s clearing house and your clearing firm each day, including where a loss on a position has eroded this amount.

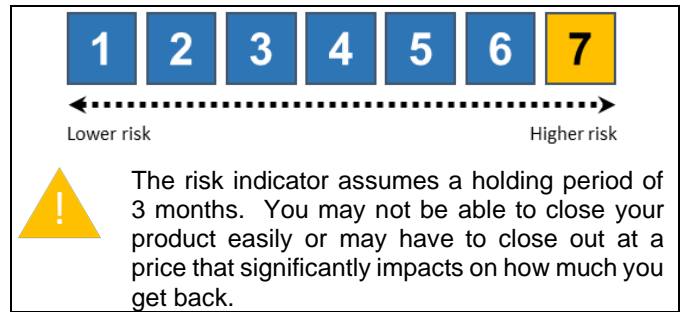
The product is intended for all types of investors, but it is important to note that trading options and futures is not suitable for all investors, as it involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract’s value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. There is no capital protection against market risk. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. Only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade. Retail clients in particular should have good knowledge and experience of options, futures or other leveraged products, should be able to bear losses in excess of the amount invested, should have a high risk tolerance, and have a short-term investment horizon for this product.

The return on investment is determined by the market prices for the underlying futures contract when the position is opened and closed, prevailing interest rates, the amount of time to expiration, and the volatility and expectations of future volatility of the prices of the underlying futures contract.

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

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. As an option contract, the product should be considered a high-risk investment product.



1 2 3 4 5 6 7

← Lower risk Higher risk →

! The risk indicator assumes a holding period of 3 months. You may not be able to close your product easily or may have to close out at a price that significantly impacts on how much you get back.

For the seller of an option, there is no maximum loss. 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 as initial margin.** As the seller of a call option contract, you may be selected to sell a futures contract at an unfavourable price on any Exchange business day. This futures position has risks associated with it. Where the future and the option on the future have the same expiration date, being selected to sell a futures contract at expiration does not result in a continuing market risk exposure.

The product is denominated in a foreign currency, and therefore the return, when expressed in your currency, may change depending on currency fluctuations. **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.**

This product does not include any protection from future market performance so you could lose some or all of your investment.

The product is listed for trading on a futures market and there is no committed liquidity offered by market makers or the Exchange. Therefore, liquidity depends only on the availability of buyers and sellers in the market. Regular trading activity observed at one point in time does not guarantee regular trading at any other point in time.

This graph illustrates how your investment could perform. You can compare it with the pay-off graphs of other derivatives.

The graph presented gives a range of possible outcomes and is 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 graph shows 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.

Selling this product holds that you think the underlying price will decrease or remain unchanged.

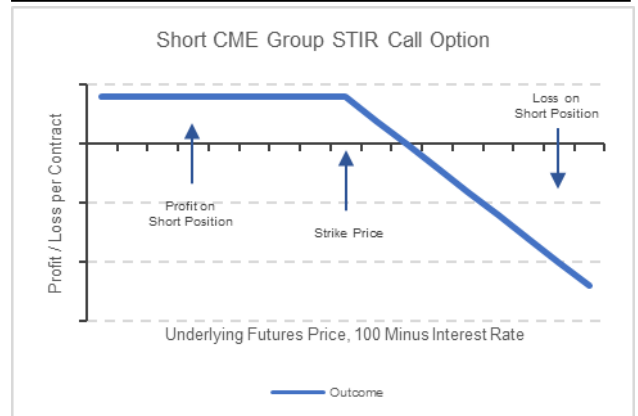
The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

What happens if the Exchange is unable to pay out?

You are not exposed to financial loss due to the default of the Exchange. All futures and options contracts traded on the Exchange are guaranteed by the Exchange's clearing house. No US regulated clearing house has ever defaulted or failed to make a payment to its market participants. In the highly unlikely event that such a default occurred, the initial margin posted to the Exchange's clearing house by you is bankruptcy remote. Thus, the risk of you suffering any loss due to the failure of the Exchange's clearing house is extremely low.

No direct client of the Exchange's clearing house has ever suffered a loss as a result of the failure of one of the Exchange's clearing firms. However, there is a low risk that such a loss could occur if the clearing firm and a fellow client of that direct customer both defaulted. To the extent that an intermediary is employed by you that is not a direct clearing firm of the Exchange's clearing house, the potential exists for losses to be suffered in scenarios other than those described above.

What you will get from this product depends on future market performance. Market developments in the future are uncertain and cannot be accurately predicted.



What are the costs?

The person advising on or selling you this product may charge you other costs. If so, this person will provide you with information about these costs and how they affect your investment.

Costs Over Time

The tables show the amounts that are taken from your investment to cover different types of costs. These amounts depend on how much you invest. The amounts shown here are illustrations based on an example investment amount. Further information on the specific costs applied by the Exchange can be found online at www.cmegroup.com/priipskids. We have assumed: (i) you would get back the amount that you invested (0 % annual return); and (ii) you have invested in 1 option contract.

	If you exit after 3 months	If you hold for 3 months until expiration and the option is exercised	If you hold for 3 months until expiration and the option expires without being exercised
Total Costs	various	various	various
Annual Cost Impact*	various	various	various

*This illustrates how costs reduce your return over the holding period.

Composition of Costs

One-off costs upon entry or exit		If you exit after 3 months	If you hold for 3 months until expiration and the option is exercised	If you hold for 3 months until expiration and the option expires without being exercised
Entry costs	The Exchange charges a transaction fee for opening a position	various	various	various
Exit costs	The Exchange charges a transaction fee for closing a position. Should the option be exercised and you are selected to sell futures, there will be a fee for the exercise, and a transaction fee for the resulting futures transaction. Should the option expire without exercise, there may be an expiration fee	various	various	various
Ongoing Costs				
Management fees and other administrative or operating costs	There is no management fee for this product	N/A	N/A	N/A
Transaction costs	There are no ongoing transaction fees for this product	N/A	N/A	N/A
Incidental costs taken under specific circumstances				
Performance fees	There is no performance fee for this product	N/A	N/A	N/A

This illustrates costs in relation to the notional value of the PRIIP. This illustrates the effect of costs over a holding period of less than one year. This percentage cannot be directly compared to the cost impact figures provided for other PRIIPs.

No other charges are applied by the Exchange, although your clearing firm and any other intermediary firm employed by you will also charge fees for their services. You will be required to hold margin on deposit with your clearing firm and there may be a cost associated with this.

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

The Exchange does not provide a recommended holding period for this product, as this will be dependent on the needs of the investor. There is no minimum holding period, and no penalty for closing a position. Positions can be closed out by conducting an offsetting trade in the market. The Exchange will charge a transaction fee for this offsetting trade. The tables of costs shown above demonstrate the costs for a three-month holding period until the expiration of the option. Your clearing firm or the firm through which you placed the trade may require you to close your position before the product's expiration date.

How can I complain?

In the first instance, complaints should be directed to the firm through which you placed the trade.

Complaints can also be directed to the Exchange's London office. The postal address is: Legal Department, CME Group Inc., London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW, United Kingdom. The Exchange's email address for complaints is: EUREGULATION@cmegroup.com.

Other relevant information

Full product terms and conditions, the Exchange's Rulebook and a Regulatory and Trading Advice Disclaimer can be found at www.cmegroup.com.