

## Trade Nation UK

### Key Information Document – Commodity Spread Bet

**Product Description:** A Commodity Spread Bet is a leveraged financial derivative based on the price of a commodity such as oil or gold.

**Objective:** Allows investor to speculate on the price movement of a commodity without ever taking delivery of the commodity.

**Intended Retail Investor:** Small to large scale investors who want to speculate on movements in the financial markets.

This document is put together by Finsa Europe Ltd, trading as Trade Nation, and provides you with key information about this investment product. It is required by law to help you understand the nature, risks, costs and potential losses in investing with these products and to help you compare against other products before you make a decision to invest.

#### Nature of Product

A Spread Bet is a financial product under which the parties agree to exchange the difference, in cash, between the opening price and the closing price of a trade. Spread Bets are leveraged financial products, meaning that you only have to invest a small percentage of the notional value of a transaction.

We offer a two-way price on a number of Commodity Spread Bets. For instance, we may quote the

Spot Gold Spread Bet at 1265.0-1265.4. If you expected Gold to rise you would buy at 1265.4, if you expected it to fall you would sell at 1265.0. You would nominate the stake per tradeable unit, in this case it would be the amount you wished to stake for 0.1 point movement in price. Let's say you chose to buy a stake of £10 per unit at 1265.4. This would equate to a notional value of £126,540 (12654 multiplied by £10). In order to place the trade, we would require margin on your account of 5% of the notional value of the trade, which equates to £6,327.00 in this case.

In the above example, the value of your open position would increase by £10 for every 0.1 point increase in the price of Gold and decrease by £10 for every 0.1 point fall in the price of Gold. You can close your position at any time during our trading hours. Positions can be automatically closed if the available funds on your account fall below 50% of the required margin to have positions open. There are a number of different order types that you can place in connection to a trade to manage your risk such as stop loss, trailing stop loss and guaranteed stop loss orders.

## Risks of Product

Although Spread Bets allow you to speculate on the rise and fall of global financial markets at a relatively low cost, without ever owning the underlying asset, they are considered to be risky products:

**Counterparty risk** - Spread Bets are "over the counter" (OTC) products, which means that they are not traded on a licensed financial market, such as a Stock Exchange. They are a contract between you and us, which means you are exposed to the risk of us as the counterparty not fulfilling our obligations to you.

**Leverage risk** - The leverage nature of Spread Bets means that a relatively small move in the price can cause an immediate and substantial loss to you.

**Gapping risk** - Financial markets can be very volatile. Gapping refers to an occurrence whereby the quoted price moves sharply from one level to the next, through an order level meaning your order may be executed at a worse price than you had hoped, for which you may incur losses beyond expectation.

## Costs of Product

The principle cost or commission of trading Spread Bets is incorporated in what is known as the Spread, which is the difference between the sell and buy price. The Spread is fixed and can be viewed, along with other specific product information, in the Market Information Sheets which can be found on our website.

There are two types of Commodity Spread Bets, Cash based and Future based. For Cash based Commodity Spread Bets there is a cost of holding a position open overnight, known as the Overnight Financing Charge. The effect of these adjustments is to mirror the effect of us financing the asset in

the underlying market on your behalf. When holding long positions your account will typically be debited with the charge and, when holding short positions, it may lead to you being credited with the charge but it will depend on the relative interest rates of the country of the underlying market.

## How to complain

If you have a complaint about this product, you should contact us immediately at [compliance@tradenation.com](mailto:compliance@tradenation.com). We must give you a response within 8 weeks, but we will normally respond to complaints within 3 days or less.

Please see our customer terms and conditions if you are not happy with our response, you may take the complaint to the Financial Ombudsman Service:

<http://www.financialombudsman.org.uk/>

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