

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.

Short (Sell) OTC Options are offered by **CMC Markets Germany GmbH** ("CMC"), a company registered in Germany under registration number 114199. CMC Markets Germany GmbH (registration number 154814) is authorised and regulated by the Federal Financial Supervisory Authority (BaFin).

CMC is part of the CMC Markets Group. Call +49 (0) 69 22 22 440 00 or go to cmcmarkets.de for more information



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

What is this product?

Type

Options are financial derivative instruments which derive its value from the value of another underlying instrument. This product is a Short (Sell) Over-The-Counter (OTC) Equity Option ("**Short OTC Equity Option**") entered with CMC on a bilateral basis whereby the investor sells the OTC Equity Option by taking a Short Position

Term

Short OTC Equity Options have a fixed term and automatically expire on the Expiry Date.

Objectives

The objective of a Short OTC Equity Option is to let an investor take a view on market direction and/or volatility. The investor expects the Equity to move up or down but takes on the obligation to buy or sell the Equity at the Strike Price, which may be unfavourable to them.

When you enter a Short OTC Equity Option position, you receive an option premium (the price of the option). This amount is blocked in your trading account and applied toward the respective margin requirements associated with the sale of OTC Equity Options as disclosed on the trading platform. When you close your position prior to the Expiry Date, you will receive or pay the difference between the option premium you received and the option premium you pay. If the Short OTC Equity Option is automatically exercised, you must pay a cash payment.

The option premium can change over time. This depends on several factors, including the difference between the option's strike price and the current Equity price, interest rates, the time remaining until the option expires, and the expected volatility of the underlying Equity.

You can enter into two types of Short OTC Equity Options, either:

- A **Call Option** gives the buyer the right, but not the obligation, to receive a cash payment if the Equity price is above the strike price at the Expiry Date and Expiry Time. The seller of Call Options expects that upon the option's expiration the Equity will be lower than the option's strike price. In this case, the **Call Option** is "**out of the money**" and will expire with no value. The Sellers maximum potential gross profit is the option premium received.

If the Equity price is **above the strike price**, the Call Option is "**in the money**". The gross pay-off of the seller of Call Options is calculated as the option's premium, minus the underlying's value at the option's expiration, plus the option's strike price. The seller's maximum potential gross loss is unlimited.

The break-even point is when the Equity price equals the strike price plus the option's premium, meaning there is no profit or loss.

- A **Put Option** gives the buyer the right, but not the obligation, to receive a cash payment if the Equity price is below the strike price at the Expiry Date and Expiry Time. The seller of a Put Option however expects that upon the option's expiration the Equity will be higher than the option's strike price. In this case, the **Put Option** is "**out of the money**" and will expire with no value. The seller's maximum potential gross profit is the option premium received.

If the Equity price is **below the strike price**, the Put Option is "**in the money**". The gross pay-off of the seller is calculated as the option's premium, minus the option's strike price, plus the underlying's value at the option's expiration. The seller's maximum potential gross loss is unlimited.

The break-even point is when the underlying's price equals the option's strike price minus the option's premium, meaning there is no profit or loss.

Instruments which are referenced as the underlying for an equity options position may include but are not limited to:
- a share of a specific company.

Positions in Short OTC Equity options can be subject to adjustments due to corporate actions in the underlying stock (e.g. a take-over of the underlying company, a rights issue, etc.).

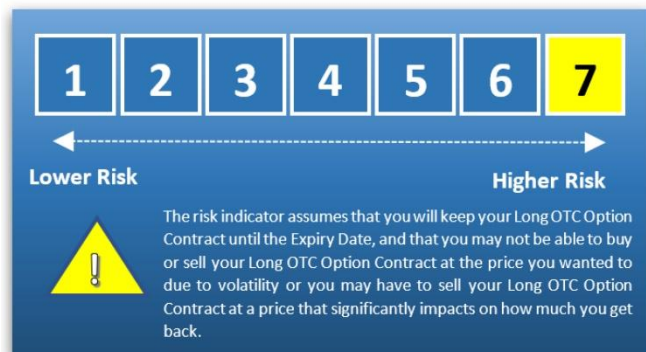
There is no recommended holding period for a Short OTC Equity Option, and it is down to the discretion of each individual investor to determine the most appropriate holding period based on their own individual trading strategy and objectives. CMC retains the ability to unilaterally terminate any Short OTC Equity Option where it deems that the terms of that Contract have been breached.

Intended Retail Investor

The product is intended for investors who pursue the disproportionate participation in price changes and / or hedging, highest risk tolerance and have a short-term investment horizon. This product is a product for clients with expert knowledge and / or experience with specialised financial products. The investor may bear financial losses exceeding the initially received premium up to the maximum amount that can be lost due to the negative balance protection.

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 high level.

Short OTC Equity Options are complex instruments. There is no capital protection against market risk, credit risk or liquidity risk.

Be aware of currency risk. It is possible to trade Short OTC Option 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.

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.

Performance scenarios

What you will get from this product depends on future market performance. Market developments in the future are uncertain and cannot be accurately predicted. The scenarios shown are illustrations based on results from the past and on certain assumptions. Markets could develop very differently in the future.

The stress scenario shows what you might get back in extreme market circumstances.

Holding period: 1 day

Example investment (account funds allocated to margin): EUR 10,000

Minimum: There is no minimum guaranteed return. You could lose some or all your investment. You may be required to make further payments to cover losses.

Short Call Option – Scenarios at expiry

	Stress	Unfavourable	Moderate	Favourable
What you might get back after costs	EUR 0	EUR 8,000	EUR 10,000	EUR 10,000
Percentage return	-100%	-20%	0%	0%

Short Put Option – Scenarios at expiry

	Stress	Unfavourable	Moderate	Favourable
What you might get back after costs	EUR 0	EUR 8,000	EUR 10,000	EUR 10,000
Percentage return	-100%	-20%	0%	0%

Before entering into a Short OTC Equity Option (Call or Put), you must make your own independent assessment and decide whether the product is suitable for you. The scenarios shown in the graphs are examples only and illustrate a range of possible returns at maturity.

For retail clients, losses will be limited to your account balance.

What happens if CMC Markets Germany is unable to pay out?

If CMC is unable to meet its financial obligations to you, you may lose the value of your investment. However, CMC segregates all retail client funds from its own money in accordance with the requirements of Section 84 of the German Securities Trading Act (WpHG) regarding client funds. CMC is also a member of the Compensation Fund for Securities Trading Companies (EdW) which covers eligible investments up to €20,000 per person/company. See www.e-d-w.de/.

What are the costs?

This table shows the different types of cost categories and their meaning

One-off costs	Entry costs	The impact of the costs you pay when entering your investment, which includes spread costs and currency conversion costs (where the account currency is different from the currency for the Short OTC Option)
	Exit costs	The impact of the costs you pay when exiting your investment, which includes spread cost and currency conversion costs (where the account currency is different from the currency for the Short OTC Option)
Ongoing Costs	Management fees and other administrative or operating cost	There are no ongoing or incidental costs charged by CMC i.e. Zero

Further information on the specific costs applicable to CMC's Short OTC Options can be found in our Cost Disclosure document available on our website.

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

Short OTC Equity Options are intended for short term trading.

There is no recommended holding period, no cancellation period and therefore no cancellation fees. You can open and close a Short OTC Equity Option at any time during market hours prior to the Expiry Date at which point your Short OTC Equity Option will automatically close.

How can I complain?

If you wish to make a complaint about CMC Markets Germany GmbH, please contact our Client Management team by calling +49 (0) 69 22 22 440 00, by emailing kundenservice@cmcmarkets.de or in writing to CMC Markets Germany GmbH, Garden Tower, Neue Mainzer Str. 46-50, 60311 Frankfurt am Main. If you do not feel that your complaint has been resolved satisfactorily, you may refer your complaint to the Federal Financial Supervisory Authority (BaFin). See www.bafin.de for further information. Alternatively, you may refer your complaint to the conciliation body of the Deutsche Bundesbank (consumers only). See www.bundesbank.de/de/service/schlichtungsstelle for more 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 Legal Documents 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.

The Product Overview on our platform contains additional information on trading a Short OTC Equity Option. Additional information on costs can be found on our website.