

## KEY INFORMATION DOCUMENT (GILT FUTURES)

**Purpose:** This document provides 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: Gilt Futures - ICE Futures Europe ("IFEU")** - <https://www.theice.com/futures-europe>

Short Gilt Future / Medium Gilt Future / Long Gilt Future / Ultra Long Gilt Future

Call +44 (0)20 7429 4640 for more information or email: [rates@theice.com](mailto:rates@theice.com)

IFEU is a recognised investment exchange supervised by the Financial Conduct Authority.

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**Alert:** *You are about to open a position in a product which is not simple and may be difficult to understand.*

### What is this product?

**Type:** Derivative. **Gilt Futures** are considered to be derivatives under Annex I, Section C of **MiFID 2014/65/EU**.

### Objectives

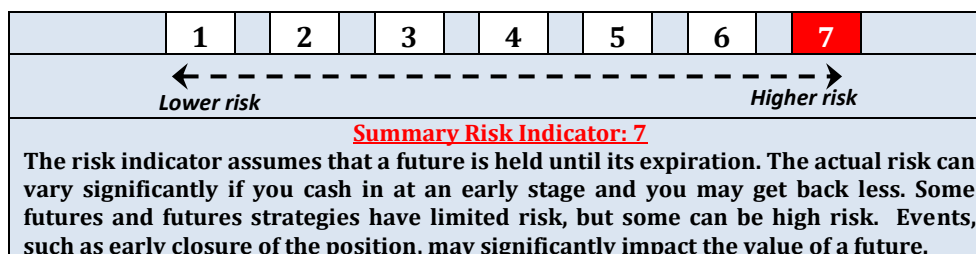
A Gilt Future contract ("**Gilt Future**") is a deliverable derivative contract based on a basket of UK government bonds ("**Gilts**"). Each contract has a predefined coupon and a nominal value of £100,000, and price is quoted per £100 nominal. The price of the contract changes with interest rate expectations; the fixed coupon will be worth more if the rates that the UK government can borrow at go down. This means that there is an inverse relationship between the direction in which the underlying interest rate is expected to move and the value of the contract. Each Gilt Future contract has its own last trading day ("**Last Trading Day**"), after which the product will expire. You can close your position on any trading day up to and including the Last Trading Day. If you (as a **buyer**) 'opened' a position by buying a Gilt Future, you sell the same contract to 'close' your position. If you (as a **seller**) 'opened' a position by selling a Gilt Future, you buy the same contract to 'close' your position. If on the Last Trading Day the final closing price exceeds the opening price the buyer has made a profit and the seller has made a loss. In this case, during the holding period, the seller has paid the buyer the difference between the final closing price and the opening price multiplied by the monetary value of each Gilt Future's minimum price movement or tick size ("**Tick Size**"). If on the Last Trading Day the final closing price is less than the opening price, the seller makes a profit and the buyer makes a loss. In this case, during the holding period, the buyer has paid the seller the difference between opening price and the final closing price multiplied by the relevant Tick Size. Gilt Futures are a deliverable contract and investors should consider the risk of holding a position past the First Notice Day ("**First Notice Day**"). If held past the First Notice Day, users may have to make or take delivery. Delivery may be made of any Gilt on the List of Deliverable Gilts in respect of a delivery month of an Exchange Contract, as published by IFEU. A Gilt Future may in certain circumstances be unilaterally terminated by IFEU and may be terminated by ICE Clear Europe Ltd. ("**ICEU**") (see "What happens if IFEU is unable to pay out?" below) following an event of default of a Clearing Member or invoiced back. Factors that impact a Gilt Future's value include, but are not limited to, the opening price and underlying Gilts. A Gilt Future will (unless you choose to close your position beforehand) automatically expire on the relevant expiry date.

### Intended retail investor

This product is not designed to be marketed to a specific type of investor or to fulfil a specific investment objective or investment strategy. A retail investor should become familiar with the characteristics of this product to make an informed decision on whether or not this product fits their investment needs. If in doubt, a retail investor should contact their broker or investment adviser to obtain investment advice.

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

#### Risk indicator:



- 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. We have classified this product as **7 out of 7**, which is the highest risk class. This rates the potential losses from future performance at a very high level.
- **Be aware of currency risk. You may 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.**
- 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.**

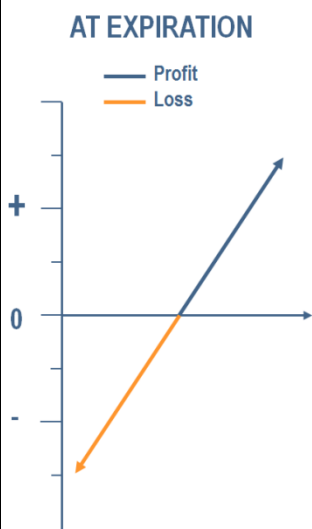
- This product does not include any protection from future market performance so you could lose some or all of your investment.
- If ICEU (see "What happens if ICEU is unable to pay out?" below) or any intermediary is not able to pay you what is owed you could lose your entire investment.
- **The risk and reward profile of a Gilt Future depends on its terms, but will involve the following considerations: Buyers** of a Gilt Future can incur very significant losses, down to a zero market price of the contract. The loss is equal to the opening contract price minus the closing sale price. Gilt Futures are a deliverable contract, with a delivery date of any business day in the delivery month, i.e. the month of expiry. This means holders of long positions could have to take delivery of eligible Gilts on any day during the delivery month, and will have to take delivery if they have not traded out of the position by the Last Trading Date. Please note this could be an expensive and operationally burdensome process for a retail investor. **Sellers** of a Gilt Future can incur unlimited losses. The loss is equal to the closing sale price minus the opening contract price. Sellers of Gilt Futures, who do not trade out of their position by the Last Trading Day, will be required to source and make delivery of eligible Gilts. Please note this could be an expensive and operationally burdensome process for a retail investor. **Buying or selling futures can be high risk and requires extensive product knowledge.** The profit or loss potential of a Gilt Future on the Last Trading Day depends on the opening contract price and the relevant closing price. The price of the Gilt Future depends on several factors, such as the price movement of the underlying assets and the interest rate. Additionally, the potential for profit or loss of the Gilt Future position depends highly on the way the position is used, e.g. Gilt Futures can be traded as a risk management tool to hedge other investments or as a stand-alone investment.
- This product can expose a retail investor to unlimited liabilities in certain circumstances and can be used for a variety of purposes e.g. for hedging/risk management or as a stand-alone instrument. This is a complex product and is only likely to be appropriate for the most experienced, sophisticated and knowledgeable types of investors.

### Performance scenarios

These graphs illustrate how your investment could perform. You can compare them with the pay-off graphs of other derivatives products in different Key Information Documents.

The graphs presented give a range of possible outcomes and are 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 Gilt Future on the expiry date and the vertical axis shows the profit or loss.

#### Buy Gilt Future:



**Transaction:** Buy Gilt Future

**Investment:** None, but margin is required.

**Margin:** Initial margin (approximately 0.5-5% of the contract nominal value) plus variation margin to mark to market prices on a daily basis.

**Market expectation:** Rising market. Buying this product holds that you think value of the Gilts Future will increase i.e. interest rates will go down.

**Profit/loss calculation:** The profit or loss at expiration is calculated as follows:

**Step one:** take the closing price minus the price at which the contract was entered into.

**Step two:** When the result of Step one is positive the buyer has made a profit. If the result of Step one is negative the buyer has made a loss.

**Step three:** Gilt Futures are priced per £100 nominal value. To monetise the difference calculated in Step two, you have to multiply the difference between the closing price and the contract price by the monetary value of each tick. For example, in the case of Long Gilt Futures, this is £10.

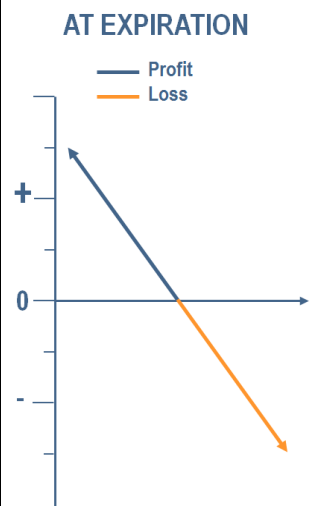
**If the position is held to expiration, buyers of Gilt Futures would need to take physical delivery of eligible Gilts and make the associated payments to cover their cost.**

**Profit and loss characteristics:**

**Profit:** Unlimited

**Loss:** Potential to be significant up to the price paid for the contract times 100. You may lose all of your investment and be required to make additional payments significantly exceeding the initial margin payment.

#### Sell Gilt Future:



**Transaction:** Sell Gilt Future

**Investment:** None, but margin is required.

**Margin:** Initial margin (approximately 0.5-5% of the contract nominal value) plus variation margin to mark to market prices on a daily basis.

**Market expectation:** Falling market. Selling this product holds that you think the value of the Gilt Future will decrease i.e. interest rates will go up.

**Profit/loss calculation:** The profit or loss at expiration is calculated as follows:

**Step one:** Take the opening price the contract was entered into minus the closing price.

**Step two:** When the result of Step one is positive the seller has made a profit. If the result of Step one is negative then the seller has made a loss.

**Step three:** Gilt Futures are priced per £100 nominal value. To monetise the difference calculated in Step two, you have to multiply the difference between the opening price and the closing price by the monetary value of each tick. For example, in the case of Long Gilt Futures, this is £10.

**If the position is held to expiration, sellers of Gilt Futures would need to make physical delivery of eligible Gilts and will receive the associated payment to cover their cost.**

**Profit and loss characteristics:**

**Profit:** Potential to be significant up to the price paid for the contract times 100.

**Loss:** Your maximum loss is unlimited and you may lose all of your investment and be required to make additional payments significantly exceeding the initial margin payment.

Buying or selling a Gilt Future is one of the ways that you can take a 'long' or 'short' Gilt Future position and depends on the retail investor's individual trading strategy.

The scenarios 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 scenarios do not take into account your personal tax situation, which may also affect how much you get back.

#### What happens if ICE Futures Europe is unable to pay out?

IFEU is not responsible for paying out under the investment. All derivatives traded on IFEU are centrally cleared by ICEU. IFEU and ICEU are not within the jurisdiction of the UK Financial Services Compensation Scheme. In the event of a default by ICEU or your intermediary your position may become subject to ICEU's default procedures in accordance with its clearing rules, which may ultimately expose you to a risk of financial loss. It is possible that you may be included in any other compensation scheme depending on the exchange trading participant/member, clearing member, broker or other intermediary involved in a retail derivative transaction concerning this product. If you are in any doubt as to your position you should seek independent professional advice.

#### What are the costs?

##### Costs over time and Compositions of Costs:

ICE Futures Europe charges fees which are applied to the Clearing members. The full fee schedule is available on our website [[Exchange & Clearing Fees](#)]. The person selling you or advising you about this product may pass on IFEU and ICEU charges and charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time. Further or associated costs may be charged to retail investors by the exchange trading participant/member, brokers or other intermediaries involved in a retail derivative transaction.

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

**There is no recommended holding period for this product.** Gilt Futures can be held until expiration (Last Trading Day) or positions can be closed out on any trading day up to and including the Last Trading Day. Whether or not retail investors choose to do so will depend on their investment strategy and risk profile.

- ✓ A long Gilt Future position (i.e. a position opened by buying a Gilt Future) can be closed by entering a sell order (e.g. by giving the relevant instructions to your broker) in the market on any trading day up to and including the Last Trading Day.
- ✓ A short Gilt Future position (i.e. a position opened by selling a Gilt Future) can be closed by entering a buy order (e.g. by giving the relevant instructions to your broker) in the market on any trading day up to and including the Last Trading Day.

#### How can I complain?

Retail investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship in relation to this product or to the IFEU Complaints Handling Officer. Complaints must be made in writing to: The Complaints Handling Officer, ICE Futures Europe, 5<sup>th</sup> Floor, Milton Gate, 60 Chiswell Street, London, EC1Y 4SA, or can be emailed to: [ICEFuturesEurope-Complaints@theice.com](mailto:ICEFuturesEurope-Complaints@theice.com). See <https://www.theice.com/futures-europe/regulation> for full details of IFEU's Complaints Handling Procedures).

#### Other relevant information

##### Contract specifications setting out key details of all STIR Futures traded on our markets are published on IFEU's website:

Short Gilt Future / Medium Gilt Future / Long Gilt Future / Ultra Long Gilt Future

<https://www.theice.com/products/37612650/Short-Gilt-Future>

<https://www.theice.com/products/37612655/Medium-Gilt-Future>

<https://www.theice.com/products/37650336/Long-Gilt-Future>

<https://www.theice.com/products/37650337/Ultra-Long-Gilt-Future>

Please see the Contract Rules and Procedures for further details (<https://www.theice.com/futures-europe/regulation>). No portion of this document is, or is intended to be, addressed to persons outside the European Economic Area ("EEA"). IFEU has produced this document in order to provide a more efficient basis for compliance with Regulation (EU) No. 1286/2014 (the "PRIIPs Regulation") for exchange trading participants/members. To the extent permitted under the PRIIPs Regulation, IFEU undertakes no duty of care for the contents of this document and makes no warranty, representation or undertaking as to its accuracy. IFEU has not considered the specific circumstances of any 'retail investor' (as that term is defined in the PRIIPs Regulation) ("EEA Retail Investors"). EEA Retail Investors should only trade in this product based on their own assessment of the risks and should take their own financial, tax and legal advice. Any person making products to which this document relates available to an EEA Retail Investor is responsible for verifying whether this document is sufficient for their purposes or their clients' purposes, for adding any further disclosures as may be required for their clients and for assessing the suitability and appropriateness for their clients of any products traded on IFEU. IFEU does not admit any members that are EEA Retail Investors, and this document is only relevant to you if you have been offered trading in products traded on IFEU by a third party. IFEU is not responsible for the actions of any such third parties, and to the extent possible under applicable law, IFEU excludes all liabilities in relation to IFEU-traded products offered to EEA Retail Investors by any such third party. IFEU is not a 'PRIIP manufacturer' (as that term is defined in the PRIIPs Regulation) with respect to any offer to EEA Retail Investors in any EEA Member State other than those in which English is an official language or otherwise where a translated key information document in an official language of that EEA Member State is produced on IFEU's website.