Key Information Document – CFD on an Option

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.

CFD on an option is offered by **WH Selfinvest S.A.** (“WHS”, “we” or “us”), a company registered in Luxembourg, number B 65981. WHS is authorised and regulated by the Commission de Surveillance du Secteur Financier in Luxembourg, broker licence n°42798, commissionaire licence n°36399 and portfolio manager licence n°1806. Call 00352 42 80 42 80 or go to www.whselfinvest.com for more information.

This document was created/last updated on 6 February 2023.

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

What is this product?

Type

Options are a financial derivative instrument that gives the buyer the right, but not the obligation, to purchase or sell an underlying asset at a specified price, known as the strike price, before a certain expiry date. The buyer of an option pays an upfront amount (known as the “premium”) to the seller, which is the purchase price for the option.

Options are a versatile financial instrument that can be broken down into two forms: calls and puts. A buyer of a call option has the right to buy an underlying asset for a given price within a given period of time. Buyers (or “holders”) of call options are speculating on an increase in the price of the underlying asset. Sellers (or “writers”) of call options are speculating on a fall in the price of the underlying asset (or for it to remain below the strike price).

Selling options carries inherent risks. A worst-case scenario for a seller of a call option is for the price of the underlying asset to rise far more than the premium that the seller has received. A worst-case scenario for a seller of a put option is for the price of the underlying asset to fall far more than the premium that the seller has received.

A call option is 'in-the-money' if the underlying asset price is above the strike price and is 'out-of-the-money' when it is below the strike price. A put option is 'in-the-money' when the underlying asset price is below the strike price and is 'out-of-the-money' when it is above the strike price. An option is 'at-the-money' when the price of the underlying asset is at or very close to the strike price. The amount by which an option is in-the-money is referred to as the intrinsic value.

A contract for difference (“CFD”) on an option is a leveraged contract entered into with WHS on a bilateral basis. It allows an investor to speculate on rising or falling prices (or volatility) of an option on an underlying instrument. This may be an index, FX pair, commodity, interest rate or individual equity. An investor in a CFD on an option does not actually owns the option itself. Rather, investors are speculating on the price of that option.

An investor has the choice to buy (or go “long”) the CFD to benefit from rising option prices or to sell (or go “short”) the CFD to benefit from falling prices in the underlying (in the case of a call).

The price of an option is derived from a number of factors, such as the price of the asset underlying the option (which may be either the current (“cash”) price or a forward (“future”) price of the asset), the time remaining until the option expires, the expected future volatility of the price of the asset underlying the option, interest rates and whether the asset underlying the option pays any dividends or interest. Option prices are derived using models (such as Black Scholes) and the aforementioned factors.

For instance, if an investor is long a CFD on a FTSE 100 call option and the value of the option increases due to an increase in the underlying in the FTSE 100 or a rise in the expected volatility, at the end of the contract WHS will pay the difference between the closing value of the contract and the opening value of the contract. Conversely, if an investor is long a CFD on a call option and the price of the call option falls, at the end of the contract the investor will pay WHS the difference between the closing value of the contract and the opening value of the contract. An options contract will have a pre-defined expiry date. CFD on options will automatically be terminated on the pre-defined expiry date unless the contract is closed before by the client.

The leverage embedded within CFDs on options has the effect of potentially magnifying losses when selling options. It is important that investors are aware of the risks involved in trading CFDs on options. A buyer of a CFD on an option has a maximum potential loss equal to the premium paid for the option and has an unlimited profit potential. A seller of a CFD on an option has a maximum potential profit equal to the premium received for selling the option and an unlimited maximum potential loss. When selling CFDs on options, the margin requirement is equal to the underlying asset's margin factor multiplied by the stake size.

Risk profile	Margin incurred
Long Call	Stake size x option premium
Long Put	Stake size x option premium
Short Call	Stake size x underlying deposit factor
Short Put	Stake size x underlying deposit factor

Objectives

There are three potential objectives of trading a CFD on an option: 1) to hedge a particular risk; 2) to protect against potential losses as part of a wider portfolio; or 3) to speculate on a particular underlying asset. CFDs on options can allow an investor to gain leveraged exposure to the movement in the value of an option (whether up or down), without actually needing to buy or sell the underlying option or the asset underlying the option. The exposure is leveraged since the CFD requires a proportion of the notional value of the contract to be paid up front as initial margin and is one of the key features of trading CFDs. By way of example, if an investor buys 1 CFD contract of the October FTSE 7.400 call option at a price of €20 the total investment will be €200 (€20 x 10). As per the Black-Scholes model, for each 1 point change in the price of the option, the value of the option, and therefore the CFD, will change by €10. This change in the option price may arise from a change in the price of the FTSE 100 or a change in the expected volatility of the FTSE 100 or both.

All CFDs on options offered by WHS have a pre-defined expiry date, which is the expiry date of the underlying option. As a result, there is no 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.

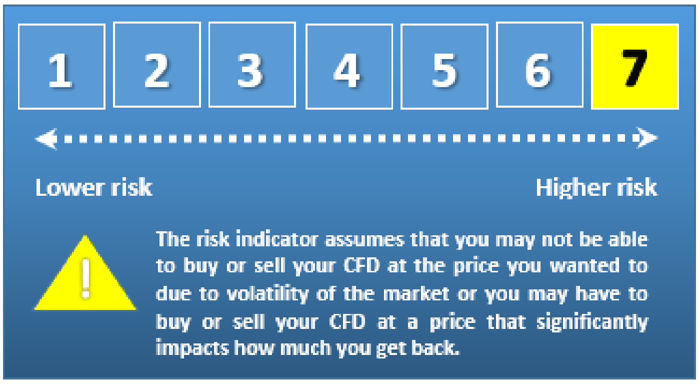
Failure to maintain sufficient equity in the account to meet the margin requirement may result in all CFD positions being auto-closed. This will occur when the equity falls below 50% of the total margin required. WHS also retains the ability to unilaterally terminate any CFD contract and any of your other open positions where certain events of default have occurred with respect to you (e.g., failing to maintain sufficient margin in your account).

Intended Retail Investor

CFD on options is intended for investors who have knowledge of, or are experienced with, leveraged products and who are looking to gain a short-term exposure to the market underlying the option. Likely investors will understand how the prices of options are derived and the key concepts of margin and leverage. They will understand the risk/reward profile of the product compared to trading in the asset underlying the option directly. Investors will also have appropriate financial means and the ability to bear losses.

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 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 future performance of the product at a very highest level.

There is no recommended or minimum holding period for this product. Please see below section: "How long should I hold it and can I take money out early".
CFDs on options are leveraged products that, due to underlying market movement, can generate losses rapidly. There is no capital protection against market risk, credit risk or liquidity risk. Even through losses may be incurred, retail clients are subject to negative balance protection which means that your losses cannot exceed the funds in your account (which includes any funds that are not required to be maintained as margin to keep your positions open).

Be aware of currency risk. It is possible to buy or sell a CFD on an option that is denominated in a currency which is different to the base currency of your account. The final return you may get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

Market conditions may mean that your CFD is closed at a less favourable price, which could significantly impact how much you get back. We may close your open CFD on an option position if you do not maintain the minimum margin that is required, if you are in debt to WHS, or if you contravene market regulations. This process may be automated. This product does not include any protection from future market performance so you could lose some or all of your investment. If we are not able to pay you what is owed, you could lose your entire investment. However, you may benefit from a consumer protection scheme (see the section "what happens if we are unable to pay you"). The indicator shown above does not consider this protection.

Performance scenarios

A CFD is a leveraged financial derivative that follows the price of an underlying financial market. A CFD will make gains or incur losses as a result of price movements in the underlying assets. A CFD will be quoted with a buy price and a sell price, with the difference being the spread fee. Spreads will affect the returns of your investment. The price of an option CFD may be affected factors such as its strike price, volatility of the market, the remaining time until expiration and the price of the underlying instrument.

What could affect my return positively?

A position that is taken at a buy price (going long) will make a profit if closed at a higher sell price.
A position that is taken at a sell price (going short) will make a profit if closed at a lower buy price.

What could affect my return negatively?

A position that is taken at a buy price (going long) will incur a loss if closed at a lower sell price.
A position that is taken at a sell price (going short) will incur a loss if closed at a higher buy price.

Severely adverse market conditions can negatively impact your positions. If your margin level is at or below the margin close-out level, we will close any or all of your open positions as quickly as possible. This may result in the loss of your entire account balance.

What happens if WHS is unable to pay out?

If WHS is unable to meet its financial obligations to you, you may lose the value of your investment. However WHS segregates all retail client funds from its own money in accordance with the Luxembourg CSSF's client asset rules. WHS also participates in the Luxembourg Système d'Indemnisation des Investisseurs Luxembourg (SIIL) which covers eligible investments up to €20 000 per person, per firm. See www.fgdl.lu.

What are the costs?

Trading a CFD on an option incurs the following costs:

<table>
<tr><th colspan="4">This table shows the different types of cost categories and their meaning</th></tr>
<tr><td rowspan="2">Cash and Futures</td><td rowspan="2">One-off entry or exit costs</td><td>Spread</td><td>The difference between the buy price and the sell price is called the spread. This cost is realised each time you open and close a trade.</td></tr>
<tr><td>Currency conversion</td><td>Any cash, realised profit and losses, adjustments, fees and charges that are denominated in a currency other than the base currency of your account, will be converted to the base currency of your account and a currency conversion fee will be charged to your account.</td></tr>
<tr><td>Cash and Futures</td><td>Incidental costs</td><td>Distributor fee</td><td>We may from time to time share a proportion of our spread, commissions and other account fees with other persons including a distributor that may have introduced you.</td></tr>
</table>

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

CFDs on options are intended for short or longer-term trading, in some cases intraday and could be suitable for long term investments. There is no recommended holding period, no cancellation period and therefore no cancellation fees. You can open and close a CFD on an option at any time during market hours.

How can I complain?

If you wish to make a complaint, you should contact our Support Desk on 00352 42 80 42 80, by emailing info@whselfinvest.com or in writing to WH Selfinvest S.A., 33 rue du Puits Romain, L-8070 Bertrange. If you do not feel that your complaint has been resolved satisfactorily, you are able to refer your complaint to the Commission de Surveillance du Secteur Financier (CSSF). See www.cssf.lu for further information. If your complaint is about an advisory or discretionary manager acting on your account, please contact the firm providing the service.

Other relevant information

If there is a time lag between the time you place your order and the moment it is executed, your order may not be executed at the price you expected. Ensure your internet signal strength is sufficient before trading.

The Clients section of our website contains important information regarding your account. You should ensure that you are familiar with all the terms and policies that apply to your account. Our information tables contain additional information on trading a CFD on bond future. These can also be found in the Clients section of the website and in the trading platform in the Symbol Details.

For retail clients, a mandatory margin close-out rule is applied on an account level basis. This means that when the value of your account (i.e. the net profit and loss, any deposited margin and any other funds) falls below 50% of the initial margin requirement (that was paid to enter into all of the open CFD positions at any point in time), one or more of your CFD positions will be closed out. We may set a higher percentage than 50%.

Retail clients who trade leveraged CFDs have the benefit of negative account balance protection. Where this is the case, your liability will be limited to the funds in your account (which includes any funds that are not required to be maintained as margin to keep your positions open, regardless of whether those positions relate to this product).

CFDs are complex instruments and come with a high risk of losing money rapidly due to leverage. 71% of retail investor accounts lose money when trading CFDs with this provider. You should consider whether you understand how CFDs work and whether you can afford to take the high risk of losing your money.