

Key Information Document – Spread Bets on Cash Indices

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 July 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 at www.markets.com/uk or by calling at +44 2031 500 380.

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 linked to Cash Indices.

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](http://www.markets.com/uk).

What are Cash Indices?

A Cash Index consists of hypothetical portfolio of stocks, where its price is constituted by the price fluctuation of consistent shares in a percentage distribution basis. In a cash market, the exchange of goods and money between the seller and the buyer is settled in the present, as opposed to the futures market where such an exchange takes place on a specified future date. A Cash Index SPREAD BET tracks the performance of the related futures contract, adjusted for fair value. The fair value is the theoretical calculation of the value of the futures contract taking into account the current index value, any dividends paid on constituent stocks and current interest rates. In other words, the fair value can show the difference between the futures price and what it would cost to own all the stocks of the particular index.

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 – if you enter into a Buy trade for a SPREAD BET on EUR/USD when the underlying price of EUR/USD is USD 1.2000, we will ask you to place a margin with us to enable you to trade. If the margin is say 1:100, this means that as a minimum you will need to place GBP 12.00 with us. If the price of EUR/USD goes to USD 1.2050, you will profit GBP 5, minus any relevant costs (detailed below). If it reduces to USD 1.1950, you will lose GBP 5, plus any relevant costs (detailed below). When your account is close to margin call, we may notify you in advance. If your margin level falls below 50% (for retail customers this is fixed; professional customers may ask for lower margin stop out level) we will 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. You will never lose more than the Equity of your trading account as we offer Negative Balance Protection (NBP) to you. If you are classified as a less experienced client (as per our internal classification) we may offer you a guaranteed stop loss per position which means that for each position entered, you will never lose more than your invested amount. 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, short-term intraday trading or hedging. 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. Professional clients may request lower stop out level; it is in the Company's discretion whether to accept.

Intended retail investor – Trading in this product is highly speculative and involves a significant risk of loss. This product is for clients with a relatively short to medium term investment horizon, and is not suitable for all investors but only for those who i) understand and are willing to bear the risks involved, including the risks associated with margin trading; ii) possess necessary experience and knowledge about trading in derivatives and the underlying instruments; and iii) are financially able to bear the risk of a total loss (100%) of their invested amounts.

Term – SPREAD BETs on Cash Indices generally have no expiration date and therefore it is up to you to open and close your position. Spread Bets in general do not have a recommended holding period 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. The SPREAD BET on Cash Indices does not have a pre-defined maturity date and is therefore open-ended. 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 Spread Bets at the price you wanted to due to volatility of the market or you may have to buy or sell your Spread Bets 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 Cash Indices display a grade of 7 on a scale ranking from 1 to 7 (1 being the less 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) may vary to reflect periods of actual or expected heightened market volatility.
- Depending on the currency of your trading account and the currency of the underlying instrument you trade, your final return maybe exposed to the exchange rate risk between the two currencies (currency conversion).
- The tax legislation of your home country may have an impact on your return.

Cash Indices specific risks

- Cash Indices consist of a portfolio of shares. If one or more share/s distribute dividends, according to the cap of the share/s in the portfolio, positive or negative cash dividend adjustment depending on the direction of your trade, are applied in order to neutralize the economic effect that may affect the price of the underlying Share on the ex-dividend date.
- Therefore, where you have open positions that you do not wish to receive cash dividend adjustment, you shall close them before end-of-day.
- A corporate action being applied on the underlying instrument. In such case, the Company reserves the right to perform any necessary adjustment to the value and/or the size of the position held on the SPREAD BET, aiming to neutralize the economic effect of the corporate action on the SPREAD BET price.

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;

Supply and demand of underlying asset of which SPREAD BET on Indices is replicating price action from the exchange where index is listed will ultimately decide the outcome of any investment on a Cash Index SPREAD BET. An index which is tracking equities will reflect the performance of its components (shares). Many factors are affecting individual share prices such as:

- Earnings and other Corporate Actions (such as dividends, splits, spin offs, rights issues)
- Company related factors (such as company financials, corporate governance, competition, business development, pricing ability, profit margins)
- Economy: Fundamental and Macroeconomic factors (e.g. Interest rate decisions, inflation, monetary policy)
- Other Government policies, Geopolitical Factors, Legal Restraints & Litigations
- Mergers & Acquisitions

The collective financial picture/performance of the components that make up the index along with the general market conditions are the factors most likely to affect the outcome of the investment.

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 benchmark against which equity indices are compared are fixed income products such as bonds. Equity indices have historically delivered higher returns than bonds because there is a greater risk that, if the company fails, all of the stockholders' investment will be lost (unlike bondholders who might recoup fully or partially the principal of their lending). In a similar fashion with performance and risk, volatility of equity indices is expected to be higher.

What could affect my return positively?

A sustained upward equities market trend in combination with inflation rates close to Central Banks' targets, would be conducive to PRIIP generating higher returns than the benchmark mentioned above. Excess liquidity and risk appetite towards high-risk assets such as equities.

What could affect my return negatively?

A sustained downward equities market trend in combination with runaway inflation rates, calling for Central Banks' intervention (e.g. interest rate hikes and hence higher returns on fixed income alternatives) would be conducive to PRIIP generating lower returns than the benchmark mentioned above. Volatility, lack of confidence in equities markets, reduced liquidity and many other factors can also add to the accumulation of lower returns and/or losses.

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 (subject to customer being considered an eligible claimant). See www.fscs.org.uk.

Fees and Charges - Composition of costs - 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 trading account, per month, so as to meet the operational, administrative and compliance costs of maintaining your account. There are no changes if there is no balance in your account or if at least one trading account is active.
- 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 are 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)*	When your account currency is different than the quoted currency of the underlying asset being traded, a Currency conversion fee (Foreign exchange costs) in the form of a fixed percentage on the conversion rate applicable at the time will be reflected as a mark-up in your account. The Currency conversion fee (Foreign exchange costs) 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 Order Execution Policy for more information on these fees.								
		Asset class	Fx	Indices	Oil	Shares	Commodities	Bonds	ETFs	Natural Gas
	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) equal to 30%. If you provide us with a W8 (or W9 as applicable) form indicating your tax residency, the applied tax will be based on any tax treaty between your tax residency and the US. 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)	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%
Total Cost (EUR)	64.50	15.60
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. Note that your request for withdrawal will be processed within the same day if received on a business Day within Office hours and by the Business Day following the day it was received but depending on the payment method, funds may take time to reach your account after we process the withdrawal request. We shall have no liability for delays caused by such third parties.

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 or in writing to Finalto FS, 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 for further information.

Other relevant information

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