

# ETD options

## Key Information Document (KID)

### 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.

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

### Product

<b>PRIIP Name</b>	Exchange Traded Derivative - Option Contract
<b>PRIIP Manufacturer</b>	Exchange venue specific to the option traded.
<b>Website</b>	Contact details specific to the exchange venue.
<b>Telephone</b>	Contact details specific to the exchange venue.
<b>Competent Authority</b>	Authority specific to the exchange venue.
<b>Date</b>	29 December 2017

### What is this product?

#### **Type**

Exchange Traded Derivative ("ETD") - Option Contracts

#### **Objective**

A call option is a contract that gives a right to purchase the underlying instrument at the strike price. A put option is a contract that gives a right to sell the underlying instrument at the strike price. The buyer of the call or put options gets the right to buy or sell at the strike price. Conversely, the seller of the contract call or put options undertakes the obligation to be purchased from or to be sold to at the strike price. The initial value of the contract is a fraction of the underlying value. A small change in the underlying can lead to large gains or losses in the options contract. Buyer of options can lose the entire initial investment. Seller of the option can face unlimited losses. If allowed by specification, the contract can be exercised before the expiration date. Call options will likely rise in value if the price of the underlying rises. Put options are likely to rise in value if the price of the underlying falls.

#### **Intended Retail Investor**

This product is intended for investors, who are looking for directional trading, hedging, arbitrage. This is a leveraged product with high chance of 100% loss for long positions and unlimited losses for short positions, which requires a degree of knowledge and experience.

#### **Insurance Benefits**

None

#### **Maturity**

There is no predetermined investment holding period. The contract will expire according to its expiration date but may be exercised early depending on specification.

## 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 market.

### Risk Indicator



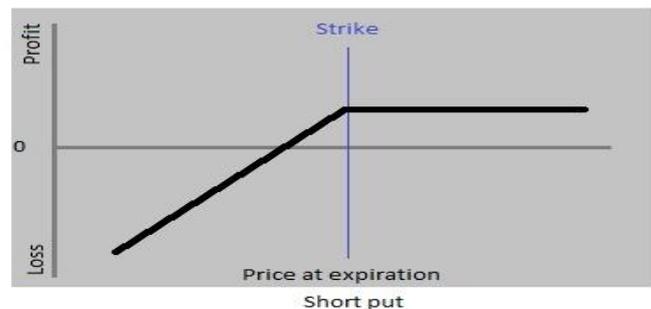
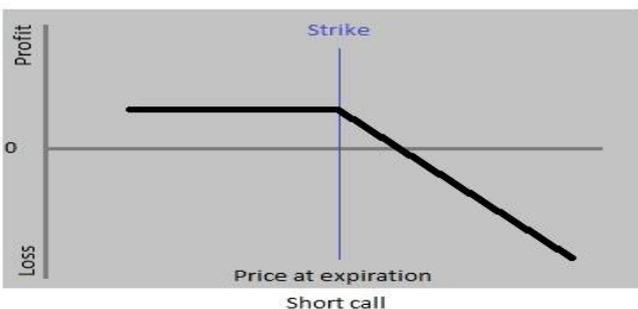
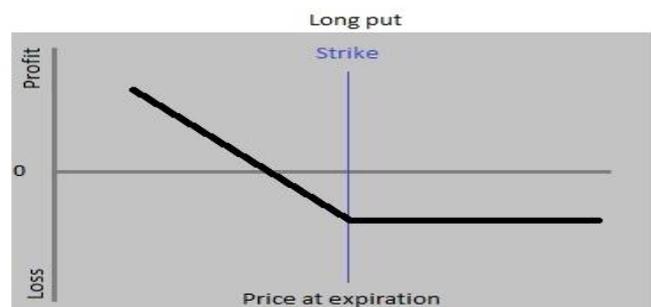
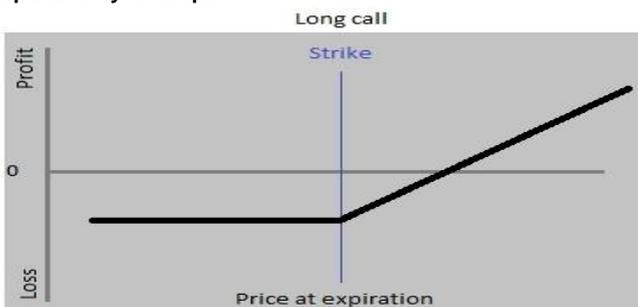
Lower Risk

Higher Risk

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. This rates the potential losses from option performance at a very high level. Options are leveraged products, so initial costs account for only a small percentage of the contract's value. Be aware of currency risk. When you deal in an option that is denominated in a currency other than the base currency or a currency you have on a deposit in your account with us, all margins, profits, losses and financing credits and debits in relation to that option are calculated using the currency in which the option is denominated. This risk is not considered in the indicator shown above. In some circumstances, if your account does not contain enough equity to meet applicable margin requirements your open positions will be liquidated. The total loss you may incur may significantly exceed the amount invested. You may not be able to close your position easily or you may have to sell at a price that significantly impacts your realized profit/loss. Markets may fall overnight and we may not be able to close out your position at a price that would avoid losses greater than the margin originally deposited. This product does not include any protection from future market performance so you could lose more than you have invested.

### Performance Scenarios

#### Options Payoff Graph



These graphs illustrate how your option investment could perform. You can compare it to the pay-off graphs of other derivatives. The graphs presented give 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 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 data and the vertical axis shows the profit and loss. Buying call implies that you think that the underlying will rise. Buying put implies that you think the underlying will fall. Selling call implies that you think the underlying will not rise. Selling put implies that you think underlying will not fall. A combination of options with other options or underlying may give a different risk profile.

The maximum loss is unlimited for short option positions. In the event of unfavourable movement in the underlying that exceeds your ability to fund the resulting margin requirement for short option positions you may be forced to close this and other positions held in your trading account. The maximum loss is limited to initial cost for long option positions.

## What happens if the PRIIP Manufacturer is unable to pay out?

The PRIIP manufacturer is the relevant exchange or its clearing house. This is a client's risk.

## What are the costs?

Specific to the option contract.

### Costs Over Time

Estimated Holding Period	An exchange traded derivative can be held unto the specified contract expiration date.
Investment	Margin requirement specific to the futures contract.
Notional Amount	Specific to the options contract.
Total Costs	Specific to the options contract.
Impact on Return	Specific to the options contract.

### Composition of Costs

The table below shows:

- The impact each year of the different types of costs.
- What the different cost categories mean.

This table shows the impact on return per year			
One-off costs	Entry costs	USD 1 – 70.00 per contract	For exact number check your brokerage tariffs. For clearing and settlement check the fees with the exchange and clearing house <sup>1</sup> .
	Exit costs	USD 1 – 70.00 per contract	For exact number check your brokerage tariffs. For clearing and settlement check the fees with the exchange and clearing house <sup>1</sup> .
Ongoing costs	Portfolio Transaction costs	0%	Not Applicable
	Other on-going costs	0%	Not Applicable
Incidental costs	Performance fees	0%	Not Applicable
	Carried interest	0%	Not Applicable

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

### Recommended (required minimum) holding period: None

No recommended holding period is prescribed for these products. Optimal period depends on the strategy and risk profile. Expiration date is given in contract specification. Both parties can exit their positions prior to expiration. Contract can be rolled into the next month to extend the investment horizon.

## How can I complain?

<sup>1</sup> For detailed information on brokerage fees, please refer to the Tariffs of AS KIT Finance Europe, available on the website [www.kfe.ee \(https://kfe.ee/en/documents/regulations-and-applications/\)](https://kfe.ee/en/documents/regulations-and-applications/) or fees can be also found in the client's agreement.

Complaints about the product, the conduct of the manufacturer should be addressed to the relevant manufacturer. Complaints about distribution or selling can be addressed to KIT Finance Europe [office@kfe.ee](mailto:office@kfe.ee) or Roosikrantsi 11, 10119 Tallinn, Estonia.

### Other relevant information

Contract specification and settlement information can be found on the exchange website and relevant rulebook chapter. More information about the KIT Finance Europe's position about Packaged Retail and Insurance-based Investment Products (PRIIPs) can be found on the official website [www.kfe.ee](http://www.kfe.ee).