

## INTRODUCTION

This document (referred to as the "Terms for OTC Option Contracts") sets out the additional terms that apply to investing in our OTC Option Contracts on an Account.

- 1.1.1 Investing in OTC Option Contracts carries a high level of risk to your capital, which may not be appropriate for all investors. You should ensure that you understand the risks involved and seek independent advice if necessary. The prices of OTC Option Contracts may change to your disadvantage very quickly. Trading Products that involve leverage may result in losses exceeding your deposited funds. However, where we have categorized you as a Retail Client you cannot lose more than your Invested Capital or in respect of Long OTC Option Contracts, the Premium.
- 1.1.2 Where we have categorized you as a Professional Client or an Eligible Counterparty, when investing in Short OTC Option Contracts it is possible to lose more than your Invested Capital and you may be required to make further payments. For Short OTC Option Contracts, your potential losses are unlimited. If we have categorized you as a Professional Client or an Eligible Counterparty you should also refer to Schedule 2 of the Terms of Business, which sets out the additional terms that apply to you.
- 1.1.3 More details about the risks of trading our Products are contained in the Risk Warning Notice.
- 1.2 **Our agreement with you.**
- 1.2.1 This document (referred to as the "Terms for OTC Option Contracts") is part of a wider agreement between you (also referred to as "our client", "your" and "you") and CMC Markets Germany GmbH (also referred to as "CMC Markets", "we", "us" and "our") in relation to your activities carried on with us.
- 1.2.2 Our agreement with you consists of these Terms for OTC Option Contracts, the Terms of Business, our Order Execution Policy, our Risk Warning Notice, our Price List and any specific terms and conditions you accept on the Platform. These documents have been previously agreed with you, and are available on our Website, through our Platform or otherwise by requesting them in writing and are together referred to as the Agreement. These Terms for OTC Options Contracts are separately agreed and will constitute Schedule 1B of the Terms of Business.
- 1.2.3 All clauses of the Terms of Business (including its Schedules 2, 2A and 3) relating to CFD Margin Trades shall be read to also relate to OTC Options Contracts.
- 1.2.4 Capitalised words in these Terms for OTC Option Contracts have the meaning explained in the definition section below and if not listed there, the meaning from the table of definitions in Schedule 3 of the Terms of Business, whereby general definitions in Schedule 3 of the Terms of Business relating to CFD Margin Trades shall also apply to OTC Option Contracts.
- 1.2.5 There are additional documents and information available to you on our Website and through our Platform which contain useful information but are not part of the Agreement. These include Key Information Documents, the Consumer Information, our Summary Conflicts of Interest Policy, our Privacy and Security Policy, our Complaints Procedure and certain information pursuant to distance selling and e-commerce laws and certain information pursuant to § 63 (7) of the German Securities Trading Act (Wertpapierhandelsgesetz, WpHG) and the Regulation Specifying Rules of Conduct and Organisational Requirements for Investment Firms (Verordnung zur Konkretisierung der Verhaltensregeln und Organisationsanforderungen für Wertpapierdienstleistungsunternehmen, WpDVerOV).
- 1.2.6 **For your own benefit and protection, you should take sufficient time to read the Terms for OTC Option Contracts, as well as the additional documents and information available on our Website and through our Platform, before you place any Order. If you do not understand any aspect of the Terms for OTC Option Contracts, you should seek independent professional advice.**
- 1.3 **Definitions and Scope of application.**
- 1.3.1 For the purposes of the Terms for OTC Option Contracts and the Terms of Business agreed between you and CMC Markets including Schedule 2, 2A and 3 of the Terms of Business, the following definitions shall apply specifically in the context of OTC Option Contracts. The terms defined herein are intended to reflect the functionalities, features, and structure of OTC Option Contracts and shall be interpreted accordingly.
- 1.3.2 The definitions in Schedule 3 of the Terms of Business shall continue to apply to the extent that they are compatible with OTC Option Contracts. Where any term or concept defined in Schedule 3 does not exist or is inapplicable for OTC Option Contracts, it shall be disregarded for the purposes of interpreting rights,

obligations, or procedures under these Terms for OTC Option Contracts.

Attributes	The various limitations, restrictions and features that apply to Orders and/or CFD Margin Trades and/or OTC Option Contracts in respect of each Product, which we may amend from time to time in accordance with clause 9.5 and 9.6 of the Terms of Business. Attributes include, but are not limited to, trade limits and tier sizes, minimum distances, minimum trade sizes, Trading Hours, Expiry Dates & Times, Spreads, Option type, Strike Price, pricing methodology, intrinsic value of an OTC Option Contract including “in the money” and “out of the money”, composition of basket Products and key dates.
Available Equity	The Amount equal to your current Account Revaluation Amount minus any Margin requirements and any Premium requirements but not including any Premium that may be due and payable to you in connection with a Short OTC Option Contract.
Call Option	If you are a buyer, the right (but not obligation) to buy a specific Product in the underlying market at the Expiry Date at the Strike Price, solely on a cash settled basis.  If you are the seller, the obligation to sell a specific Product at Strike Price if the buyer exercises their right to buy, in exchange for the Premium, solely on a cash settled basis.
Expiry Date	The last possible date at which any CFD Margin Trade, OTC Option Contract or Pending Order in relation to a particular Forward, will automatically expire, as specified in the Product Library.
Expiry Time	The last possible time at which any CFD Margin Trade, OTC Option Contract or Pending Order in relation to a particular Forward, will automatically expire, as specified in the Product Library.
Limit IoC Order	This definition is referred to in the Order Execution Policy and is an instruction to place an Order for an OTC Option Contract in accordance with the relevant conditions set out in the Order Execution Policy.
Long OTC Option Contract or Long (Buy) OTC Option Contract	Has the meaning set out in paragraph 1.3(a) of Schedule 1B
Margin Floor or Margin Floor Rate	With respect to an OTC Option Contract, the percentage rates used to calculate the Margin requirement for any given Order for an OTC Option Contract.
Margin Rate or Margin Standard Rate	With respect to any Product, the percentage rate applicable to each tier of a CFD Margin Trade as specified in the Product Library from time to time, or in respect of an OTC Option Contract, the percentage rates used to calculate the margin requirement for any given Order for an OTC Option Contract

Multiplier	This definition is referred to in the costs disclosure and Platform and means the number of underlying assets that one (1) OTC Option Contract represents.
Order Book	The portion of an Order Ticket that displays the multiple Buy and Sell Prices for an OTC Option Contract, to reflect the Price Depth for different sized Orders in that Product, as generated by our Platform from time to time. Your Order may execute at Prices across multiple levels of the Order Book depending on the size of your Order.
OTC Option Contract	An over the counter cash-settled contract which provides its holder with the right, but not the obligation, to buy or sell the relevant underlying asset without the usual costs and rights associated with an investment in that underlying asset, provided any Attributes necessary for the exercise of that OTC Option Contract are satisfied at the Expiry Date and Expiry Time. However, other costs and rights will apply to an OTC Option Contract. An OTC Option Contract will not entitle you or us to any rights in relation to the underlying asset of that OTC Option Contract and exercise of an OTC Option Contract cannot and does not result in the acquisition or disposal of any instrument of or by you.
Premium	The amount you are required to pay us to place an Order for a Long OTC Option Contract or you are entitled to receive when you place a sell Order for a Short OTC Option Contract. All Premium will be settled on a net basis upon closure or expiry of an OTC Option Contract in the Account Currency.
Price Depth	The feature of our Platform that provides multiple Prices for a particular Product, to reflect the different Prices for different sized Orders in that Product or, in the case of OTC Option Contracts, different portions of an Order, which may be displayed on our Platform either via the Price Ladder or an Order Book, or such other Platform feature made available from time to time.
Protected Immediate or Cancel Market Order	This definition is referred to in the Order Execution Policy and is an instruction to place an Order for a OTC Option Contract only in accordance with the relevant conditions set out in paragraph 5 of Schedule 1B and in clause 3 of Section A of the Order Execution Policy.
Put Option	If you are a buyer, the right to sell (but not an obligation) a specific Product in the underlying market at the Expiry Date at the Strike Price, solely on a cash settled basis.  If you are a seller, the obligation to buy the specific Product at the Strike Price if the buyer exercises their right to sell, in exchange for the Premium, solely on a cash settled basis.

Settlement Price	In respect of an OTC Option Contract, the reference price used to determine the realised Profit or Loss, which is displayed or described on our Platform and will be based on relevant indices or instruments or, where such indices or instruments are not available, via a price determined by us acting reasonably.
Short OTC Option Contract or Short (Sell) OTC Option Contract	Has the meaning set out in paragraph 1.3(b) of Schedule 1B.
Strike Price	In respect of an OTC Option Contract, the price at which the underlying asset may be bought or sold when the OTC Options Contract is exercised.
Terms of Business	The Terms of Business as agreed between you and CMC (including Schedules 2, 2A and 3)

## SCHEDULE 1B - TERMS FOR OTC OPTION CONTRACTS

### **OTC Option Contracts.**

- 1.1 An OTC Option Contract is an over the counter cash-settled contract which provides its holder with the right, but not the obligation, to buy or sell the relevant underlying asset without the usual costs and rights associated with an investment in that underlying asset, provided any Attributes necessary for the exercise of that OTC Option Contract are satisfied at the Expiry Date and Expiry Time. However, other costs and rights will apply to an OTC Option Contract. An OTC Option Contract will not entitle you or us to any rights in relation to the underlying asset of that OTC Option Contract and exercise of an OTC Option Contract cannot and does not result in the acquisition or disposal of any instrument of or by you.
- 1.2 An OTC Option Contract may only be exercised by you on the Expiry Date at the Expiry Time. Where an OTC Option Contract is not capable of exercise at the Expiry Date and Expiry Time, because the relevant Attributes have not been satisfied, that OTC Option Contract will have no worth and will automatically expire at the Expiry Date and Expiry Time.
- 1.3 You are able to trade two types of option contracts with us: a Long (Buy) OTC Option Contract and a Short (Sell) OTC Option Contract:
  - (a) When you enter into a Long OTC Option Contract, you will be the person with the right to exercise that Long OTC Option Contract on the Expiry Date if the Attributes are satisfied at that date.
  - (b) When you enter into a Short OTC Option Contract, we will be the person with the right to exercise that Short OTC Option Contract on the Expiry Date if the Attributes are satisfied at that date.
- 1.4 It is important to note that, for a Long OTC Option Contract, your potential loss is capped at the amount of the Premium for that particular Long OTC Option Contract, and where the Product Currency differs from your Account Currency, any fluctuations in the exchange rates. However, when you enter into Short OTC Option Contract, the value of your potential loss is unlimited if you are not categorized as a Retail Client. Where you are a Retail Client entering into any Short OTC Option Contract, you cannot lose more than your Invested Capital.

### **2. Products.**

- 2.1 You will be able to access relevant information on each Product, including its Attributes, through the Product Library. The Products available may vary depending on the Account type and/or feature. Please see the Platform for details of which Products are available.
- 2.2 You may only enter into or close OTC Option Contracts via our Platform and/or through our client management team during the Trading Hours specified in the Product Library for the relevant Product. It is your responsibility to monitor the Trading Hours as specified in the Product Library. Some but not all types of Orders may be submitted through our Platform and/or our client management team outside of the Trading Hours for the relevant Product.

### **3. Prices.**

- 3.1 During the Trading Hours for any Product, our Platform will generate Prices and Price Depth subject to clauses 4.2.1, 8.2 and 8.3 of the Terms of Business and you acknowledge that these Prices may differ at any time to those displayed on your device.

3.2 The Price at which an Order will be executed may be less favorable to you than the Price displayed on our Platform and/or provided to you by our client management team when you place the Order and you are responsible for checking the Price at which an Order may have been executed.

#### **4. Currency Conversions.**

4.1 All Deductions and credits applied to your Account will be in the relevant Account Currency. Where the relevant Product Currency is different to the relevant Account Currency, all calculations of Deductions and credits will be undertaken in the Product Currency and converted into the Account Currency at the Currency Conversion Rate.

4.2 Where the relevant Product Currency is different to the relevant Account Currency, all calculations of Margin will be in the Account Currency. The indicative Premium will be displayed on the Platform in the Product Currency. However, the Premium will be converted into the Account Currency at the Currency Conversion Rate at the point your OTC Option Contract is closed or expires. Please see the Risk Warning Notice for further information about foreign market currency risk.

4.3 Our Platform will retain information about the Currency Conversion Rate in relation to your Account.

4.4 If you transfer funds to your Account which are in a different currency to your Account Currency, those funds will be transferred to your Account using an exchange rate that is displayed on the Platform.

#### **5. Orders.**

5.1 To enter into an OTC Option Contract, you must place an Order on our Platform that identifies the Product and provides the information requested on our Platform in relation to that Product. The types of Order available to you in respect of a particular Product and the details of when those Orders might be placed or modified will be specified on our Platform and Order Execution Policy.

5.2 An Order will only be deemed to be received by our Platform at the time at which our Platform actually receives it, which may not be immediately after you submit that Order. Placing an Order does not guarantee that an OTC Option Contract will be entered into as we reserve the right to reject your Order without any explanation. A record of any executed or rejected Orders can be accessed through our Platform.

5.3 Subject to the provisions of these Terms for OTC Option Contracts, you and/or we may modify or cancel any Order at any point until that Order has been executed.

5.4 If your Account has insufficient Available Equity to meet any relevant Margin requirements and / or any Premium in connection with that OTC Option Contract, we will not execute that Order.

5.5 Our Platform will combine and net your outstanding OTC Option Contracts at the same time in respect of the same Product and the same Attributes. Further details on netting can be found on our Platform and/or through our client management team.

#### **6. Margin and Premium.**

6.1 We will apply a variety of Margin and Premium requirements to any Order for an OTC Option Contract you place on our Platform which you are required to meet. We provide detailed information on these requirements via our Platform and via the costs disclosures.

6.2 The Margin requirements in respect of any OTC Option Contract may fluctuate and you may incur losses from any OTC Option Contract that exceeds the Margin you have provided to us for your Positions.

6.3 We retain sole discretion whether we permit you to enter into OTC Option Contracts on a leveraged basis.

6.4 The Premium for any OTC Option Contract is calculated at the time of the Order is placed and displayed in the Product Currency. Where you enter into a Long OTC Option Contract, you will owe us the Premium and where you enter into a Short OTC Option Contract, we will owe you the Premium.

6.5 Premium will be settled on a net basis in the Account Currency at the time of either the date on which an OTC Option Contract is closed or on the Expiry Date at the Expiry Time, whichever comes sooner:

(a) At the point in time at which a Long OTC Option Contract is closed or expires, the value of the Premium will be deducted from your Account Value or from any Realised Profit in relation to the OTC Option Contract in general. If the Product Currency and the Account Currency differ, then a Currency Conversion Rate will apply at the point of net settlement of the Premium.

(b) At the point in time at which a Short OTC Option Contract is closed or at the Expiry Date, the value of the Premium will be credited to your Account Value where there is a Realised Profit arising from that OTC Option Contract. Where there is not a Realised Profit arising from a Short OTC Option Contract, the Premium will be set-off against any Realised Loss in relation to that particular OTC Option Contract. If the Product Currency and the Account Currency differ, then a Currency Conversion Rate will apply at the point of net settlement of the Premium.

#### **7. Closing OTC Option Contract.**

7.1 An OTC Option Contract may only be closed by you or us prior to the relevant Expiry Date and Expiry Time. Details on how to close OTC Option Contract, as well as details of those circumstances where we may close OTC Option Contracts, are provided on our Platform. You should take sufficient time to read this information before you place any Order in respect of any OTC Option Contract.

- 7.2 Closing an OTC Option Contract prior to the Expiry Date and Expiry Time does not represent an exercise of that OTC Option Contract by you or us in accordance with paragraph 8 of this Schedule 1B. Any OTC Option Contract closed prior to the relevant Expiry Date and Expiry Time will be closed at the prevailing Settlement Price.
- 7.3 Closing an OTC Option Contract will require the creation of an equal and opposite OTC Option Contract, which will trigger Premium requirements. The value of this additional Premium will be settled on a net basis in the Account Currency and either deducted or credited to your Account in accordance with the provisions set out in paragraph 6.5 of this Schedule 1B.
- 7.4 An OTC Option Contract for a Manual Product may only be closed through our client management team.

## **8. Exercise.**

- 8.1 An OTC Option Contract may only be exercised on the Expiry Date prior to the Expiry Time where the Attributes connected to that OTC Option Contract are satisfied. Whilst you may close an OTC Option Contract prior to the Expiry Date in accordance with paragraph 7 of this Schedule 1B, there is no ability to exercise it prior to the Expiry Date. If the Attributes of the relevant OTC Option Contract are not satisfied on the Expiry Date, the OTC Option Contract will expire. If the Attributes of the OTC Option Contract are satisfied at the Expiry Date, you will be deemed to send an Order to us instructing us to exercise the OTC Option Contract and we will act on that Order.

## **9. Negative Balance Protection.**

- 9.1 Retail Clients cannot lose more than their Invested Capital or in the case of Long OTC Option Contracts, the Premium. If at any time you have a negative Cash balance on your Account, we will waive our right to claim the deficit and will return the Account balance to zero (0). Please note, this may not happen immediately.
- 9.2 You are still obliged to ensure that your Account Revaluation Amount is at all times above the applicable Close-Out Level displayed on our Platform. We retain the right to close any open OTC Option Contracts if you fail to maintain sufficient funds on your Account to keep your Account Revaluation Amount above the applicable Close-Out Level.

## **10. Risk Management.**

- 10.1 You may set a variety of risk management options in respect of an OTC Option Contract at any time via the Platform. Further information on the types of risk management options is available on our Platform.

### *Limits and restrictions on your OTC Option Contracts.*

- 10.2 We will set various limits and restrictions in relation to your OTC Option Contracts, and it is your responsibility to ensure that you know what all the current limits and restrictions are before placing or modifying any Order for an OTC Option Contract by checking the information available on the Platform. Any restriction applicable to an Account may apply across all Accounts that you hold with CMC Markets.
- 10.3 If, at the time an Order would otherwise be executed, the execution of that Order would result in a breach of a limit relevant for that type of Order or Product, the Order will be automatically rejected.
- 10.4 Where the acceptance of an Order or modification of an existing Order would result in a breach of a relevant limit, the relevant Order or modification will be rejected by our Platform.
- 10.5 In addition, an Account may be subject to a limit restricting the number of OTC Option Contracts and/or Positions that could result in opening a new Position or OTC Option Contract on the Account at any time. This limit is set by us in our sole discretion. We are entitled to vary such a limit at any time in accordance with clause 9.5 and 9.6 of the Terms of Business and it is your responsibility to ensure that you know what the current limit is before entering any new Position or placing an Order by checking the information available on the Platform.

## **11. Profit and Loss.**

- 11.1 Details of the Unrealised Profit Or Loss (and its relationship to Realised Profit or Realised Loss) for any individual OTC Option Contract are provided via the Platform. The Platform will set off any unrealised profits against any unrealised losses on all Positions on your Account.
- 11.2 The Unrealised Profit Or Loss displayed on our Platform at any time may not accurately reflect the Realised Profit or Realised Loss that would be gained or incurred if you closed one or all of your OTC Option Contracts immediately.
- 11.3 Any Realised Loss will become due and payable immediately. Retail Clients cannot lose more than their Invested Capital.

## **12. Corporate Actions, Adjustment Events and Insolvency.**

- 12.1 A Corporate Action or Adjustment Event may occur in relation to the underlying asset of a Product. If a Corporate Action or Adjustment Event occurs, we may, but are not obliged to take appropriate action (in our reasonable opinion) to:
- replicate this in your Order or OTC Option;
  - adjust and/or cancel your Orders;
  - reflect any action taken by counterparties to trades in respect of such underlying assets of the Product

- that we have entered into in order to hedge or offset our exposure to you; or
- (d) preserve the economic equivalent of your Order or OTC Option immediately prior to the Corporate Action or Adjustment Event, which may have consequences on your OTC Option.
- 12.2 Subject to clause 9.8. of the Terms of Business, we will give you notice of any applicable action that we decide to take as soon as reasonably practicable, which for the avoidance of doubt may be after the relevant Corporate Action or Adjustment Event or after the relevant action which we may take in our discretion under this paragraph 12.
- 12.3 If the Price of the underlying asset that a Product is based upon is suspended, we may, in our sole discretion, close any OTC Option in that Product at a Price that is fair and reasonable. Such Price may be different for a buy and sell OTC Option and may be at a value or Price of zero (0). We will notify you of the date and Price at which such OTC Option will be closed. We reserve the right to request additional Margin and/or any reasonably foreseeable associated costs incurred by CMC Markets (or any of our Associates) in connection with any suspension of a Product or the relevant underlying asset of a Product.
- 12.4 If an issuer, whose securities form the basis of a Product, becomes insolvent or similar, all OTC Option Contract on that Product may be closed by us, generally at a Price of zero (0). If you have an OTC Option Contract on any such Product, we shall provide you with notice of this.

### **13. Account Close-Out.**

- 13.1 You must ensure that for each Account your Account Revaluation Amount is at all times above the applicable Close-Out Level (including Prime Close-Out Level if applicable) for your Account displayed on our Platform. Where your Account Revaluation Amount is less than the applicable Close-Out Level, our Platform may automatically initiate an Account Close-Out in accordance with your Account settings. Further details on the applicable Close-Out Level for your Account, and the methods of Account Close-Out, can be found on our Platform or by contacting the client management team. Retail Clients cannot lose more than their Invested Capital or in the case of Long OTC Option Contracts, the Premium.
- 13.2 Where you have an open OTC Option Contract relating to Manual Products, if the Platform has carried out an Account Close-Out and your Account Revaluation Amount is still at or below the Close-Out Level (including any Prime Close-Out Level if applicable), the client management team will (as it sees fit in its sole discretion) manually close all or a portion of the OTC Option Contract relating to Manual Products within the applicable Trading Hours and where trading is not otherwise suspended.