CME Group Physical Foreign Exchange Short Call Option

Key Information Document

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.

Product

This document provides information relating to **call options on certain foreign exchange futures** contracts which have been listed by **Chicago Mercantile Exchange, Inc** ("CME"). CME is referred to below as the "Exchange". CME is a Designated Contract Market based in the USA, and is a subsidiary of CME Group. CME is regulated by the Commodity Futures Trading Commission. Details of the specific products which are covered by this document can be found on the CME Group website at www.cmegroup.com/priipskids. Call +1 312 930 1000 for more information. This document is dated 1 January 2025.

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

What is this product?

The product is an option on a futures contract listed for trading and cleared in accordance with the requirements of the US Commodity Exchange Act and the Commodity Futures Trading Commission regulations thereunder.

The objective of the product is for you to sell to a third party the right to buy exposure to the value of one specified currency ("the base currency") as measured in another specified currency ("the quote currency"), through the subsequent purchase of a futures contract on the currency pair, at the option's strike price, and to receive a payment for this sale. Information on the specific currency pairs can be found online at www.cmegroup.com/priipskids. The unit of trading of the futures contract is a fixed amount of one currency, which is to be delivered at a future date. Delivery occurs according to Exchange rules through the transfer of both currencies between buyers and sellers.

As the seller of a call option contract, you have the obligation to sell the underlying futures contract at the option's strike price, if a buyer chooses to exercise and you are selected by the Exchange's clearing house to make the sale. The buyer of the option has the right to buy the futures contract at the option's strike price. When a buyer exercises an option, the Exchange's clearing house will select an option seller at random to meet the obligation, and you may be selected. At the expiration of the option, the Exchange has arrangements to automatically exercise options with remaining intrinsic value on behalf of the option buyer.

The call option contract is made available for trading in a number of monthly or weekly expiration dates, referred to as 'contract months' or 'contract weeks'. The range of contract months and contract weeks available for trading, and the day and time at which the product ceases trading can be found online at www.cmegroup.com/priipskids. Exercise of an option results in the formation of a futures contract with a specific contract month. The futures contract month which corresponds to a specific option contract month or contract week is described at www.cmegroup.com/priipskids. The buyer of the call option contract may exercise their right to buy the futures contract only on the option's expiration date – this is known as a 'European style' exercise provision.

There are no early termination provisions in the terms of the call option contract. The sale of an option contract can offset a purchase of an option contract (and vice versa), and therefore offsetting purchases or sales can close out an option position. The Exchange may however modify or terminate the availability of trading under its emergency procedures.

As the seller of a call option contract, you will receive the price of the option in full when you sell it. The price of an option is also known as the premium. Prices of the product are quoted per unit of the base currency, with the value being this price multiplied by a fixed quantity amount. As there is a potential for loss on a short option position, the Exchange's clearing house will require a margin deposit from you, which is an amount of money that must be deposited when a short option position is opened, and is also referred to as 'performance bond'. The amount of margin held on deposit must be maintained at a minimum level set by the Exchange's clearing house and your clearing firm each day, including where a loss on a position has eroded this amount.

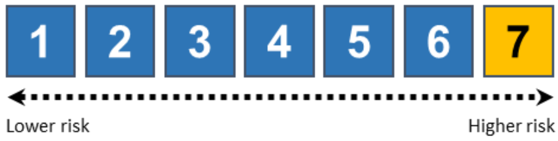
The product is intended for all types of investors, but it is important to note that trading options and futures is not suitable for all investors, as it involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. Only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade. Retail clients in particular should have good knowledge and experience of options, futures or other leveraged products, should be able to bear losses in excess of the amount invested, should have a high risk tolerance, and have a short-term investment horizon for this product.

The return on investment is determined by the market prices for the underlying futures contract when the position is opened and closed, prevailing interest rates, the amount of time to expiration, and the volatility and expectations of future volatility of the prices of the underlying futures contract.

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 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. As an option contract, the product should be considered a high-risk investment product.



The risk indicator assumes a holding period of 3 months. You may not be able to close your product easily or may have to close out at a price that significantly impacts on how much you get back.

For the seller of an option, there is no maximum loss. 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.** As the seller of a call option contract, you may be selected to sell a futures contract at an unfavourable price on the option's expiration date. This futures position has risks associated with it.

The product is denominated in a foreign currency, and therefore the return, when expressed in your currency, may change depending on currency fluctuations. **Be aware of currency risk. You will 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.**

This product does not include any protection from future market performance so you could lose some or all of your investment.

The product is listed for trading on a futures market and there is no committed liquidity offered by market makers or the Exchange. Therefore, liquidity depends only on the availability of buyers and sellers in the market. Regular trading activity observed at one point in time does not guarantee regular trading at any other point in time.

As an option contract which gives you the obligation to sell exposure to the value of one specified currency as measured in another currency, the main factors affecting future returns are factors which affect the supply and demand for the two currencies. These include changes to expectations of the returns on investments in each of the currencies over the short and medium term, and changes in expected currency flows associated with imports and exports of goods and services. Announcements of economic indicators such as interest rates and GDP can also affect expectations of future supply and demand, as can changes in perceptions of geopolitical stability.

As an option contract which gives you the obligation to sell exposure to the value of one specified currency as measured in another currency, the most relevant benchmark is the price of the underlying currency pair, as represented by the underlying futures contract. Prices and price volatility for the option will increase as the price of the underlying futures rises, meaning that your investment performance will decrease in this scenario. The rate of price increase will be higher where the price of the underlying futures contract is above the option's strike price.

What could affect my return positively?

Selling this product holds that you think the underlying price will decrease or remain unchanged. Positive returns may be generated where demand and supply factors lower the price of the currency pair. For example, increases in interest rates in the base currency which are less than expected relative to the interest rates in the quote currency. In addition, if the underlying future's price is at or below the option's strike price at the option's expiration, the option will have zero value resulting in the full retention of the premium received. Lower expected volatility of the underlying price will reduce the option's valuation, creating a positive return. The option's value will also decrease as the time remaining to the option's expiry decreases.

What could affect my return negatively?

Negative returns may be generated where demand and supply factors increase the price of the currency pair. For example, increases in interest rates in the base currency which are greater than expected relative to the interest rates in the quote currency. Higher expected volatility of the underlying price will increase the option's valuation, creating a negative return.

Adverse market conditions will likely result in negative returns and losses on your position. You may be required to make further payments to pay for losses. The total loss you may incur may significantly exceed the amount invested.

What happens if the Exchange is unable to pay out?

You are not exposed to financial loss due to the default of the Exchange. All futures and options contracts traded on the Exchange are guaranteed by the Exchange's clearing house. No US regulated clearing house has ever defaulted or failed to make a payment to its market participants. In the highly unlikely event that such a default occurred, the initial margin posted to the Exchange's clearing house by you is bankruptcy remote. Thus, the risk of you suffering any loss due to the failure of the Exchange's clearing house is extremely low.

No direct client of the Exchange's clearing house has ever suffered a loss as a result of the failure of one of the Exchange's clearing firms. However, there is a low risk that such a loss could occur if the clearing firm and a fellow client of that direct customer both defaulted. To the extent that an intermediary is employed by you that is not a direct clearing firm of the Exchange's clearing house, the potential exists for losses to be suffered in scenarios other than those described above.

What are the costs?

The Exchange charges a transaction fee for opening or closing a position. Should the option be exercised and you are selected to sell futures, there will be a fee for the exercise, and a transaction fee for the resulting futures transaction. Should the option expire without exercise, there may be an expiration fee. No other charges are applied by the Exchange, although your clearing firm and any other intermediary firm employed by you will also charge fees for their services.

The reduction in yield (RIY) shows what impact the total costs you pay will have on the investment return you might get. The total costs take into account one-off, ongoing and incidental costs.

Further information on the specific costs applied by the Exchange can be found online at www.cmegroup.com/priipskids. The amounts shown here are the cumulative costs of the product itself, for a single holding period. The figures assume you invest in 1 call option contract – which is the minimum tradable amount. The RIY has been calculated with reference to an option with a strike price close to the underlying futures price. The figures are estimates and may change in the future.

The person selling you or advising you about this product may 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.

1 Foreign Exchange Call Option contract			
Scenarios	If you cash in after 3 months	If you hold for 3 months until expiration and the option is exercised	If you hold for 3 months until expiration and the option expires without being exercised
Total Costs	various	various	various
Impact on return (RIY) per year	various	various	various

The table below shows (i) the impact over the holding period of the different types of costs on the investment return you might get at the end of the holding period, and (ii) the meaning of the different cost categories.

This table shows the impact on return over a 3 month holding period			
One-off costs	Entry costs	various	The impact of the costs you pay when entering your investment
	Exit costs	various	The impact of the costs of exiting your investment
Ongoing costs	Portfolio transaction costs	not applicable	The impact of the costs of us buying and selling underlying investments for the product
	Other ongoing costs	not applicable	The impact of the costs we take each year for managing your investment

There are no ongoing or incidental costs charged by the Exchange. You will be required to hold margin on deposit with your clearing firm and there may be a cost associated with this.

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

The Exchange does not provide a recommended holding period for this product, as this will be dependent on the needs of the investor. There is no minimum holding period, and no penalty for closing a position. Positions can be closed out by conducting an offsetting trade in the market. The Exchange will charge a transaction fee for this offsetting trade. The tables of costs shown above demonstrate the costs for a three-month holding period until the expiration of the option.

Your clearing firm or the firm through which you placed the trade may require you to close your position before the product's expiration date.

How can I complain?

In the first instance, complaints should be directed to the firm through which you placed the trade.

Complaints can also be directed to the Exchange's London office. The postal address is: Legal Department, CME Group Inc., London Fruit & Wool Exchange, 1 Duval Square, London, E1 6PW, United Kingdom. The Exchange's email address for complaints is: EUregulation@cmegroup.com.

Other relevant information

Full product terms and conditions, the Exchange's Rulebook and a Regulatory and Trading Advice Disclaimer can be found at www.cmegroup.com.