

# Key Information Document – Spread Bets on Futures

## 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. This Key Information Document ("KID") was last updated in June 2023.

## Product

The manufacturer of this product is Finalto Financial Services Ltd ("Finalto FS" or "Company"). Finalto FS is a regulated investment services firm, authorised and regulated by the Financial Conduct Authority ("FCA") under firm reference number 481853. Further information about Finalto FS and our products can be found on our [website](#) or by calling at +44 2080 979 794.



## Alert

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

## What is this product?

You are about to trade in a SPREAD BET with the underlying instrument being Futures on Bonds.

## What is SPREAD BET?

A SPREAD BET is a tradable instrument which represents a bet between two parties speculating on the direction of a financial market. Spread bets are leveraged products, enabling investors to make transactions with only a small margin (deposit). The underlying instrument is never actually owned by you and the profit or loss is determined by the difference between the buying and the selling price of the SPREAD BET, minus any relevant costs (detailed below).

## What is the underlying instrument?

Finalto FS may offer SPREAD BETs on different underlying instruments. In this case it is a SPREAD BET linked to Cash Indices. The Cash Indices we currently offer as SPREAD BET can be found on our [website](#).

## What are Futures?

Futures means a future contract which gives the buyer the obligation to purchase a specific asset, and the seller to sell and deliver the asset at a specific future date, unless such contract is terminated prior to such date for any reason. A spread bet that is linked to a financial instrument which is a Future has an expiration date.

## So how do SPREAD BETs work?

When you enter into any order to Buy or Sell a spread bet on one of our trading platforms, you trade with us as our counterparty. We are your Principal to each trade that you enter. Therefore, if your trade is profitable, we lose. If your trade is loss making we earn a profit. Our profits or losses may be reduced by the level of hedging we may undertake to contain our trading risk. Its return is mainly affected by the price and volatility of the underlying asset, the extent of leverage used by the investor and the associated costs of the trade.

As an example – Your account is denominated in EUR and if you enter into a Buy trade for 1 spread bet contract on UK Long Gilt Futures when the underlying price of the instrument is 130.25, we will ask you to place a margin with us to enable you to trade. If the margin is say 50:1, this means that as a minimum you will need to place 260.45 EUR with us since the notional amount of the position is 1,302.25 EUR. If the price goes to 130.35, you will profit 10.00 EUR, minus any relevant costs (detailed below). If it reduces to 130.15, you will lose 10.00 EUR, plus any relevant costs (detailed below). Depending on whether we apply any notifications when your account is close to margin calls, we may ask you for more money to ensure your trade / position remains open, otherwise we may be forced to close your position. There is no capital protection against market risk, credit risk or liquidity risk. It is possible to lose all of the funds on your account. For more information please refer to our [Order Execution Policy](#).

**Objectives** – The objective of the Spread Bet is to allow an investor to gain leveraged exposure to the movement in the value of the underlying instrument (whether up or down), without owning it. This product is mainly appropriate for speculative investment purposes. The exposure is leveraged since the Spread Bet only requires a small proportion of the notional value of the contract to be put down as initial margin. You may be required to increase the margin due to market changes and that his/her position may be closed early if the margin call is not fulfilled. You should be aware that if your margin level falls below the Margin Close Out Level of 50%, you will receive a stop out or margin call and your positions will start liquidating, without notice by us to you, starting with the highest losses.

**Intended retail investor** – Trading in this product will not be appropriate for everyone. The product would most commonly be utilised by persons who want to generally gain short to medium term exposures to financial instruments/markets; are using (trading with) money which they can afford to lose; have a diversified investment and savings portfolio; have a high risk tolerance; and understand the impact of and risks associated with margin trading.

**Term** – SPREAD BETs on Futures have an expiration date. Unless the relevant SPREAD BET order is closed by you, the SPREAD BET will be closed at the official settlement price from the exchange on the expiration date of Finalto FS and we will charge you an amount equal to the Spread of the underlying Future. Should a client wish to roll a position to the next contract then it will be their responsibility to contact the trading desk who will be able to roll the positions from the near month to the far month contract at underlying futures price and we will charge you an amount equal to the Spread of the underlying Future being rolled over. This is known as the Expiration Rollover. You should be aware that whenever an Expiration Rollover occurs we will charge you an amount equal to the Spread of the underlying Future being rolled over. We retain the ability to unilaterally terminate any SPREAD BET contract in case of extraordinary events or for risk management purposes with immediate effect.

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

### Risk Indicator



The risk indicator assumes that you may not be able to buy or sell your CFD at the price you wanted to due to volatility of the market or you may have to buy or sell your CFD at a price that significantly impacts how much you get back.

### Signification of the indicator

This indicator measures the level of risk at which your investment may be exposed. The risk category is not guaranteed and may shift over time. The lowest category does not mean «risk-free».

The SPREAD BETs on Futures display a grade of 7 on a scale ranking from 1 to 7 (1 being the least risky category). They therefore exhibit (partly due to leverage) the highest risk characteristics.

### General SPREAD BET risks

- SPREAD BETs are complex financial instruments and are traded Over the Counter ("OTC"). You can only exit a position by trading with us, during the trading hours of the underlying instrument as stated on our website. You cannot transfer your open positions/trades to any other firm.
- You do not own the underlying asset. Through your trade with us, you receive by us exposure to the performance of the underlying asset, but you do not receive any ownership or other rights to such underlying asset.
- SPREAD BETs are leveraged products. You only need a small margin for obtaining exposure to the underlying asset. Leverage can magnify both your profits as well as your losses.
- Statistically, because of leverage, a significant number of clients lose because leverage amplifies losses, leading to margin calls and closures of clients' open positions and you risk losing the capital invested with us.
- SPREAD BET trading is undertaken on electronic platforms. There may be times that system or other breakdowns arise. This may affect your ability to trade, or our ability to offer continuous prices or create a need for subsequent adjustment of prices to reflect underlying exchange prices.
- Prices of SPREAD BETs as well as their commercial terms like the spreads and Overnight Swap (Swap Fees) maybe varied to reflect periods of actual or expected heightened market volatility.
- Depending on the currency your trading account is denominated and the currency of the underlying instrument you trade, your final return maybe exposed to the exchange rate risk between the two currencies.
- The tax legislation of your home Member State may have an impact on your return.

### Future specific risks

- SPREAD BETs on Futures have an expiration date. Unless the relevant SPREAD BET order is closed by you, the SPREAD BET will be closed at the official settlement price from the exchange on the expiration date of Finalto FS and we will charge you an amount equal to the Spread of the underlying Future. Should a client wish to roll a position to the next contract then it will be their responsibility to contact the trading desk who will be able to roll the positions from the near month to the far month contract at underlying futures price and we will charge you an amount equal to the Spread of the underlying Future being rolled over. This is known as the Expiration Rollover. You should be aware that whenever an Expiration Rollover occurs we will charge you an amount equal to the Spread of the underlying Future being rolled over.
- Where you have open positions that you do not wish to have rolled over to reflect effectively the new tradable Futures contract, you should close your position(s) and/or cancel Orders before the rollover date. For further information you can refer to our Order Execution Policy available on our website.
- For additional risk on Futures on Cryptocurrencies please also refer to our KID on Cryptocurrencies and our Order Execution Policy both available on our Website.

### Investment performance information

#### A description of the main factors likely to affect future returns for the investor, identifying those most likely to determine the outcome of the investment and other factors which could have a material impact on performance;

SPREAD BETs on futures are replicating the price action of the underlying exchange traded future contracts. They are offered on a cash settlement basis, and not physical delivery, and profit or losses can be accumulated depending on the selected direction (long/short) and the price difference between entry price and current price. Demand Vs supply in the exchange where the underlying future contract is traded, as well as the investor's selected direction are the decisive factors that will determine the outcome of any investment on SPREAD BETs on futures.

#### Identification of the most relevant index, benchmark, target, or proxy, as applicable, along with an explanation of how the PRIIP is likely to compare in terms of performance and volatility;

A common proxy for future contracts are the equivalent cash instruments. Futures' price action will in general trade much in line with their cash equivalents unless there are complications with physical delivery, or other developments that are likely to affect the future supply and demand outlook but may not be affecting the present.

#### What could affect my return positively?

As with any investment on any financial instrument, when demand exceeds supply then the price is likely to increase and generate positive returns for the investors holding these assets. Equity index futures, for example, are bound to generate higher returns for investors when overall equity market is trending up.

#### What could affect my return negatively?

As with any investment on any financial instrument, when supply exceeds demand then the price is likely to decrease and generate losses for the investors holding these assets. Equity index futures, for example, are bound to generate lower returns or losses for investors when overall equity market is trending down.

#### What outcome the investor may expect where the PRIIP matures or is redeemed or encashed under severely adverse market conditions?

The outcome of any investment in PRIIPs depends on many factors and many of them can occur at any time. If a PRIIP is redeemed or matures under severely adverse market conditions, this doesn't mean that the investment will lead to a loss or lower returns depending on the selected direction of the position(s) of the investor. There is no possible way to predict the outcome. However there are different risk considerations to take into account including the possibility of partial or total loss of the invested amount and decisions as to whether to engage, or not, in such investment activities should account for the possibility of adverse outcomes contrary to an investor's initial expectations.

## What happens if the Company is unable to pay out?

If Finalto FS is unable to meet its financial obligations to you, you may lose the value of your investment. However, Finalto FS segregates all retail client funds from its own money in accordance with the UK FCA's Client Asset rules. Finalto FS 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](http://www.fscs.org.uk).

## Fees and Charges - Composition of costs

- The charges you pay are used to cover the costs of our operational activities, including the costs of obtaining market / price data from the underlying exchanges, the costs of us hedging the trading you undertake with us (if we choose to do so), the staff costs, our regulatory license costs, our funding costs as well as the marketing and distribution costs.
- We may also have trading gains from the trades that you enter with us.
- We do not pay any interest on any clients' money you may have in your account with us.
- Where your trading account has remained inactive for more than 1 year (365 days), we apply an inactivity fee of USD 10 per month, so as to meet the operational, administrative and compliance costs of maintaining your account.
- Please consult your own advisor to understand the nature of our below costs and charges. For more information, please also refer to the [Costs & Charges Document](#) available in our website:

One off costs - At the time of your trade	Spreads	Spread is the difference between the Bid price (selling price) and the Ask price (buying price) and reflects, in part, the spreads of the underlying exchange where the underlying instrument is traded on. Our spreads maybe fixed or variable or may be subject to a minimum. Please refer to our website for more information on the spreads which we charge which may be substantial.									
	Currency conversion fees (Foreign exchange costs)*	Investing in SPREAD BETs with an underlying asset listed in a currency other than your base currency entails a currency risk, due to the fact that when the SPREAD BET is settled in a currency other than your base currency, the value of your return may be affected by its conversion into the base currency. The Currency conversion fee (Foreign exchange cost) conversion fee is set at 0.6%. For more information please refer to the Order Execution Policy.									
Ongoing charges	Overnight Swap (Swap Fee)*	We charge or credit you with Overnight Swap (Swap Fees) for facilitating you to maintain an open Buy or Sell position on SPREAD BETs. These are ongoing fees / credits for as long as you have open trades with us. The Overnight Swap (Swap Fee) is set as per the table below across all platforms. Please refer to our <a href="#">Order Execution Policy</a> for more information on these fees.									
		Asset class	Fx	Indices	Oil	Shares	Commodities	Bonds	ETFs	Natural Gas	VIX Volatility Index
		Amount	3.75%	3.75%	7%	6%	7%	3.75%	6%	10%	10%
	Transactions' Tax	You will be charged with a withholding tax when trading Spread Bets on US instruments (long positions only), unless you provide the W8-BEN (or W9 as applicable) form indicating your tax residency. In case the form is provided, the applied tax will be based on any tax treaty between your tax residency and the US. The withholding tax is set at 30%. Please refer to our Order Execution Policy for more information on these fees.									
Incidental costs		Not applicable									

\*Where % is indicated, the actual monetary value depends on the specific trade.

## Costs over time

### Costs over time (30 Days)

Reduction in Yield (RIY) due to the impact of overnight charge:

Charges may vary depending on asset's quoted currency and its relevant interest rates

Cost over time (USA500 Futures)	Buy Positions	Sell Positions
Nominal Amount (EUR)	10000	10000
Initial Margin	500.00	500.00
Holding Time (Days)	30	30
Overnight Swap (Swap Fees)	0.0215%	0.0052%
<b>Total Cost (EUR)</b>	<b>64.50</b>	<b>15.60</b>
RIY as a % of Notional Value	0.65	0.16
RIY as a % of Initial Margin	12.90	3.12

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

- You can only exit an open trade by entering into an opposite trade, only with us, during the trading hours of the market of the underlying instrument being made available by us on our website.
- You can request to withdraw your money at any time. We will process withdrawal requests within 24 hours irrespective of payment method. Minimum withdrawal amounts might apply, depending on the mode of remitting funds to you. We do not charge any withdrawal fees, although some banks may charge transaction fees.

## How can I complain?

We apply a comprehensive complaints management policy. You are entitled to submit a complaint at any time in your trading experience with us, where you may feel that our service has not met your satisfaction. When you wish to submit a formal complaint, you can do so by sending an email to [compliance@finalto.com](mailto:compliance@finalto.com) or in writing to Finalto Financial Services Ltd, Broadgate Tower, 20 Primrose Street, London EC2A 2EW.

If upon receipt of our final response on your complaint you are not satisfied or in case no response is received within the 8 weeks' timeframe, you can refer your complaint to the Financial Ombudsman. See [www.financial-ombudsman.org.uk](http://www.financial-ombudsman.org.uk) for further information.

## Other relevant information

We recommend that you read the [Order Execution Policy](#), the [Client Agreement](#) and our policies forming part of our [Legal Pack](#) available on our website at all times, which sets out all details of your trading and overall relationship with us.