

The Dealing Handbook

This Handbook is your guide to betting on financial markets with IG Index. It contains detailed information about the bets we offer and many examples. While we have tried to make the Handbook as comprehensive as possible, please remember that nothing in it in any way affects our Customer Agreement, which governs all transactions with us.

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by the Financial Services Authority**

Risk Warning: Spread bets carry a high level of risk to your capital. Only speculate with money you can afford to lose. Spread betting may not be suitable for all investors, so ensure that you fully understand the risks involved, and seek independent advice if necessary.

Note: Whilst IG Index has made every effort to ensure the accuracy, at the time of going to print, of the information in this Handbook, the information given in the Handbook and in the Information tables and the notes is subject to change, often without notice. It is for guidance only and no liability is accepted by IG Index for its accuracy or otherwise.

Introduction

This Handbook tells you how to use IG Index to back your views on world financial markets. We offer an enormous range of bets on stock indices, shares, currencies, interest rates, commodities and options.

As well as examples of how the various different types of bet work, you will find a complete set of information about every bet we offer. This includes IG's normal dealing spread. The dealing spread is the difference between the

two ends of our quotation. You make an *Up Bet* ('buy') at the higher end of the spread and make a *Down Bet* ('sell') at the lower end of the spread. (For convenience, the words 'buy' and 'sell', rather than 'Up Bet' and 'Down Bet' are used in the rest of this Handbook.) You will also find information about minimum bet sizes, deposit factors, and last dealing days.

You should be aware that changes to all this information can occur quite frequently.

Key Advantages

Dealing with IG Index has some very significant advantages over dealing through a broker in the normal way. Here are seven important benefits:

Tax-free profits*

HM Customs and Excise recognise that the transactions are bets. As a result, your profits are exempt from capital gains tax and income tax.*

24-hour dealing

IG is open 24 hours a day from Sunday night to Friday night. You can deal on many leading stock indices even when the underlying markets are closed.

Credit facilities

You may be offered a Credit Account, depending on your experience and financial standing.

Immediate dealing

We quote you a price and you can deal immediately; no tiresome waiting for an execution.

Unique markets

Many of the markets we offer are not available elsewhere.

No commission or fees

The only charge is our dealing spread.

Small minimum bet sizes

With many bets, you can trade in amounts that are smaller than the equivalent of one lot in the underlying futures market.

*Tax law can, of course, be changed and may differ if you pay tax in a jurisdiction other than the UK.

General Advice and Information

Before making use of the Handbook and its Information Tables, remember—a transaction with IG is a form of gambling.

Do not bet with money you cannot afford to lose. Remember too that, except in the case of Controlled Risk bets and ‘purchases’ of traded options, your risk is not limited to your deposit.

Dealing

Dealing Hours

(All these times and arrangements are subject to change).

IG Index is normally open 24 hours a day between 11.30pm on Sunday night and 9.15pm on Friday night.

In some cases, shorter opening hours may apply on days which are either UK Bank Holidays or US public holidays, and if such days fall on a Monday we may not open on the preceding Sunday night. We are not open on Christmas Day, New Year’s Day, Good Friday or other days which are holidays in both the UK and US and if such days fall on a Monday we may not open on the preceding Sunday night.

Market Times

In this Handbook, market opening times for UK and US markets are given in terms of London time. Market times for European, Far Eastern and other markets are given in terms of local time. When London times are given for US markets, we have assumed the normal time difference between the UK and the US. When one set of clocks has changed before the other (normally for one week in the spring and one week in the autumn), the times will be different.

Minimum/Maximum Bet Sizes

Minimum bet sizes are normally those set out in the Information Tables. The maximum bet size permitted on any one quotation will vary with market conditions. Please ask our dealers for current information.

Closing Part of a Bet

A client does not necessarily have to close the whole of his bet at one time. He may close part of it, provided that the sizes of the part he closes and of the part he leaves open are each equal to at least the minimum bet size.

Discrepancies

Confirmation of all transactions is normally sent by first class post on the business day following the transaction. If a confirmation fails to arrive or you disagree with its contents, please contact us as soon as possible and certainly not later than the second business day after the date on which the document was or should have been received.

You should be aware that, in the absence of manifest error, you will be bound by the contents of a confirmation unless you have notified us within the specified period that you disagree with it. In the event that you think you have opened or closed a bet but we have not sent you a confirmation in respect of that transaction, any query in relation to the purported transaction will not be entertained unless you inform us within the specified period and can provide accurate details of the time and date of the purported transaction.

All telephone calls to our dealers are tape-recorded to provide maximum efficiency for clients and to avoid disputes. So if you think that a discrepancy has occurred, please let us know the date and approximate time of the relevant call. This will enable us to trace it.

Expiry and Rollover

Bets not already closed by the client are automatically closed on or after the last dealing day at our closing or settlement price. Details of the last dealing day and settlement method for particular bets are set out in the Information Tables and notes.

For most kinds of bet other than bets on options a client can, at any time before the bet has been automatically closed, ask for the bet to be rolled over to a later date. Rolling over a bet involves closing the old bet and opening a new one. You have to settle any losses on the bet that has been closed.

IG generally offers a spread concession when a bet is rolled over, so that the total cost of closing the old bet and opening the new one is normally cheaper than if they were done as two separate transactions. There are different types of concession depending on the type of bet. Unless otherwise specified in the notes to the individual sections of this Handbook, you pay normal IG spread to close the existing bet and are given a 40% spread concession on the opening leg of the new bet.

IG Index normally attempts to contact a client shortly before a bet is due to expire and offer him the opportunity to roll the bet over. However, IG cannot undertake to do this in every case and it remains the client's responsibility to give instructions, if he so wishes, to roll the bet over before it expires.

Talking to our Dealers

Many people who do not work in the City find the idea of trading with a busy dealing desk a bit alarming. There is no need to worry; all our dealers are quite used to dealing with inexperienced clients and will do everything they can to help you.

They are trained to explain things clearly and will not use baffling jargon. And don't worry about bothering the dealers when they are busy either; if you do ring up to discuss a general point when the market is particularly active they

will arrange to call you back later.

There are a few simple things to remember when you ring up to deal. First of all, there is a distinction between asking for an actual dealing quote and just asking for information about where a particular market is trading. If you just want to know a current market level and do not intend to deal you should use the word 'indication'. This will save a lot of time.

'Can I have an indication for December Nikkei, please?'

While our dealers are happy to give indicative prices, their main job is to quote and take bets. Many clients now use the live prices on our website (www.igindex.co.uk) as their principal source of price information.

If you do want a dealing quotation, you should specify clearly the market and the delivery month in which you are interested.

'March FTSE, please.'

For your own protection, do not tell the dealer whether you want to 'buy' or 'sell' until after he has quoted you a price. Do not ask for more than one dealing quote at a time.

When the dealer has quoted you a price, you must decide quickly whether you want to deal. If you wait more than a second or two, our quotation is likely to change, particularly if the market is active.

If you do want to deal say clearly whether you want to 'buy' or 'sell', and specify the size in which you wish to deal.

'I'll sell ten pounds a point there.'

Inexperienced clients sometimes use ambiguous expressions, for example 'Sell me ten' or 'I'll close there.' Phrases like these cause confusion and should not be used.

If your deal is opening or closing a Controlled

Risk bet, you should tell the dealer at this point in the conversation, and not later on.

The dealer will then ask you for your account number and name. To avoid a delay, you should memorise your account number, or have it in front of you when you call. After that the dealer will enter the details of your deal into our computer system and check whether you are opening a new bet or closing an existing one.

Many inexperienced clients use the words 'sell' and 'close' as if they meant the same thing. This is incorrect and can cause mistakes. You can, of course, 'sell' to open a position (i.e. when you open a Down Bet). On the other hand when you close a Down Bet, you are 'buying', not 'selling'.

If you are opening a new bet, the dealer will also check that your account is large enough to accept the bet. This normally only takes a few seconds.

It is important to understand that once you have said 'I'll buy' or 'I'll sell' you cannot change your mind a few seconds later and undo the deal; the dealer may already have covered your bet in the market.

At the end of the call, the dealer will confirm all the details of your transaction back to you. To avoid any uncertainty or confusion, it is very important that you do not hang up before you have received this confirmation.

Price Information

Our internet site www.igindex.co.uk displays a wide range of live prices, updated continuously. If you need a price indication and do not actually want to deal, it is often easier to look on the website rather than call our dealers.

Risk Control

Stop and Limit Orders

An instruction to deal if the price moves to a

more favourable level (e.g. to 'buy' if the price goes down to a specified level) is a *Limit Order*. For example, if we were quoting March FTSE at 5346/5354 you might give a Limit Order to 'buy' at a limit of 5330. A Limit Order will be triggered if at any time, inside or outside market hours, the middle price of our quotation moves through the level of the Limit Order. We will normally accept a Limit Order on any open bet except bets on options.

An instruction to deal if the price becomes less favourable is a *Stop Order*. For example, if you had already 'bought' March FTSE at 5350 you might put on an order to 'sell' if the middle price of our quotation dropped to 5300. A Stop Order is normally placed in order to prevent you losing more than a certain amount of money. That is why Stop Orders are sometimes called Stop-Loss Orders. We will normally accept a Stop Order on any open bet except Controlled Risk bets and bets on options.

A Stop Order will be triggered if at any time, inside or outside market hours, the middle price of our quotation is at, or through, the Stop level. **It is important to remember that with Stop Orders on stock indices it is not the level of the Index itself which decides whether the bet is closed, but the level of our quotation.** There may be nothing against which to measure IG's quotation, particularly at times when the underlying market is closed. We often quote a market on the basis of a pre-determined premium or discount; for example, we may establish that the Daily FTSE typically trades 45 points below the FTSE future and quote Daily FTSE accordingly. Stop Orders on the Daily FTSE will then be triggered if the FTSE future, minus 45, trades at or through the Stop level.

Our quotations may reflect the movement of a faster-moving futures market or the company's position on that market. Furthermore, business done by other clients may itself affect IG's quotations. If a price reaches one client's Stop level, so that, for example, he 'sells' to close a bet, that sale may itself push our quotation down to a level at which another client's Stop Order is triggered.

You should be aware that it will sometimes not be possible for the Stop Order to be transacted at the price you have selected.* This may happen overnight or when the market moves very quickly. In these cases the Order may be transacted at a level worse, possibly much worse, than the level you have selected. Any such 'slippage' will be determined on a basis which IG believe to be fair and reasonable. Inside market hours, the time-and-sales record of the underlying market will normally determine the amount of slippage, if any. Outside market hours, any slippage will be determined by IG's assessment of market conditions including movements in any related market and the business of other clients.

Half the IG Dealing spread is charged in the normal way when a bet is closed as a result of a Stop or Limit Order being triggered. So if, for example, you had placed a Limit Order to close a 'buy' bet on the near-month FTSE at a limit of 5350, and the Limit Order is triggered, your bet will be closed at 5346 (5350, the Order level, minus 4, half the IG spread).

Unless you specifically tell us otherwise, all Stop and Limit Orders will be treated as orders to close specific existing open bets. So if the relevant open bet is closed for any reason, any unfulfilled connected Stop or Limit Order is automatically cancelled. When a bet is rolled over, the existing bet is closed and any Stop or Limit Order attached to that bet is automatically cancelled; it is up to you to place an Order on the new bet if you want to do so.

We also accept Stop and Limit Orders to open a new bet rather than close an existing bet. If you want to place an Order of this type, you must tell the dealer that it is an Order *to open*. Orders to open may be subject to minimum sizes which are higher than our minimum bet sizes; please ask our dealers for current details.

We will not normally accept 'contingent' Stop or Limit Orders, or other types of Order such as 'Market If Touched' (MIT) Orders.

We will normally only accept Stop or Limit Orders which are Good Until Cancelled (GTC), and Good All Hours. Any Stop and Limit Orders which we accept will be deemed to be Good Until Cancelled and Good All Hours unless you specifically tell us otherwise.

Should you request it, we will attempt to contact you by e-mail when your Stop or Limit Order has been triggered. However, we cannot undertake always to do this, especially in busy market conditions.

Controlled Risk bets

A Controlled Risk bet is one which has a special kind of Stop-loss Order attached to it. When you open a Controlled Risk bet you pay a small premium, through an increase in IG's dealing spread, and you choose a stop-loss level at which, if our quotation reaches it, your bet is to be automatically closed. You are guaranteed at all times, including overnight, that if our quotation reaches your selected stop-loss level your bet will be closed at exactly the level you chose, even if our quotation has in fact passed right through that level.

For example, you might 'buy' £10/point of September FTSE at 5700 with a Controlled Risk Stop at 5600. *You cannot lose more than £1000* ($[5700 - 5600] \times £10$). Suppose September FTSE drops to a low of 5620 one evening and war is declared overnight. The next morning September FTSE opens at 5450. Your bet will still be closed at your selected Controlled Risk stop level of 5600.

There is another important difference between Controlled Risk bets and ordinary bets. With an ordinary bet you pay a spread when you open the bet and another spread when you decide to close it. With a Controlled Risk bet, on the other hand, all the IG spread is paid at the beginning, by taking the price without normal IG spread and adding or taking off the Controlled Risk spread.

For example, you might 'buy' Brent Crude Oil

*This does not apply to Stops on Controlled Risk bets: see page 7.

when the market price was 2400 (cents per barrel) and our quotation was 2395 to 2405 (opening level 2405). You might then close it when the market price was 2660 and our quotation was 2655 to 2665 (closing level 2655): profit of 250 points. If you had made it a Controlled Risk bet, the whole of our increased spread (16 points) would have been added to the market price of 2400 when you opened the bet but there would have been no spread on closing. So you would have opened the bet at 2416 and closed it at 2660: profit of 244 points.

It is important to remember that with Controlled Risk bets on stock indices the bet is closed if the middle of IG's quotation for your month reaches your selected level—it is not the level of the index itself which decides whether the bet is closed. So, before deciding to use Controlled Risk bets on stock indices, please bear well in mind that there may be nothing against which to measure IG's quotation, particularly at times when the underlying market is closed.

IG's quotations, especially at such times, reflect our own view of the prospects for a market. Furthermore, business done by other clients may itself affect IG's quotations. If a price reaches one client's Controlled Risk stop level, so that, for example, he 'sells' to close a bet, that sale may itself push our quotation down to a level at which another client's Controlled Risk bet has to be closed.

There are some markets on which Controlled Risk bets are not available, notably Traded Options and Spot Currencies.

There is no special minimum size for Controlled Risk bets. However, when you open a Controlled Risk bet, your selected stop level must be a minimum number of points away from the opening level of your bet. The minimum permitted distance will vary depending on market conditions. Please ask our dealers for current information.

You may wish, before a price reaches your

Controlled Risk stop level, to change the stop level. This is frequently possible, but only at IG Index's absolute discretion. If the change increases the amount of money which it is possible for you to lose on the bet the deposit requirement will be increased.

IG Index normally attempts to contact a client when his Controlled Risk Stop has been triggered. However, we cannot undertake always to do this, especially in busy market conditions.

'Converting' an Open Bet to Controlled Risk

You can normally 'convert' an ordinary open bet into a Controlled Risk bet at any time. When you do this, the existing (non-Controlled Risk) bet is closed at the current market level with full IG spread. A new Controlled Risk bet is then opened at our middle price (or at the market bid or offer in cases where we pass on market spread) plus or minus the Controlled Risk premium. No IG spread is charged when this new Controlled Risk bet is subsequently closed.

For example, you might have an open 'ordinary' £10/point 'buy' bet on September FTSE. You decide to 'convert' your bet to Controlled Risk. Our current quote is 5320 to 5330, and you close your existing bet by 'selling' £10/point at 5320. At the same time you open a £10/point Controlled Risk bet long of September FTSE at 5328 (5325, the middle of our quote, plus Controlled Risk premium of 3).

'Rolling' a Controlled Risk Bet

When a Controlled Risk bet is rolled over, we will, unless instructed otherwise, place the Stop on the new bet at the same market level as the Stop on the expiring bet.

If there is insufficient money on the account to allow this to happen, the Stop will be placed as far away as the funds available allow.

Limit Orders on Controlled Risk bets are not automatically re-instated when a bet is rolled over.

'Rolling' a Bet with a non-Guaranteed Stop or Limit Order

Stop and Limit Orders to close non-Controlled Risk bets are not automatically re-instated when a bet is rolled over.

Hedging

Hedging is a means of limiting risk. For example, investors can 'sell' a share with IG in order to guard against the risk that the price of that share may fall, without actually liquidating their holding.

Covering your risk through IG works out very much cheaper than actually selling all or part of your portfolio. Stock Market dealing costs can be heavy when you take account of the broker's commission and the market-maker's turn. Another disadvantage of selling shares, if you are selling them at a profit, is that you can incur Capital Gains Tax.

But remember, hedging is a defensive move. It is likely to eliminate, as long as the hedge lasts, any profit to be made on a share you are hedging—if your share goes up you will probably lose money on your 'sale' with IG.

Credit and Margin

Types of Account

IG offers three types of account: the Standard Account, the Credit Account and the Limited Risk Deposit Account. There are important differences between the three types of account. These relate to *deposit* and *margin* and are explained below.

If you have a Standard Account or a Limited Risk Deposit Account and would like to change it to a Credit Account please let us know. We shall, of course, do our best to accommodate you but, under the rules of our regulator, the Financial Services Authority (the FSA), we must not extend credit to a client unless we are satisfied, according to criteria laid down by the FSA, that the credit arrangements and amount concerned are suitable for the client.

Deposits

Every bet involves a corresponding deposit. If you have a Standard Account the deposit normally has to be sent to IG the day the bet is opened. If you have a Limited Risk Deposit Account, you must normally have sufficient cash in your account to cover the maximum possible loss before you open a bet. If you have a Credit Account you do not normally have to send the deposit, but the size of the deposit is still important because it affects the size of the bets you can have open (see **Account Size** below).

The deposit requirement for each bet is equal to the bet size multiplied by a Deposit Factor. For example, the Deposit Factor for London Cocoa is 40. So the deposit requirement on a £10 bet on London Cocoa would be £10 (bet size) x 40 (Deposit Factor) = £400. Similarly, the Deposit Factor for the British Pound/US Dollar is 307. Therefore the deposit requirement on a \$3 bet on the British Pound/US Dollar would be \$3 (bet size) x 307 (Deposit Factor) = \$921. The Information Tables give the current normal Deposit Factors for each bet.

In most cases our deposit requirements are based on those of the futures exchanges. The exchanges frequently change their deposit requirements and, in the same way, IG reserves the right to change deposit requirements or require new or additional deposit payments without notice. *For this reason, the Deposit Factors shown in the Information Tables may not be current when you open a bet.* Any changes will normally apply to bets already open, as well as to new bets.

In some cases a client may have open two or more bets which are connected in such a way that it is unnecessary to charge full deposits on both. This would, for example, apply where a client has 'bought' the FTSE 100 and 'sold' the S&P 500 Index, or has 'bought' July Crude Oil and 'sold' September Crude Oil. If you make bets of this type, the dealer will be able to tell you the amount of your total deposit requirement. We must, however, emphasise that we are not obliged to take account of connections

between bets and, in particular, connections between a 'purchase' of an option and any other bet, whether an option or not, will normally be disregarded.

Placing a Stop Order on a particular bet can result in a substantial reduction in the deposit requirement. When you have a Stop Order to close a bet, the deposit requirement is worked out by taking the distance between the opening level of the bet and the Stop level and adding a factor for 'slippage'. The slippage factor is 20% of the normal deposit requirement, or 30% of the normal deposit requirement in the case of bets on individual shares.

For example, consider a £10/point Up Bet on the September FTSE opened at 5400. Normally such a bet would require a deposit of £3000 (300, deposit factor, times £10, bet size). If a Stop were placed at 5350, the deposit factor used would drop to 110, i.e. 50 (the distance of the Stop) plus 60 (20% of 300, the normal deposit factor). So the deposit required would drop to £1100.

The deposit required for a Controlled Risk bet or for a 'purchase' of a traded option will normally be equal to the maximum amount you can lose on the bet.

The deposit requirement for a 'sale' of a traded option will normally be between 50% and 100% of the deposit requirement for the corresponding futures bet.

Bets denominated in currencies other than sterling normally have a deposit requirement denominated in the relevant currency. In such cases the client can, if he prefers, put up sterling, in which case it will be converted into the relevant currency at an exchange rate no more than 0.75% less favourable to the client than the current exchange rate. Conversion into sterling will also be at an exchange rate no more than 0.75% less favourable to the client than the current exchange rate.

Account Size

Both Standard and Credit Accounts have a *Total*

Deposit Limit. This is the maximum deposit requirement which the account is permitted to incur. The Total Deposit Limit thus controls the maximum size of bets which you may have open on your account at any one time.

In the case of a Credit Account, you can open bets requiring deposits up to your *Waived Deposit Limit* without sending (or having on your account) funds to cover the deposits. You can open further bets requiring deposits up to your *Total Deposit Limit* by sending (or having on your account) funds to cover the deposits they incur.

Once you have reached your Total Deposit Limit, you will not normally be allowed to open any new bets. In most cases, this rule applies even if you have with us ample money to provide the deposits which the new bets would require.

There are a few ways in which the cash on account can be used to offset deposits. Any positions that are Limited Risk—Controlled Risk bets and Up Bets on Options—can have their deposit covered by the cash on the account. So can the deposit that is incurred by a bet which has a non-guaranteed Stop which is close enough to reduce the deposit.

If your Account Limit is too low for the size of positions you wish to run, please contact us and we will see whether we can increase it.

Margin

You may have to put up additional money, known as margin, if prices move against you. A request for margin is usually made by telephone. Such requests, called *margin calls*, are normally made when your running losses on open positions are greater than your *Margin Call Trigger*. You are advised, therefore, not to make bets for which the initial deposit requires all the money you can spare, as otherwise you may be forced to close a position you might prefer to keep open.

Margin calls to holders of a Credit Account are

normally made when running losses reach the client's *Credit Limit*. It is, except in certain circumstances specified by the FSA, within IG Index's discretion whether or not to make a margin call and, in any case, if it does not do so, that in no way affects the liability of clients for the whole of any losses.

Any losses on closed positions must, of course, be paid immediately.

The prices we quote on stock indices for particular months normally differ from the current level of the indices themselves, and you must remember that any margin call you receive will be based on IG's quotations, not on the level of the indices themselves.

If you have positions open when you are on holiday, or at any other time when you are unlikely to be easily contactable, you must remember to make arrangements to keep in touch with IG dealers, and provide some way of allowing IG to alert you to any sudden changes affecting your bets. You must also be in a position to get money to us as quickly as if you were at home.

Administrative Queries

If you have a query about your account or about any general administrative matter, please call us on 0800 195 3400. Please call between 9.30am and 5.00pm if possible.

E-mail Services

More and more of our clients prefer to receive information by e-mail rather than by letter or over the telephone. Please let us know if you would like any of these e-mail services:

Statements

If you request it, we can send you statements and formal confirmations of your bets by e-mail instead of by post.

Bet confirmations

When you make a bet we can e-mail an immediate, informal confirmation.

Stops

We can alert you by e-mail when a Stop Order is triggered on any of your bets. This includes Stops on Controlled Risk bets.

Other IG Services

Foreign Exchange

As well as offering the currency bets described later in this Handbook, we also provide a regular (i.e. non-betting) 24-hour foreign exchange service to companies and private clients. The minimum transaction size is \$100,000 and our dealing spreads are highly competitive. Please call the Foreign Exchange Desk on 020 7663 0998 if you are interested in finding out more.

Margined Share Trading

Our shares desk offers a full service in equity CFDs (Contracts for Differences) to brokers, corporate traders and experienced private investors. For further information please call the Margin Trading Desk on 020 7633 5555.

Sports and Political Betting

IG offers a very wide range of spread bets on sporting and political events—for example, the number of seats each party will win in the next General Election.

If you would like more information about Sports or Political betting, please call the Sports Desk on Freephone 0500 913 911.

Dealing on the Internet

Many clients now prefer to deal with us over the internet. You do not need to open a special type of account to do this; you can make bets on any IG account both on-line and by phone.

Also, as our new dealing interface runs entirely through your browser, you do not need to download or install any new software.

When you open an account you will be sent an internet password under separate cover which will give you secure access to the dealing area of our website. The first time you log in you will be prompted to change your password for future use. Our web address is:

www.igindex.co.uk

Once you have logged in, you will be able to open and close bets on-line, with access to thousands of real-time prices updating as the underlying markets change. You will also gain unlimited use of award-winning news and charting services.

Your account details can also be viewed on-line. This includes a real-time valuation of all positions currently open, along with a live calculation of your running profit or loss. Your whole portfolio is reflected here, including bets made both on-line and over the phone.

If you experience any problems with our internet dealing, please call our Freephone Helpline on 0800 195 3400.

BACS Payments

We can pay profits from your bets directly into your bank account via BACS (Bankers Automated Clearing Service) payments. This service enables you to receive your money much more quickly (payments made on Monday, for example, will be cleared in your account by Wednesday) and with a minimum of effort.

If you would like to receive payments through BACS rather than by cheque, you should provide us with your current UK bank details, including the sort code, your account number and the name and address of the institution. For your protection we require these details in writing, so please let us know by post, fax or by e-mail to helpdesk@igindex.co.uk

We will then set up your account to receive payments via BACS.

Should you have any queries about this service, or about bet payments in general, please call Freephone 0800 195 3400.



The IG Index on-line dealing interface

Glossary and Abbreviations

Note: These interpretations are not necessarily the same as or as precise as normal market meanings and refer largely to the terms as they apply in IG transactions.

General Glossary

Up Bet ('Buy'): A bet backing a particular price to rise.

Down Bet ('Sell'): A bet backing a particular price to fall.

Spread: The difference between the buying and selling price for a particular bet.

Rollover: The procedure whereby a bet approaching expiry is closed and a similar position is opened in a more distant month, thereby prolonging the exposure to a particular market.

Last dealing day: The last day on which a client may deal in a particular market, for opening or closing trades. This may or may not coincide with the settlement date for a bet.

Controlled Risk bet: A bet which has a strictly limited maximum loss.

Contract (lot) size: The minimum amount which can be traded in a futures or option market.

Last (trade): Normally the last traded price in a particular market. In some cases, as in share markets, the printed last trade may be the middle of the last bid-offer.

Premium: The amount by which a price for one instrument exceeds that for another instrument. For example, if December Cocoa is trading at 1058 and September Cocoa is trading at 1033, December is at a premium of 25 to September. The term is also used in currency markets to describe the amount by which forward currency rates exceed spot rates. (See also *Options Glossary*).

Discount: The amount by which a price for one instrument is less than for another instrument. The term is also used in currency markets to describe the amount by which forward currency rates are less than spot rates.

Spot: The price for a currency, index, commodity or share for immediate settlement or delivery.

Liquid/illiquid: A liquid market has a sufficient volume of two-way business for trade to occur without moving prices unduly and will normally exhibit narrow bid-offer spreads. In an illiquid market, a small amount of business often moves prices a disproportionate amount, and bid and offer prices can be far apart.

Limits/limit-up/limit-down: Temporary price floors and ceilings applied in some futures markets to reduce the potential for sudden large price movements. A market is limit-up if it has reached a pre-imposed ceiling above which it temporarily cannot trade. A market is limit-down if it has reached a pre-imposed floor below which it temporarily cannot trade.

Long: A position taken in anticipation of a rising market. To go long means to buy.

Short: A position taken in anticipation of a falling market. To go short means to sell.

Contango (referring to commodity markets): The situation where the price for immediate delivery of a commodity is lower than the price for some future date.

Backwardation (referring to commodity markets): The situation where the price for

immediate delivery of a commodity is higher than the price for some future date.

Hedge: A trade or position that reduces or eliminates the risk of loss from an adverse price movement in a position already held.

Gearing/leverage: The relationship between potential profit or loss and the initial outlay. A position with high gearing or leverage stands to make or lose a large amount from a small initial outlay. With IG Index, the initial outlay in question is normally the deposit for the bet.

Deposit: The funds required as initial outlay for a bet. It is not the total amount that can be lost on the bet. With a Credit Account, although

the deposit requirement still applies to your bet, the requirement for you to provide us with funds to cover the deposit when you open a bet is normally waived.

Margin: The amount required from a client—in addition to any deposit due—to cover losses if a price moves adversely. Sometimes called ‘variation margin’.

Account Limit: This is the total amount of deposit requirement a client can incur at any one time.

Credit Limit: The total losses a client with a Credit Account can run on open bets before it is necessary to send in margin.

Options Glossary

Call: The right to buy at a fixed price on or before a particular date.

Put: The right to sell at a fixed price on or before a particular date.

Strike price: The fixed price at which the holder of an option is entitled to buy or sell

In-the-money: Describing an option with intrinsic value.

Out-of-the-money: Describing an option without intrinsic value.

Intrinsic value: In the case of a call option, an option has intrinsic value if the strike price is lower than the current level of the underlying market. In the case of a put option, an option has intrinsic value if the strike price is above

the current level of the underlying market. The intrinsic value is the difference between the current level of the underlying and the strike price.

At-the-money: An option whose strike price is at the current level of the underlying market.

Premium: The price paid or received for an option.

Extrinsic/time value: That part of an option’s price that is not accounted for by its intrinsic value. The extrinsic value of an option reflects the likelihood that the option will move into, or further into, the money before expiration.

Expiration/expiry: The date and time at which an option expires—that is, when the holder no longer has the right to buy or sell.

Abbreviations

The following are the full names of the markets referred to in the Information Tables:

- AFO:** Austrian Futures and Options Exchange
- CBOT:** Chicago Board of Trade
- CME:** Chicago Mercantile Exchange
- COMEX:** Commodity Exchange Inc, New York
- CSCE:** Coffee, Sugar and Cocoa Exchange
- EUREX:** European Exchange, Frankfurt
- FINEX:** Financial Instrument Exchange, New York
- HKFE:** Hong Kong Futures Exchange
- IPE:** International Petroleum Exchange, London
- LIFFE:** London International Financial Futures Exchange
- LME:** London Metal Exchange
- LSE:** London Stock Exchange
- MSE:** Milan Stock Exchange
- NYCE:** New York Cotton Exchange
- NYFE:** New York Futures Exchange
- NYMEX:** New York Mercantile Exchange
- OMLX:** London Securities and Derivatives Exchange
- OSE:** Osaka Securities Exchange
- SAF:** South African Futures Exchange
- SFE:** Sydney Futures Exchange
- SGX:** Singapore Exchange
- SOFFEX:** Swiss Options and Financial Futures Exchange
- TSE:** Tokyo Stock Exchange

Stock Indices

Stock Index futures allow you to gain an exposure to a large number of different shares in one single transaction. They are popular with private investors because they can be used to take positions on the direction of a whole market without taking a view of the prospects for any particular company's shares. A short position in a Stock Index future can also be used as a rough, low-cost, hedge to protect a diversified share portfolio against market falls.

IG offer bets on a wide range of Stock Index futures. They are amongst our most popular products. Betting on Stock Index futures with IG has a number of significant advantages when compared with trading the futures themselves. In particular:

We often quote prices for months which are not quoted, or are not yet liquid, in the equivalent futures market, giving you greater flexibility and the ability to take longer-term positions.

Our minimum bet sizes are usually smaller than the minimum transaction size in the equivalent futures market.

We quote prices on our most popular Stock Index futures bets even when the underlying markets are closed. You can take a position in FTSE or Wall Street at any time, 24-hours a day, between Sunday night and Friday night.

When trading Stock Index futures, it is important to remember that the current price of the future will not normally be the same as the price of the underlying Index. There are,

broadly speaking, two reasons for this:

Futures contracts usually trade at prices which reflect the interest advantage, and the disadvantage of foregone dividends, which is obtained by taking a long position in a futures contract rather than buying actual shares for cash. Interest rates are generally higher than dividend yields, so the future will usually have a natural premium, called a *fair value premium*, to the underlying Index.

Futures prices can respond to news or a change of sentiment more quickly than Indices, which are not fully up to date until every individual share which they contain has traded. In a volatile market, futures contracts can trade at very substantial premiums or discounts to their underlying Index.

IG's quotes for bets on Stock Index futures take account of these phenomena. They also take account of market sentiment and the business we are currently seeing from our clients.

A bet with IG on a Stock Index future is a bet about what the level of the underlying Index will be on a specified date in the future, not a bet about the current level of the Index.

For example, IG's quote for a particular month may be at a substantial premium to the Index when you open a bet and at a much reduced premium, or a discount, when you come to close it later. This would be good news if you had 'sold' but would reduce your profit, or increase your loss, if you had 'bought'.

Example 1: 'Selling' the FTSE 100 Index future

With IG you can bet on FTSE for the current or next month, or the last month of the current or next quarter.

You call us on 2 July and ask for a quote on the August FTSE, and the quote is 5400/5410. You believe the market is going to fall before the third Friday in August (when August FTSE expires) and you 'sell' £30/point. You deal at the lower of the two prices quoted, i.e. 5400. The deposit is £9000; (£30, bet size, x 300, deposit factor). You will win £30 for every point by which your closing price (either when you close it or when it expires) is lower than 5400, or lose £30 for every point by which your closing level is above 5400.

The market moves in your favour. On 8 July you call for another quote, which turns out to be 5333/5343, and you 'buy' to close the bet. The closing price is 5343, and your profit is calculated as follows:

Opening level	5400
Closing level	<u>5343</u>
Difference	57

Profit on a £30/point 'sell': $57 \times £30 = £1710$ free of tax

Example 2: 'Buying' the Wall Street Index future

With IG you can bet on Wall Street for the current or next month or the last month of the current or next quarter.

You call us on 9th May and ask for a quote on the June Wall Street Index, and the quote is 10420/10434. You believe the New York market will rise by June, and 'buy' £10/point. You deal at the higher of the two prices quoted, i.e. 10434. The deposit is £4500; (£10, bet size, x 450, deposit factor). You will win £10 for every point by which your closing price is higher than 10434, or lose £10 for every point by which your closing level is below 10434.

The market moves in your favour. On 3 June you call for another quote, which turns out to be 10530/10544, and you 'sell' to close the bet at 10530.

Closing level	10530
Opening level	<u>10434</u>
Difference	96

Profit on a £10/point 'buy': $96 \times £10 = £960$ free of tax

INFORMATION TABLE: Stock Indices

<i>Futures market and dealing hours (6)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>		<i>Minimum bet</i>	<i>IS spread and Controlled Risk bet spread (1)(2)(3)</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day (4)</i>
FTSE 100 Index futures LIFFE–London 24 hours (5)	1 Index point	£10	£2 or €3		Variable (1a)	300	Current and next month, last month of current and next quarter. Third Fri. or prev. bus. day of contract month. (4iiia)
Daily FTSE Index 24 hours (5)	1 Index point	n/a	£2 or €3		Variable (1e)	60–150 (11)	Settles at each day's official closing price. (4i) (9)
Daily FTSE futures 24 hours (5)	1 Index point	n/a	£2		Variable (1e)	60–150 (11)	Settles at each day's official closing price. (4i)
Wall Street Index futures CBOT–Chicago 24 hours (5)	1 Index point	\$10	\$3 or £2 or €3		Variable (1b)	400	Current and next month, last month of current and next qtr. Thurs. prior to 3rd Fri. or prev. bus. day of contract month. (4iiiq)
Daily Wall Street 24 hours (5)	1 Index point	n/a	\$3 or £2 or €3		Variable (1f)	155–245 (10)	Settles at each day's closing price rounded to one decimal point. (4i) (9)
Daily Wall Street futures CBOT–Chicago 24 hours (5)	1 Index point	n/a	\$3 or £2		Variable (1f)	155–245 (11)	Settles at each day's official closing price. (4i) (9)
FTSE/Wall Street Differential 24 hours (5)	1 Index point	n/a	£5		Variable (1d)	200	Current and next qtr month. Thurs. before 3rd Fri. of contract month or prev. bus. day. (4ii)
S&P 500 Index futures CME–Chicago 24 hours (5)	1 Index point	\$250	\$30 or £20		Variable (1c)	57	Mar, Jun, Sep, Dec Bus. day preceding 3rd Fri. or prev. bus. day of contract month. (4iiib)
Daily S&P 500 Index 24 hours (5)	1 Index point	n/a	\$30 or £20		Variable (1j)	30	Settles at each day's official closing price rounded to one decimal point. (4i) (10)
Daily S&P 500 Index futures CBOT–Chicago 24 hours (5)	1 Index point	n/a	\$30 or £20		Variable (1j)	30	Settles at each day's official closing price. (4i) (10)
Nikkei 225 Index futures CME–Chicago 24 hours with gaps (8)	1 Index point	\$5	\$1 or £0.50		Variable (1h)	800	Mar, Jun, Sep, Dec Bus. day preceding second Fri. or prev. bus. day of contract month. (4iiid)
Hang Seng Index futures HKFE–Hong Kong 24 hours with gaps (7)	1 Index point	£4 (Depends on exchange rate)	£1		Variable (1g)	600	Current and next month Two bus. days before last HK bus. day of month. (4iiic)

(See notes pages 20–24)

INFORMATION TABLE: Stock Indices

Futures market and dealing hours (6)	One point means	Bet size equivalent to one contract	Minimum bet	IG spread (1)(2)(3)	Controlled Risk bet spread (1)(2)(3)	Deposit Factor	Contract months Last dealing day (4)
NASDAQ 100 futures CME–Chicago 21.45–21.15 (London time)	1 Index point	\$100	\$15 or £10	4	6	90	Mar, Jun, Sep, Dec Bus. day preceding 3rd Fri. or prev bus. day of contract month. (4iiip)
Daily NASDAQ futures CME–Chicago 21.45–21.15 (London time)	1 Index point	n/a	\$15 or £10	3	5	60	Settles at each day's official settlement price of the main NASDAQ future.
DAX 30 Index futures (German) EUREX–Frankfurt 24 hours (5)	1 Index point	£18 (Depends on exchange rate)	£2	8 (1k)	11 (1k)	360	Mar, Jun, Sep, Dec. 3rd Friday (or prev. bus. day) of contract month. (4iiis)
Daily DAX futures EUREX–Frankfurt 09.00–20.00	1 Index point	n/a	£2	6 (1k)	8 (1k)	180	Settles at the 20.00 official settlement price of the main DAX future.
CAC 40 Index futures (French) Euronext–Paris 08.00–17.30 17.35–22.00	1 Index point	£7 (Depends on exchange rate)	£2	8	11	300	Current and next month Last bus. day of contract month. (4iiik)
Daily CAC 40 futures Euronext–Paris 08.00–17.30 17.35–22.00	1 Index point	n/a	£2	4 (1m)	6 (1m)	200	Settles at the 17.30 official settlement price of the main CAC future.
MIB 30 Index futures (Italian) MSE–Milan 09.15–17.30	1 Index point	£3.50 (Depends on exchange rate)	£1	80	120	2115	Mar, Jun, Sep, Dec 3rd Fri. of contract month. (4iiif)
IBEX 35 Index futures (Spanish) MEFF–Madrid 09.00–17.35	1 Index point	£7 (Depends on exchange rate)	£2	16	20	700	Current month and next month, where liquid 3rd Fri. of contract month. (4iiig)
SMI futures (Swiss) SOFFEX–Zurich 08.25–17.20	1 Index point	£4 (Depends on exchange rate)	£2	10	14	420	Mar, Jun, Sep, Dec 3rd Fri. of contract month (4iiih)

(See notes pages 20–24)

INFORMATION TABLE: Stock Indices

<i>Futures market and dealing hours (6)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread (1)/(2)/(3)</i>	<i>Controlled Risk bet spread (1)/(2)/(3)</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day (4)</i>
OMX 30 Index futures (Swedish) OMLX–London 08.30–16.30 (London time)	1 Index point	£10 (Depends on exchange rate)	£5	4	6	70	All months Day before 4th Fri. on contract month (4iiit)
Dow Jones Euro STOXX 50 futures EUREX–Frankfurt 09.00–17.30	1 Index point	£7 (Depends on exchange rate)	£10	6	10	250	Mar, Jun, Sep, Dec Third Fri. of contract month (4iiir)
FTSE Eurotop 100 futures LIFFE–London 09.00–17.00	1 Index point	£14 (Depends on exchange rate)	£10	6	10	180	Mar, Jun, Sep, Dec Third Fri. of contract month (4iii)
RTX futures (Russian) AFO–Vienna 09.00–17.00	1 Index point	\$10	\$10	6	N/A	50	All liquid months Wed. before 3rd Fri. of contract month (4iiie)
HTX futures (Hungarian) AFO–Vienna 10.00–17.00	1 Index point	\$5	\$5	6	N/A	100	All liquid months Wed. before 3rd Fri of contract month (4iiij)
ATX futures (Austrian) AFO–Vienna 09.00–17.30	1 Index point	\$5	\$5	10	15	100	All liquid months Third Fri. of contract month (4iiin)
BEL20 Index futures Euronext–Brussels 09.00–17.40	1 Index point	£18 (Depends on exchange rate)	£10	8	11	100	All liquid months Third Fri. of contract month (4iiij)
SPI 200 Index futures SFE–Sydney 17.10–07.00 09.50–16.30	1 Index point	£12 (Depends on exchange rate)	£10	6	9	90	Mar, Jun, Sep, Dec Contracts up to and incl. March 2003: last Sydney bus. day of contract month. From June 2003: 3rd Thursday of contract month (4iiim)
Industrial Index futures SAF–Johannesburg 08.30–17.30	1 Index point	£1.35 (Depends on exchange rate)	£1	30	45	700	Mar, Jun, Sep, Dec Third Fri, of contract month or previous South African business day (4iiio)

(See notes pages 20–24)

Notes to Stock Indices Information Tables

1) Spreads are subject to variation, especially in volatile market conditions. Spreads on stock indices that are quoted out of hours vary for different months and depending on whether the market in question is in- or out-of-hours. Normal spreads for these markets are as follows:

a) FTSE 100 Index futures

	IG SPREAD		CONTROLLED RISK SPREAD	
	in hours*	out of hours	in hours*	out of hours
1st month	8	10	11	13
2nd month	10	12	13	15
Near quarter month	10	12	13	15
2nd quarter month	12	14	15	17

* In hours means from 08.00–16.30

b) Wall Street Index futures

	IG SPREAD		CONTROLLED RISK SPREAD	
	in hours*	out of hours	in hours*	out of hours
1st month	12	14	16	18
2nd month	14	16	18	20
Near quarter month	14	16	18	20
2nd quarter month	18	20	22	24

* In hours means from the time after the opening of the NYSE when all the Dow stocks have traded (normally by 14.45) until 21.00

c) S&P 500 Index futures

	IG SPREAD		CONTROLLED RISK SPREAD	
	in hours*	out of hours	in hours*	out of hours
1st quarter month	1.4	Variable	1.9	Variable
2nd quarter month	1.6	–	2.1	–

* In hours means times when the S&P 500 Index future is traded either on CME or on Globex: i.e. from 14.30–21.15 and from 21.45–14.15. Notes: (1) only the first quarter month will be quoted during Globex hours (2) Market spread will be added to IG spread during Globex hours

d) FTSE/Wall Street Differential

	IG SPREAD		CONTROLLED RISK SPREAD	
	in hours*	out of hours	in hours*	out of hours
1st quarter month	22	24	26	28

* In hours means from 08.00–21.00

Notes to Stock Indices Information Tables

e) Daily FTSE Index and Daily FTSE futures

	IG SPREAD		CONTROLLED RISK SPREAD	
	in hours*	out of hours	in hours*	out of hours
	6	8	8	10

* In hours means from 08.00–16.30

f) Daily Wall Street and Daily Wall Street futures

	IG SPREAD		CONTROLLED RISK SPREAD	
	in hours*	out of hours	in hours*	out of hours
Daily Wall St	8	10	11	13
Daily Wall St futures	10	12	13	15

*In hours means from the time after the opening of the NYSE when all the Dow stocks have traded (normally by 14.45) until 21.00

g) Hang Seng Index futures

	IG SPREAD		CONTROLLED RISK SPREAD	
	in hours*	out of hours	in hours*	out of hours
1st month	30	50	50	70
2nd month	40	60	60	80

*In hours means from 09.45 until 12.30 and from 14.30 until 16.15 Hong Kong time

h) Nikkei 225 Index futures

	IG SPREAD		CONTROLLED RISK SPREAD	
	in hours*	out of hours	in hours*	out of hours
1st quarter month	30	50	50	70
2nd quarter month	40	60	60	80

*In hours means when either the CME or SGX is open: i.e. 00.55–03.15, 04.15–07.25 and 14.00–21.15

j) Daily S&P 500 Index and Daily S&P 500 Index futures

	IG SPREAD		CONTROLLED RISK SPREAD	
	in hours*	out of hours	in hours*	out of hours
	1	1.2	1.3	1.5

* In hours means from 14.45–21.00

Notes to Stock Indices Information Tables

k) When the underlying market is closed, the normal and Controlled Risk spreads for DAX 30 Index futures are increased by 4 points.

m) Between 17.35 and 22.00 the normal and Controlled Risk spreads for Daily CAC 40 Index futures are increased by 4 points.

2) For Controlled Risk bets all spread is charged on the opening. The closing price will be the market level without IG spread.

3) Any market spread may be added to the spread shown in the Information Tables, except for FTSE 100 Index futures, Daily FTSE Index, Daily FTSE futures, Wall Street Index futures, Daily Wall Street, FTSE/Wall Street Differential, Nikkei 225 Index futures, Hang Seng Index futures and S&P 500 Index futures bets.

4) Bets on stock indices not already closed by the client are closed on or after the last dealing day as follows:

Bets on the FTSE 100 Index futures, Daily FTSE Index, Daily FTSE futures, Wall Street Index futures, Daily Wall Street futures, Daily Wall Street, FTSE/Wall Street Differential, Daily NASDAQ futures, Daily DAX futures and all Controlled Risk bets expire on the basis set out below and/or in the Information Table without IG spread. All other bets expire on the basis set out below, plus or minus half the IG spread.

(i) Bets on Daily FTSE Index, Daily Wall Street and Daily S&P Index expire at the closing level of the actual Index on the last dealing day. Bets on Daily FTSE futures expire at the official 16.30 settlement price of the relevant FTSE 100 futures contract on LIFFE. Bets on Daily Wall Street futures and Daily S&P futures expire at the official 21.15 settlement price of the relevant futures contract.

(ii) Bets on the FTSE/Wall Street Differential expire at the Special Opening Quotation

of the Dow Jones Index on the 3rd Friday of the contract month minus the 16.30 closing level of the FTSE-100 Index on the last dealing day.

(iii) Bets on all other stock indices expire on the same basis as futures transactions on the market concerned. Clients might like to know that at the time when this Handbook went to press the bases (where known) were as follows:

a) FTSE 100 Index futures at the Exchange Delivery Settlement Price (EDSP) for the last dealing day. The Exchange Delivery Settlement price is based on an average level of the FTSE 100 Index between 10.10 and 10.30 on the last trading day.

b) S&P Futures at the Special Opening Quotation of the S&P 500 on the 3rd Friday of the contract month, as reported by the CME. Note that this is the day after the last IG dealing day. This contract can be dealt in until 21.15 London time on the last dealing day.

c) Hang Seng Index futures at the settlement price on the last dealing day on the Hong Kong Futures Exchange. Note that this is the Hong Kong business day following IG's last dealing day. The settlement price is the average of the Hang Seng Index at five minute intervals, rounded down to the nearest whole number, on the last trading day. This contract can be dealt in until 21.00 London time on the last dealing day.

d) Nikkei 225 futures at the special opening quotation of the Nikkei Stock Average, on the day following the last dealing day, which is used to settle the Nikkei Stock average

Notes to Stock Indices Information Tables

futures at the Osaka Securities Exchange, rounded to the nearest 1/10th of an index point. This contract can be dealt in until 21.00 London time on the last dealing day.

e) RTX futures on the basis of the prices of the index components traded on the RTX on the last trading day.

f) MIB 30 Index futures based on the opening prices of the shares in the Index on the last trading day.

g) IBEX 35 Index futures based on the average index value between 16:15 and 16:45 hours (local time) of the day of expiry.

h) Soffex Index futures based on the average of the 31 SMI values recorded at 1-minute intervals between 11 and 11:30 hours (local time) on the last trading day.

j) Hungarian Index futures on the basis of the arithmetic mean of all prices on each index component as received by the Austrian Futures Exchange between 10.00 and 15.00 Central European time, and on the basis of the average spot rate of the US dollar against the Hungarian currency during the same period.

k) CAC 40 Equity futures at the average of 41 levels of the cash index between 15.40 and 16.01 (local time) on the last IG trading day.

m) SPI 200 futures at the Special Opening Quotation of the underlying S&P/ASX 200 Index on the last trading day calculated to one decimal place. The Special Opening Quotation is calculated using the first traded price of each component stock in the S&P/ASX 200 Index on the last trading day, irrespective of when those stocks first trade in the ASX trading day. This means that the first traded price of each component stock may occur at any time time between ASX

market open and ASX market close (including the Closing Single Price Auction) on the last trading day. Should any component stock not have traded by ASX market close on the last dealing day, the last traded price of that stock will be used to calculate the Special Opening Quotation.

n) Austrian Index futures on the basis of the average of the 15 average index values calculated every minute between 12.00 and 12.15 on the last day of trading.

o) South African Industrial Index futures at the average of the industrial index as calculated every two minutes by the Johannesburg Stock Exchange over the two hour period from 14.00 to 16.00 (local time) on the last dealing day.

p) CME Nasdaq futures at the Special Opening Quotation on the morning after the last dealing day, computed from a five-minute volume-weighted average of each component stock's opening prices.

q) Wall Street Index futures at the Special Opening Quotation of the Dow Jones Index on the 3rd Friday of the contract month, as reported by the CBOT. Note that this is the day after the last IG dealing day.

r) Dow Jones Euro STOXX 50 futures at the average price of the Dow Jones Euro STOXX 50 index calculations performed between 11.50 a.m. and 12.00 noon CET on the last trading day.

s) DAX 30 Index futures at the special calculation of the DAX generated by the Frankfurt Stock Exchange at around midday on the last dealing day.

t) OMX 30 Index futures based on the average index value for the trading day prior to the expiration day.

Notes to Stock Indices Information Tables

5) 24 hours dealing starts at 23.30 London time on Sunday and finishes at 21.15 London time on the following Friday. Ask dealers for information about public holidays.

6) Market opening times for UK and US markets are given in London time. Market times for other markets are given as local time, unless otherwise indicated.

7) We do not quote the Hang Seng during the HKFE lunch break (12.30–14.30 Hong Kong time), or between 21.00 London time and the opening of the HKFE.

8) We do not quote the Nikkei during the two SGX trading breaks or between 21.15 London time and the opening of SGX.

9) Bets on the Daily FTSE Index, Daily FTSE futures, Daily Wall Street and Daily Wall Street futures can be rolled over provided a rollover instruction is received from the client before 4pm on the last dealing day in the case of Daily FTSE products and before 20.30 on the last dealing day in the case of Daily Wall Street products.

When a Daily FTSE Index, Daily FTSE futures, Daily Wall Street or Daily Wall Street futures bet is rolled over, the open bet expires at the closing level of the relevant index or futures contract and a new bet is automatically opened for the next trading day at the closing level of the relevant index or futures contract plus or minus the IG rollover spread. The IG rollover spread is 2 points in the case of Daily FTSE products and 3 points in the case of Daily Wall Street products.

When a Daily FTSE Index bet is rolled over from Tuesday to Wednesday, the opening level of the new bet is adjusted to take account of the ex-dividend adjustment to the Index. This is the number of points by which the FTSE-100

Index must be adjusted downwards to take account of those shares in the Index which go ex-dividend before the Wednesday opening. We will use the ex-dividend figure published by Bloomberg (E & OE), rounded to 0.1 Index point, to determine what adjustment to apply.

When a Controlled Risk Daily bet is rolled over, we will, unless instructed otherwise, place the Stop on the new bet at the same level as the Stop on the expiring bet. The IG rollover spread for a Controlled Risk Daily bet is 3 points in the case of Daily FTSE products and 4 points in the case of Daily Wall Street products.

10) Bets on the Daily S&P 500 Index and Daily S&P 500 futures can be rolled over provided a rollover instruction is received from the client before 20.30 on the last dealing day.

When these bets are rolled over, the open bet expires at the closing level of the relevant index or futures contract and a new bet is automatically opened for the next trading day at the closing level of the relevant index or futures contract plus or minus the IG rollover spread. The IG rollover spread is 0.2 points in each case.

When a Controlled Risk Daily bet is rolled over we will, unless instructed otherwise, place the Stop on the new bet at the same level as the Stop on the expiring bet. The IG rollover spread for a Controlled Risk bet is 0.3 points in each case.

11) The deposit factors for the Daily FTSE Index, Daily Wall Street and Daily Wall Street futures reduce in steps through the life of the bet. For the Daily FTSE Index, the deposit factor is initially 150; this will be cut to 100 at 10.00 on the last dealing day and to 60 at 15.30 on the last dealing day. For Daily Wall Street, the deposit factor is initially 245; this will be cut to 155 at 15.30 on the last dealing day.

Individual Shares

IG Index broke new ground when we introduced bets on a small number of individual FTSE 100 shares in 1995. Since then, our shares desk has grown dramatically.

IG now offers spreads on the shares of nearly all UK companies with a market capitalisation of over £20 million, every S&P 500 and Nasdaq 100 stock in America, and many leading European and Asian shares as well. If you are interested in dealing in a particular share but are unsure whether we offer it, please call in and ask our dealers. We may be able to make you a price immediately.

If you have not used our share service before, you should take a serious look at what we have to offer. Although the idea of betting on a share (rather than buying or selling through a stock-broker) may seem a bit odd at first, our service has substantial advantages over normal share dealing:

Tax-free profits*

Because your transaction is a bet, your profits are free of capital gains tax and income tax.

Gearing

You can take a position in a stock without having to put up the full contract value. Instead, you put up a margin deposit as collateral—normally around 10% of the contract value for

blue-chip shares. If you have a credit account you do not normally need to put up any deposit, as long as you are trading within your waived deposit limit.

Low transaction costs

There is no commission or stamp duty to pay. The only charge is our dealing spread, which normally varies between 0.4% and 0.8% depending on the share and the type of bet.

Bears (and bulls) welcome

You can go long or short of almost every share that we quote. While there are other methods of shorting a stock, they are less straightforward and not usually available to smaller private investors.

Small minimum deal sizes

You don't need to make big bets. The minimum deal size for some UK shares is only £2/point, the equivalent of 200 shares.

Immediate dealing

We quote a price and you can deal immediately; no irritating waiting for an execution.

Controlled Risk facility

We offer a guaranteed stop-loss facility on the vast majority of shares we quote. The extra charge is normally 0.3%; you only pay this once, no matter how often the position is rolled over.

*Tax law can, of course, be changed and may differ if you pay tax in a jurisdiction other than the UK.

Types of Bet

We offer three different types of bets on individual shares: **Quarterly Bets**, **Daily Bets** and bets on **Share Options**.

Quarterly Bets

Quarterly Bets are designed to allow you to run a position in a share for several weeks or months. We normally quote prices for the next two quarter months. During January, for example, we will quote prices for March and June.

Our price for a forward date will normally be slightly different to the price trading in the stock market. It is important to understand that these premiums or discounts are mechanical and do not reflect a bullish or bearish view on the part of our dealers. It works as follows:

Forward prices trade at a premium to spot prices to reflect the sacrifice of interest which an investor experiences by making payment for actual shares instead of taking a forward position. On the other hand, if a share is expected to go ex-dividend at any time before the forward dealing date, the forward price will be reduced by the amount of the anticipated dividend. This reflects the fact that a holder of actual shares receives dividends while an investor taking a forward position does not.

Typically, dividend yields are less than interest rates and the forward price therefore trades at a premium to the spot price. However, for some 'old economy' stocks, high dividends can mean the forward price is at a discount.

Daily Bets

Daily Bets are designed for the short-term trader. If you intend to run a position for only a short period, a Daily Bet has two significant advantages over a Quarterly Bet:

- The dealing spread is significantly narrower—roughly 40% cheaper than the spread for the corresponding Quarterly Bet.
- Our quote is based on the cash price of the share—so you don't need to worry about any forward premium or discount.

Daily Bets expire on the same day as the bet is opened, at the closing market bid/offer price of the share on the relevant exchange, plus or minus half the IG spread. However, you can always ask for the bet to be rolled over to the next day. This involves closing the old bet and opening a new one. The opening level of the new bet will be adjusted to reflect the effect of interest and any dividends, but **there is no extra IG spread to pay**.

You can roll a Daily Bet over as many times as you like. You can also leave us a standing instruction to roll a particular Daily Bet, until such time as you instruct us to close it. Alternatively you can leave a standing instruction to roll *all* your open bets until you decide to close them.

Range of Shares

We normally offer Daily and Quarterly Bets on the following markets:

UK	Any liquid share with a market capitalisation over £20m
US	Any liquid share with a market capitalisation over \$500m
Europe	Any share which is a constituent of any major European Index
Asia	Major Japanese, Australian and Hong Kong shares

Other shares may be available on request. You can choose to have your bet denominated either in sterling or in the currency in which the particular share is quoted in its home market.

Dealing Spreads

Dealing spreads are calculated as a percentage of the current price of the share as follows:

	Quarterly Bets		Daily Bets
	<i>Near Month</i>	<i>Far Month</i>	
UK shares	0.80%	0.90%	0.50%
UK shares (Special offers*)	0.60%	0.70%	0.40%
US shares	0.70%	0.90%	0.50%
European shares	0.70%	0.90%	0.50%
Australian shares	0.80%	0.90%	0.60%
Other Asian shares	1.00%	1.20%	0.70%

Dealing Spreads for Controlled Risk Bets

	Quarterly Bets		Daily Bets
	<i>Near Month</i>	<i>Far Month</i>	
UK shares	1.10%	1.20%	0.80%
UK shares (Special offers*)	0.90%	1.00%	0.70%
US shares	1.00%	1.20%	0.80%
European shares	1.00%	1.20%	0.80%
Australian shares	1.10%	1.20%	0.90%
Other Asian shares	1.30%	1.50%	1.00%

***Special offers:** we normally quote a few of the most popular UK shares with a lower spread. These change regularly; please ask our dealers for current details.

Bets on Share Options

IG quotes options on almost every FTSE 100 share and a selection of leading US shares. As with other bets on options, we now quote an inclusive bid/offer spread for both opening and closing transactions.

It is important to remember that these transactions are bets and that the options cannot be

exercised. For this reason, the prices that we quote may sometimes be different to the price quoted in the underlying market, particularly if the share is about to go ex-dividend.

A short explanation of the advantages of option trading can be found on page 70 of this Handbook.

A note about SETS and non-SETS shares

UK shares are traded in one of two ways, and this can affect the way in which we quote betting prices to you. All the larger companies—in particular, those that have at any time been a member of the FTSE 100 Index—are traded on an electronic system called SETS. SETS allows market participants to contribute bids (a bid is an order to buy) and offers (an offer is an order to sell) for the stock themselves. The best resulting bids and offers comprise the price that is quoted in the market.

In general, stocks that trade on SETS tend to be more liquid. However, for larger bets it is still often necessary to check that there are bids or

offers on the order book in a size comparable to the size of the bet before we quote you a price.

Non-SETS stocks are traded with market makers, who quote a bid and an offer for the stock in question, in a certain (normally fixed) number of shares. The bids and offers of all the participating market makers are gathered and the best bid and best offer are displayed. However, the prices displayed by the market makers are not absolutely guaranteed for trading, and it is frequently necessary for us to check the market before quoting you a betting price for larger bets. Market-maker stocks can be extremely illiquid.

Examples: Quarterly Bets

Example 1: 'Buying' March GlaxoSmithKline

It is January and GlaxoSmithKline are quoted in the stock market at 1698/1700p. You call IG Index and ask for a price for March GlaxoSmithKline. We quote you 1702/1714.

You decide to 'buy' £25/point at 1714, our offer price. This means that you make £25 for every point our quote rises above 1714 and you lose £25 for every point our quote falls below 1714.

Your bet is the equivalent of buying 2500 shares. This is because if you did own 2500 shares, each penny movement in the price would be worth £25 to you. There is no broker's commission or stamp duty to pay; the only charge is our dealing spread.

Over the next month, GlaxoSmithKline rises to 1837/1839p in the stock market. You call IG Index and we tell you our quote for March GlaxoSmithKline is now 1837/1849. You close your bet by 'selling' £25/ point at 1837.

Your profit is calculated as follows:

Closing level	1837
Opening level	<u>1714</u>
Difference	123

You win: $123 \times £25 = £3075$ free of tax

We quote the majority of shares with a market capitalisation of over £20 million on a March, June, September, December cycle, and at any time we will quote a price for the next two quarter months. So, in this example, you could have asked for a price in June GlaxoSmithKline instead of March.

Example 2: 'Selling' September IBM

It is April and IBM is quoted on Wall Street at \$110.00/\$110.25. You call IG Index and ask for a price for September IBM. We quote you 11060/11184.

You decide to 'sell' \$4/point at 11060, our bid price. This means that you make \$4 for every point our quote falls below 11060 and you lose \$4 for every point our quote rises above 11060. Your bet is the equivalent of selling short 400 shares.

(If you had made a £4/point bet, then every one cent movement in the IBM price would make or lose you £4. At a £/\$ exchange rate of 1.4, this would be the equivalent of selling short $400 \times 1.4 = 560$ shares).

There is no broker's commission or stamp duty to pay; the only charge is our dealing spread.

Over the next few months, IBM rallies to \$116.25/116.50 on Wall Street, and you decide to cut your loss. You call IG Index and we tell you our quote for September IBM is now 11650/11755. You close your bet by 'buying' \$4/point at 11755.

Your loss is calculated as follows:

Closing level	11755
Opening level	<u>11060</u>
Difference	695

Loss: $695 \times \$4 = \2780

Example 3: A Controlled Risk 'Buy' of December Barclays

It is October and Barclays shares are quoted at 450/451p in the stock market. You call IG Index and ask for a price for a Controlled Risk bet on December Barclays. We tell you that our price, adjusted for December but not including IG spread, is 454/455.

You decide to 'buy' £8/point. You open the bet at 455, plus the Controlled Risk dealing spread of 5. So you 'buy' £8/point at 460. You have to decide how much money you want to risk on the bet. You decide to put your Controlled Risk stop at 430. That means you are risking 30 points (460, opening level, minus 430, stop level). So on an £8/point bet you are risking £240. That is the most you can lose.

Barclays drifts lower over the next few weeks and one day in mid-November is trading at 435/436p. The company issues a negative trading statement after the market has closed, and the following morning the opening price in the stock market is 408/409p. Our quote, adjusted for December, is 411/412.

Your bet is closed at exactly 430, your stop level, not at our current quote. You have lost the maximum £240 on the bet, but the Controlled Risk protection has saved you from a much bigger loss.

Your loss is calculated as follows:

Opening level	460
Closing level	<u>430</u>
Difference	30

Loss: $30 \times \text{£}8 = \text{£}240$

Example: A Daily Bet

Example 4: 'Buying' Daily Vodafone

It is Thursday morning and Vodafone is trading in the stock market at 133.5/134p. You think that the stock will rise in the short term and ask IG Index for a Daily quote for Vodafone. We quote you 133.2/134.3 (Vodafone is quoted with our Special reduced spread of 0.4% as opposed to the normal Daily spread of 0.5%).

You decide to 'buy' £50/point at 134.3, our offer price. This means that you make £50 for every point our quote rises above 134.3 and you lose £50 for every point that our quote falls below 134.3. You also instruct us to automatically roll over all Daily bets on your account.

At the end of trading on Thursday, Vodafone closes at 131. Your Daily bet is rolled over by closing at this level and re-opening a new bet for the next day at 131.03 (the close level plus 0.03 to reflect the effect of interest).

The next day Vodafone makes strong gains, ending the session on Friday at 139. Once again your bet is rolled over; the current bet is closed at 139 and a new bet is opened for the next business day at 139.09 (the close level plus 0.09 to reflect the effect of interest for three days over the weekend).

By midday on Monday, Vodafone is trading at 146/146.25p in the market and you decide to take your profit. You call IG Index and we tell you our quote for Daily Vodafone is now 145.7/146.5. You close your bet by 'selling' £50/point at 145.7.

Your profit is calculated as follows:

Initial bet:

Closing level	131.0
Opening level	<u>134.3</u>
Difference	3.3

Loss: $3.3 \times £50 = £165$

First Rollover:

Closing level:	139.00
Opening level:	<u>131.03</u>
Difference:	7.97

You win: $7.97 \times £50 = £398.50$

Second Rollover:

Closing level:	145.70
Opening level:	<u>139.09</u>
Difference	6.61

You win: $6.61 \times £50 = £330.50$

Total profit = $-165 + 398.5 + 330.5 = £564$ free of tax

Example: A Bet on a Share Option

Example 5: 'Buying' a Lloyds TSB call option

It is April and Lloyds TSB are trading in the stock market at 670p. You decide that the stock is due to rise. You call IG Index and ask for a price for a Lloyds TSB June 700 call option. We quote you 30/34 including IG spread, the same as the price currently quoted for the same option on LIFFE.

You decide to 'buy' £50/point. You open the bet at 34. This means that you make £50 for every point the option rises above 34 and you lose £50 for every point the option falls below 34.

Lloyds TSB does rise, and two weeks later the stock is trading in the market at 740p. We quote the June 700 call at 56/62. You take your profit and close your bet by 'selling' £50/point at 56.

Your profit is calculated as follows:

Closing level	56
Opening level	<u>34</u>
Difference	22

You win: $22 \times £50 = £1100$ tax-free

Shares Bets: Notes

a) Dealing spreads on shares are subject to variation, especially in volatile market conditions or in other unusual circumstances. Market spread will be added to the IG spread shown in the tables. Bets are opened and closed at the market bid/offer, adjusted for the contract month in the case of Quarterly Bets, minus/plus half the IG spread. Market spreads can widen significantly, particularly at the beginning and end of the trading day.

The IG spread for a particular share is calculated as a percentage of the current price, as follows:

	Quarterly Bets		Daily Bets
	Near Month	Far Month	
UK shares	0.80%	0.90%	0.50%
UK shares (Special offers*)	0.60%	0.70%	0.40%
US shares	0.70%	0.90%	0.50%
European shares	0.70%	0.90%	0.50%
Australian shares	0.80%	0.90%	0.60%
Other Asian shares	1.00%	1.20%	0.70%

b) For Controlled Risk bets all the IG spread is charged on the opening; bets are closed at the market bid/offer, adjusted for the appropriate expiry, without IG spread. Controlled Risk bets may not be available on certain illiquid stocks; please ask our dealers for current information.

The Controlled Risk spread for a particular share is calculated as a percentage of the current price, as follows:

	Quarterly Bets		Daily Bets
	Near Month	Far Month	
UK shares	1.10%	1.20%	0.80%
UK shares (Special offers*)	0.90%	1.00%	0.70%
US shares	1.00%	1.20%	0.80%
European shares	1.00%	1.20%	0.80%
Australian shares	1.10%	1.20%	0.90%
Other Asian shares	1.30%	1.50%	1.00%

***Special offers:** we normally quote a few of the most popular UK shares with a lower spread. These change regularly; ask dealers for current details.

c) IG quotes an 'all-in' spread on all options on individual shares which includes both IG spread and market spread. This applies to both opening and closing transactions. No spread is charged on option bets which are left to expire. The size of the spread varies between 4 and 20 points, depending on the option premium, the time to expiry and the volatility and liquidity of the underlying stock.

d) The Deposit Factor for any particular share is a percentage of the share price. The percentage will vary depending on the volatility of the share and the Exchange on which it is traded. Normally, the Deposit Factor for SETS shares is 10%, but some volatile shares require 15%. Non-SETS shares have a minimum 15% Deposit Factor, but this can be substantially higher for particularly volatile shares. US and European shares normally have Deposit Factors

Shares Bets: Notes

between 10% and 16%, but NASDAQ shares may require higher percentages.

The deposit required for 'buying' a share option is the opening level times the size of the bet. For 'selling' a share option, the deposit is also the opening level times the size of the bet, subject to a maximum of what would be charged on the underlying share future, and a minimum of 50% of what would be charged on the underlying share future.

e) Bets on UK shares are denominated in pounds per point. For each share, one point means one penny. A £10/point bet is the equivalent to a position in 1000 shares.

Bets on US shares are denominated in dollars or pounds per point, at your choice. For each share, one point means one cent. A \$10/point bet is the equivalent to a position in 1000 shares. A £10/point bet is the equivalent of a position in the number of shares equal to 1000 multiplied by the £/\$ exchange rate.

Bets on European shares are denominated in pounds per point or in the local currency (normally euros), at your choice. For each share, one point means one cent. A €10/point bet is the equivalent to a position in 1000 shares. A £10/point bet is the equivalent of a position in the number of shares equal to 1000 divided by the €/£ exchange rate.

Bets on shares in other markets are denominated in pounds per point or in the local currency at your choice. The bet size equivalent to a position in a particular number of shares is calculated in the same way as detailed above.

Bets on UK Share Options are always denominated in pounds per point. Bets on US Share Options are always denominated in dollars per point.

f) Minimum bet sizes for both Quarterly and Daily bets are as follows:

Price	Min(£)	Min(\$)	Min(€)
499 or less	£5	\$8	€8
500–999	£3	\$5	€5
1000–1499	£2	\$3	€3
1500 and above	£1	\$2	€2

For bets denominated in other currencies, the minimum bet size is the equivalent of £3000 worth of underlying equity.

For bets on Share Options, the minimum bet size is £5/point for UK Share Options and \$5/point for US Share Options.

g) Dealing hours are as follows:

	Local time
UK Shares	08.00–16.30 and (08.00–21.00)*
UK Share Options	08.00–16.30
American Shares	09.30–16.00
European Shares	
Belgium	09.00–17.30
Denmark	09.00–17.00
Finland	10.00–18.00, 18.03–21.00
France	09.00–17.25
Germany	09.00–20.00
Italy	09.00–20.30
Netherlands	09.00–17.30
Spain	09.00–17.30
Sweden	09.30–17.30
Switzerland	09.00–17.20
Ireland	08.00–16.30
Far Eastern Shares	
Australia	10.00–16.00
Japan	09.00–11.00, 12.30–15.00
Hong Kong	10.00–12.30, 14.30–16.00

* We are able to quote some UK shares on a Quarterly basis until the close of Wall Street. We will not quote UK Daily shares bets after 16.30.

Shares Bets: Notes

h) The contract months for Quarterly Bets rotate on a March, June, September, December cycle. Prices are quoted for the current and next quarter month.

The contract months for a UK Share Option will normally be the same as the contract months for the equivalent option quoted on LIFFE. IG normally quotes prices for the next three expiry months.

For a US Share Option, IG normally quotes prices for four expiry months; two near months plus two additional months from the relevant expiration cycle.

k) The last dealing day for Quarterly Bets is the Tuesday before the third Wednesday of the contract month.

The last dealing day for Daily Bets is the day on which the bet is opened.

The last dealing day for UK Share Options is the third Wednesday of the contract month.

The last dealing day for US Share Options is the third Friday of the expiry month or the previous business day if this is a market holiday.

l) Quarterly and Daily Share bets not already closed by the client are closed on or after the last dealing day at the closing bid price (in the case of long positions) or closing offer price (in the case of short positions) of the relevant Exchange on the last dealing day as reported by Bloomberg (E&OE), plus or minus half the IG spread. In the event that the relevant Exchange does not publish a closing bid and offer price, bets will be closed at the last traded price at or prior to the close of the Exchange on the last dealing day as reported by Bloomberg (E&OE), plus or minus half the IG spread.

When a bet is of sufficient size that an equivalent transaction on the Exchange would be in

excess of four times Normal Market Size (or where any number of bets are together in excess of four times Normal Market Size) then bets not already closed by the client by the last time for dealing will be automatically rolled over, unless we exercise our reasonable discretion to close the bet.

m) Bets on Share Options not already closed by the client are closed on or after the last dealing day on the following basis:

Bets on call options at the last traded price of the underlying share at or prior to the market close on the last trading day, as reported in the *Financial Times* on the following day (E&OE) less the strike price, or at 0, whichever is greater. If no price is reported in the *Financial Times* then the price used will be the price as reported by Bloomberg.

Bets on put options at the strike price, less the last traded price of the underlying share at or prior to the market close on the last trading day, as reported in the *Financial Times* on the following day (E&OE), or at 0, whichever is the greater. If no price is reported in the *Financial Times* then the price used will be the price as reported by Bloomberg.

n) Rollovers

Quarterly and Daily Bets can be rolled over on expiry provided a rollover instruction is received from the client at least fifteen minutes before the close of the relevant Exchange on the last dealing day. Bets on Share Options cannot be rolled over.

When a Daily Bet is rolled over, the expiring bet is closed at the last traded price at or after the close of the relevant Exchange without IG spread. The opening level of the new bet is adjusted to reflect the effect of interest and (in cases where the relevant share goes ex-dividend before the next market opening) the effect of any dividend. No IG spread is charged on the opening of the new bet. Details about the

Shares Bets: Notes

methods use to calculate interest and dividend adjustments are available on request. Different interest rates apply to long and short positions; current rates are available on request.

When a Quarterly Shares Bet is rolled over, the expiring bet is closed at the last traded price at or after the close of the relevant Exchange plus or minus half the IG spread as shown in note **(a)**. No IG spread is charged on the opening of the new bet.

Controlled Risk spread is only charged once on the opening of any bet. If a Daily Controlled Risk bet is rolled over, no further spread is charged. If a Quarterly Controlled Risk bet is rolled over, half the normal IG spread as shown in note **(a)** is charged on the opening leg of the transaction.

(o) If there is a bonus share issue, special dividend, rights issue, or any other event making it appropriate by normally accepted standards to adjust the opening level or size of a bet, IG Index will make whatever adjustment it believes to be fair and reasonable. IG will

always attempt to replicate the rights and adjustments afforded to shareholders or the underlying stock when adjusting a spread bet. Please be aware that, with certain corporate actions such as entitlements or rights issues, those clients who have shorted a stock (made a down bet) will not have the option to take up the rights or entitled shares and may be assigned a larger position in terms of pounds, or any other currency, per point. Typically when there is an element of choice in a corporate action, the choice is usually only extended to those who have invested in (bought) the stock. If you go short of a stock, any rights or other entitlement may be exercised against you. With regard to equity options, IG Index will take note of any adjustment made by LIFFE in respect of options on the affected share.

In the unlikely event of a dispute, a client may ask our regulator the Financial Services Authority (FSA), or any successor, to arbitrate. IG Index will take whatever action it considers fair and reasonable if a share is suspended, but a client may ask the FSA to arbitrate in the event of a disagreement.

Sectors

Each company in the FTSE 350 is classified according to its main business activity, resulting in a total of 35 sectors. In the same way that the FTSE itself represents a weighted average of the share prices of its constituent stocks, sector indices are weighted averages of the share prices of their individual constituents.

The relative performance of individual sectors provides a vital guide to the mood of the markets and the shifting patterns of investor behaviour. Sector betting lets you:

- Gain exposure to a basket of related stocks with a single trade
- Take a view on an industry without having to know company-specific information

If you have a view on the future performance of an industry, for example, a bet on the sector will give you a broader exposure than simply adding some of the individual constituents to your portfolio. A bet on the sector avoids over-exposure to any particular company, reducing the impact of company-specific news on your investment.

Types of bet

As with our bets on individual shares, you can take a short-term view with a Daily Bet, or a longer-term view with a Quarterly Bet.

Range of markets

We offer bets on the following FTSE 350 sectors:

Aerospace & Defence
Banks
Beverages
Chemicals
Construction & Building Materials
Electricity
Electronic & Electrical Equipment
Engineering & Machinery
Food & Drug Retailers
Food Producers & Processors
Forestry & Paper
Gas Distribution
General Retailers
Health
Household Goods & Textiles
Insurance
Leisure, Entertainment & Hotels
Life Assurance
Media & Photography
Mining
Oil & Gas
Personal Care & Household Products
Pharmaceuticals & Biotech
Real Estate
Software & Computer Services
Speciality & Other Finance
Steel & Other Metals
Support Services
Telecommunication Services
Tobacco
Transport
Water

We also quote the FTSE TechMARK and FTSE 250 indices in the same way as we treat FTSE 350 sectors.

Examples

Example 1: 'Selling' June September Telecommunication Services

It is June, and you believe the outlook for the Telecommunication Services sector is bleak over the next few months. Our quote for September is 2400/2412, and you decide to 'sell' £10 per point at 2400.

You are right. Two weeks later our quote for September Telecommunication Services has dropped to 2250/2261, and you decide to take your profit. You close your position by 'buying' £10 at 2261.

Your profit on the trade is calculated as follows:

Opening level	2400
Closing level	<u>2261</u>
Difference	139

Profit on £10/point 'sell' = £1390 tax-free

Example 2: 'Selling' Daily Software & Computer Services

It is Wednesday morning. You suspect that the UK's Software & Computer Services sector is over-valued and is in imminent danger of a fall. IG's daily quote is 620.5/622.4, and you decide to 'sell' £50 per point at 620.5 (instructing us to roll your bet over). At the end of trading on Wednesday, the sector closes at 623. Your Daily bet is rolled over by closing at this level and re-opening a new bet for the next day at 623.06 (the closing level of 623 plus 0.06 to reflect the effect of interest).

On Thursday the sector continues to rise and you decide to cut your losses and close your position. IG's daily quote is now 625/626.9 and you close your bet by 'buying' £50 per point at 626.9. Your loss is calculated as follows:

Initial bet		Rolled-over bet	
Closing level	623	Closing level	626.9
Opening level	<u>620.5</u>	Opening level	<u>623.06</u>
Difference	2.5	Difference	3.84

Loss: $2.5 \times £50 = £125$

Loss: $3.84 \times £50 = £192$

Total loss = $£125 + £192 = £317$

Sector Betting: Notes

a) The sectors can be traded in two ways: as a Daily contract or as a futures contract (Quarterly Bet). The contract months for Quarterly Bets rotate on a March, June, September, December cycle. Prices are quoted for the current and next quarter month.

b) IG quotes an ‘all-in’ spread for sectors which includes both IG spread and market spread. The spread is usually calculated as a percentage of the current sector price as follows:

Daily:	0.45% of sector price
Near quarter:	0.6% of sector price
Far quarter:	0.7% of sector price

c) For Controlled Risk bets, all the spread is charged on the opening. The spread is usually calculated as a percentage of the current sector price as follows:

Daily:	0.75% of sector price
Near quarter:	0.85% of sector price
Far quarter:	1.1% of sector price

d) The deposit factor will normally be 7.5% of the price of the sector in question. Thus a sector priced at 2000 will normally incur a deposit 150 times the bet size.

e) Minimum bet sizes are as follows:

Sector price	Minimum bet size
0–999	£3 per point
1000+	£2 per point

f) Dealing hours: Monday–Friday, 08.15–16.30.

g) The last dealing day for Quarterly Bets will be the Tuesday before the 3rd Wednesday of the contract month.

h) Daily Bets will expire at the close of the exchange on the day they are struck. If no instruction has been given to roll, the settlement will be at the ‘synthetic bid’ of the market (for long positions) or the ‘synthetic offer’

(for short positions). The ‘synthetic bid’ and ‘synthetic offer’ will be calculated by IG on the basis of the closing bids and offers of the constituent shares of the sector in question.

j) Futures trades without a Guaranteed Stop will settle on the basis of the last price of the sector in question at (or prior to) the close of the exchange on the last dealing day, as reported by Bloomberg (E&OE), plus or minus half the IG spread. In the case where a trade has an associated Guaranteed Stop, settlement will be free of IG spread.

k) Rollovers

Daily and Quarterly Bets can be rolled over on expiry provided a rollover instruction is received from the client. Rollover instructions must be left at least 30 minutes before the close of the exchange on the day the bet is due to expire. The LSE normally closes at 16.30.

Daily Bets: If an instruction to roll has been given, Daily Bets will settle on the basis of the last price of the sector in question at (or prior to) close of the exchange. They will be re-opened for the following trading day at a different level, reflecting the cost of funding the position and any dividends or corporate actions seen on constituent shares of the sector in question. No additional spread will be charged on the roll.

Quarterly Bets: If an instruction to roll has been given, a new position will be opened for the next quarter. The opening level of this new position will reflect expected dividends and funding costs for the next quarter, but will be free of any IG spread for all trades without an associated Guaranteed Stop. In the case where a trade has an associated Guaranteed Stop, the opening level of the new position will also reflect an additional IG spread of 0.35% of the market level. Rollover instructions must be left at least 30 minutes before the close of the exchange. The LSE normally closes at 16.30.

Currencies

Our currency bets are divided into two types:

Spot currency bets are intended for shorter-term trading.

Forward currency bets (and bets on CME currencies) allow you to take longer-term positions. The Forward currency bets listed in the Information Tables are bets for the quarterly CME value dates. You can place bets on currencies for the next quarter, and, when that quarter has less than three weeks to expiry, for the quarter beyond that.

When you make a currency bet with IG Index it is important that you understand three things:

Which way round the currency rate on which you are betting is being quoted.

The currency in which your bet is denominated.

The size of transaction in the foreign exchange market which is the equivalent of your bet.

Which way round am I betting?

You need to know which way round the currency rate on which you are betting is being quoted and which currency it is that you expect to strengthen when you 'buy', or weaken when you 'sell'.

With all IG's currency bets, you 'buy' if you expect the first-named currency to strengthen and 'sell' if you expect the first-named currency to weaken. So you would 'buy' Sterling/Japanese yen if you expected that Sterling would strengthen against the Japanese yen. You would 'sell' Euro/Japanese yen if you thought that the Euro would weaken against the yen.

Some bets against the US dollar can be made in two forms. For example, a bet between the US dollar and the Swiss franc can be made either as a US dollar/Swiss franc bet, the form in

which the rate is quoted in the foreign exchange market, or as a Swiss franc/US dollar bet, the form in which the rate is quoted on the CME in Chicago. A 'buy' in Swiss franc/US dollar is a bet that the Swiss franc will strengthen against the dollar, while a 'buy' in US dollar/Swiss franc is a bet that the dollar will strengthen against the Swiss franc.

In which currency is my bet denominated?

With many currency bets, you can choose the currency in which you would like your bet to be denominated. All currency bets can be denominated in the second or 'natural' currency (e.g. betting so many dollars per point on the Euro/dollar rate). Bets of this type closely replicate the exposures created by an equivalent transaction in the foreign exchange market. They are, however, unpopular with some clients when the 'natural' currency is a relatively unfamiliar one like the yen or the Swiss franc. In these cases we offer sterling or the dollar as an alternative denominating currency for smaller bets (bets where your exposure is less than the equivalent of \$250,000). For bets above this size you may be required to denominate your bet in the 'natural' currency, depending on market conditions. In all cases, it is important that you specify the currency in which you wish your bet to be denominated at the time the bet is opened.

How big is my bet?

To work out your exposure on a particular bet you need to be clear about what is meant by a point. In all our currency bets, a point is the last figure that you are quoted when you open your bet. (Some currency rates are quoted as five-figure numbers, and some are quoted as four-figure numbers.)

For example, you are quoted a price on Euro/US dollar of 8598/8610 and decide to 'buy' \$10/point at 8610. That means you will

make \$10 if you close your bet at 8611 and lose \$10 if you close your bet at 8609.

You can work out the size of transaction in the foreign exchange market which would be the rough equivalent of a particular bet by multiplying the bet size by the price at which you have dealt.

In this example:

$$\begin{aligned} & \$10 \text{ (bet size)} \times 8610 \text{ (dealing price)} \\ & = \$86,100 \end{aligned}$$

Your bet is equivalent to buying €100,000/ selling \$86,100 in the foreign exchange market.

Forward Currencies

Example 1: 'Buying' British pound/US dollar

The British pound/US dollar rate is quoted in the same form (£/\$) on the CME and in the foreign exchange markets. It is July, and you believe that the British pound will strengthen against the dollar in the next three months. IG's quote for September £/\$ is 15198/15210. You 'buy' \$2/point at 15210. The deposit is \$614; (\$2, bet size, x 307, deposit factor). If the pound weakened, contrary to your expectations, so that IG's quote for September fell to 15020/15032, you could close your bet at 15020.

Your loss would be calculated as follows:

Opening level	15210
Closing level	<u>15020</u>
Difference	190

Loss on a \$2/point 'buy': $190 \times \$2 = \380

Example 2: 'Selling' US dollar/yen

It is August, and you believe that the Japanese yen will strengthen against the dollar in the next two months. IG's quote for September \$/¥ is 12010/12026. You 'sell' \$5/point at 12010. Although you expect the yen to strengthen, you are 'selling' because you are betting on the direction of the first named currency, in this case the dollar. The deposit is \$1500 (\$5, bet size, x 300, deposit factor). If the yen rose in line with your expectations, so that IG's quote for September \$/yen fell to 11270/11286, you could close your bet at 11286.

Your profit would be calculated as follows:

Opening level	12010
Closing level	<u>11286</u>
Difference	724

Profit on a \$5/point 'sell': $724 \times \$5 = \3620 free of tax

As you will see from these examples, profits and losses on currency bets are realised in the currency in which the bet is denominated. Once a bet has been closed, foreign currency balances are normally converted to sterling at the prevailing market rate.

INFORMATION TABLE: Forward Currencies

<i>Currency or futures market and dealing hours</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread (h)</i>	<i>Controlled Risk bet spread (b)/(f)</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day</i>
Euro/ US dollar	0.0001 \$/Euro	\$12.5	\$2 or £1	12	18	172	Mar, Jun, Sep, Dec
CME–Chicago 24 hours (c)							Fri. before the third Wed. of contract month (g)
British pound/ US dollar	0.0001 \$/£	\$6.25	\$2 or £1	12	18	307	Mar, Jun, Sep, Dec
CME–Chicago 24 hours (c)							Fri. before the third Wed. of contract month (g)
Swiss franc/ US dollar	0.0001 \$/SF	\$12.5	\$5	12	18	129	Mar, Jun, Sep, Dec
CME–Chicago 24 hours (c)							Fri. before the third Wed. of contract month (g)
Japanese yen/ US dollar	0.000001 \$/¥	\$12.5	\$5	12	18	162	Mar, Jun, Sep, Dec
CME–Chicago 24 hours (c)							Fri. before the third Wed. of contract month (g)
US dollar/ Swiss franc	0.0001 SF/\$	n/a	SF2 or \$1	20	30	300	Mar, Jun, Sep, Dec
n/a 24 hours (c)							Fri. before the third Wed. of contract month (d)
US dollar/ Japanese yen	0.01 ¥/\$	n/a	¥150 or \$1 or £1	16	24	300	Mar, Jun, Sep, Dec
n/a 24 hours (c)							Fri. before the third Wed. of contract month (d)
Euro/ Sterling	0.0001 £/Euro	n/a	£1	12	18	150	Mar, Jun, Sep, Dec
n/a 24 hours (c)							Fri. before the third Wed. of contract month (f)

(See notes page 48)

INFORMATION TABLE: Forward Currencies

<i>Currency or futures market and dealing hours</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread (h)</i>	<i>Controlled Risk bet spread (b)/(h)</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day</i>
Sterling/ Swiss franc	0.0001 SF/£	n/a	SF2 or £1	24	36	500	Mar, Jun, Sep, Dec
n/a 24 hours (c)							Fri. before the third Wed. of contract month (e)
Sterling/ Japanese yen	0.01 ¥/£	n/a	¥150 or £1	24	36	400	Mar, Jun, Sep, Dec
n/a 24 hours (c)							Fri. before the third Wed. of contract month (e)
Euro/ Swiss franc	0.0001 SF/Euro	n/a	SF2 or £1	20	30	200	Mar, Jun, Sep, Dec
n/a 24 hours (c)							Fri. before the third Wed. of contract month (f)
Euro/ Japanese yen	0.01 ¥/Euro	n/a	¥150 or £1	20	30	350	Mar, Jun, Sep, Dec
n/a 24 hours (c)							Fri. before the third Wed. of contract month (f)
Canadian dollar/ US dollar	0.0001 S/CS	\$10	\$5	12	18	74	Mar, Jun, Sep, Dec
CME–Chicago 24 hours (c)							Fri. before the third Wed. of contract month (g)
Australian dollar/ US dollar	0.0001 S/AS	\$10	\$5	12	18	120	Mar, Jun, Sep, Dec
CME–Chicago 24 hours (c)							Fri. before the third Wed. of contract month (g)

(See notes page 48)

Notes to Forward Currencies Information Tables

- a)** Bets not already closed by the client expire automatically at the IG settlement price plus or minus half the IG spread.
- b)** For Controlled Risk bets on all currencies all the spread is charged on the opening. The closing level will be the middle market price.
- c)** Normal dealing hours are from 23.30 London time on Sunday until 20.00 London time on Friday.
- d)** At automatic expiry, the IG settlement price for these currency bets will be the inverse of the official market settlement price for the CME contract in the second named currency against the US dollar.
- e)** At automatic expiry, the IG settlement price for these currency bets will be the official market settlement price of the CME British pound contract divided by the official market settlement price for the CME contract in the second named currency.
- f)** At automatic expiry, the IG settlement price for these currency bets will be the official market settlement price for the CME Euro contract divided by the official market settlement price for the CME contract in the second named currency.
- g)** At automatic expiry, the IG settlement price for these currency bets will be the official market settlement price.
- h)** Spreads are subject to variation, especially in volatile market conditions.

Spot Currencies

Our dealing spread on a Spot currency bet is significantly narrower than on the corresponding Forward currency bet. Spot bets have the additional advantage that there is no need to worry about any premium or discount for a forward date.

A Spot currency bet expires the same day that it is opened. Any Spot bet not closed out before 20.00 London time will be automatically settled at the 20.00 spot rate of the currency pair concerned, as derived from the 20.00 settlement levels of the IMM futures contracts, plus or minus half the IG spread.

However, if you want to keep your bet open,

you can always request that your bet is rolled over to the following day. This involves closing the old bet and opening a new one, according to the procedure described in note (a) on page 52. The opening level of the new bet will be adjusted for overnight market premiums or discounts, but **there is no extra IG spread to pay.**

You can roll a Spot currency bet over as many times as you like. You can also leave us a standing instruction to roll a particular Spot currency bet, until such time as you instruct us to close it. Alternatively you can leave a standing instruction to roll *all* your open Spot currency bets until you decide to close them.

Example 1: 'Buying' Euro/Sterling

On 14 August, you believe that the Euro will rise against Sterling in the short term. You ask for our quote on Spot €/£ and we quote you 6167/6172. You 'buy' £10 per point at 6172. You ask that your position be rolled over that evening, to the 15th. The current position is closed off at the middle price at 8.00pm, 6180. On this bet you make a profit as follows:

Closing level	6180
Opening level	<u>6172</u>
Difference	8

Profit on a £10 per point 'buy': $8 \times £10 = £80$.

At the same time, a new position is opened for the following day at 6180.4 (the closing level plus a 0.4 premium to cover the differential between UK and European interest rates). On the 15th, you again ask that your position be rolled over at 8.00pm. The Spot level middle price of €/£ is 6250, so your bet is closed there. On this bet you make a profit as follows:

Closing level	6250
Opening level	<u>6180.4</u>
Difference	69.6

Profit on a £10 per point 'buy': $69.6 \times £10 = £696$.

At the same time, a new position is opened for the following day (16 August) at 6250.4 (the closing level plus a 0.4 premium to cover the differential between UK and European interest rates). During the day, you decide to close your bet and call for a quote on €/£. We quote you 6230/6235 and you close your position at 6230. On this bet you make a loss as follows:

Opening level	6250.4
Closing level	<u>6230</u>
Difference	20.4

Loss on a £10 per point 'buy': $20.4 \times £10 = £204$.

Overall result of the transaction:

1st bet:	£ 80
2nd bet:	£ 696
3rd bet:	£ (204)
	£ 572 profit free of tax

INFORMATION TABLE: Spot Currencies

<i>Currency and dealing hours (a)</i>	<i>One point means</i>	<i>Minimum bet</i>	<i>IG spread (c)</i>	<i>Controlled Risk bet spread (c)</i>	<i>Deposit Factor</i>	<i>Close of dealing (a)(b)</i>
Euro/ US dollar 24 hours	0.0001 \$/Euro	\$3 or £2	5	8	350	20.00 on day of bet
Sterling/ US dollar 24 hours	0.0001 \$/£	\$2 or £1	6	9	350	20.00 on day of bet
US dollar/ Swiss franc 24 hours	0.0001 SF/\$	SF2 or \$1	6	9	300	20.00 on day of bet
US dollar/ Japanese yen 24 hours	0.01 ¥/\$	¥150 or \$1 or £1	6	9	300	20.00 on day of bet
Euro/ Sterling 24 hours	0.0001 £/Euro	£1	5	8	150	20.00 on day of bet
Euro/ Japanese Yen 24 hours	0.01 ¥/Euro	¥150 or £1	6	9	350	20.00 on day of bet

(See notes page 52)

Notes to Spot Currencies Information Tables

a) The client may, at any time before 19.30 London time on the day of the bet, instruct that a Spot currency bet be rolled to the following trading day. If a rollover instruction is given, the bet will be closed at the middle of the IG price at 20.00. A new bet of equal size and direction will then be opened for the following day at the middle of the IG price at 20.00, adjusted for overnight market premiums or discounts.

If a bet has an attached Stop or Limit order we will, unless instructed otherwise, attach an identical Stop or Limit to the following day's bet.

b) If no rollover instruction is received, Spot currency bets will expire at the middle of the 20.00 price for the rate concerned plus or minus half the IG spread. Controlled Risk Spot currency bets will expire at the middle of the 20.00 price for the rate concerned with no IG spread. The 20.00 settlement price for each rate will be determined as follows:

(i) If one of the two currencies is the US dollar, the middle of the spot closing price for the US dollar against the other currency will be obtained from the table currently entitled 'Dollar Spot-Forward Against The Dollar'

published in the *Financial Times* on the day following the last dealing day and be used as the spot exchange rate (E&OE).

(ii) If one of the two currencies is the British pound, the middle of the spot closing price for the pound against the other currency will be obtained from the table currently entitled 'Pound Spot-Forward Against The Pound' published in the *Financial Times* on the day following the last dealing day and be used as the spot exchange rate (E&OE).

(iii) If neither of the currencies is the US dollar or the pound, the middle of the spot closing prices against the US dollar will be obtained from the table referred to in (i) above and factored together to obtain a spot exchange rate.

c) Spreads are subject to variation, especially in volatile market conditions. On Controlled Risk bets all the spread is charged when the bet is opened.

d) Normal dealing hours are from 23.30 London time on Sunday until 20.00 London time on Friday.

Interest Rates

Interest rate futures can seem a bit strange at first, but they are quite easy to understand. The transactions work in exactly the same as all our other bets. If you buy at one price and sell at another your profit or loss depends on the dif-

ference between the two prices. The only new thing that you need to know to be able to bet on interest rate contracts is what the prices actually mean. There are two different sorts of interest rate contracts you can bet on with IG:

Short-term Interest Rates

Short-term interest rate contracts allow you to bet on the direction of various countries' 3-month interest rates.

In each case, the price of the contract is 100 minus the interest rate. So a price of 92 means an interest rate of 8%, a price of 93 means 7%,

95 means 5% and so on. So if you think short-term interest rates will fall, you 'buy', and if you think they will rise, you 'sell'. The contracts are structured that way so that dealing in them is like dealing in gilt-edged securities, where you buy if you think rates will fall and vice-versa.

Example 1: 'Selling' 3 month Sterling Deposits

You believe that short-term UK interest rates will rise so that the price of 3 month Sterling Deposits (usually called Short Sterling) will fall. You decide to 'sell' March Sterling Deposits. The market price is 92.80, implying an expectation that, in March, 3 month interest rates will be 7.20% (100 minus 92.80). IG's quotation, which does not contain the decimal point, is 9278/9282. You 'sell' £50/point at 9278. The deposit is £1000; (£50, bet size, x 20, deposit factor). You are wrong; interest rates fall, the price goes up and our quotation becomes 9309/9313.

You decide to take your loss and close your bet at 9313.

Closing level	9313
Opening level	<u>9278</u>
Difference	35

Loss on a £50/point 'sell': $35 \times £50 = £1750$

Long-term Interest Rates

Long-term interest rates are reflected in the price of government bonds. Bond futures allow you to bet on the direction of long-term interest rates in various countries. Since bond prices

rise when rates fall, you would 'buy' these contracts if you expected the relevant interest rates to fall and 'sell' if you expected rates to rise.

Example 2: 'Buying' the US T-Bond

You believe long-term interest rates in the US will fall and therefore the price of T-Bonds will rise, so you decide to 'buy' the December T-Bond. The market is at 98-20; that is 98 and 20/32nds since T-Bonds are quoted in fractions rather than decimals. IG's quote is 98-17/98-23. You decide to 'buy' \$15/point at 98-23. The deposit is \$1290; (\$15, bet size, x 86, the deposit factor). The Bonds do rise, to 101-14. IG's quote is 101-11/101-17 and you close the bet at 101-11. Your profit is calculated as follows:

Closing level	101-11
Opening level	<u>98-23</u>
Difference	84 32nds

Profit on a \$15/point 'buy': $84 \times \$15 = \1260 free of tax

INFORMATION TABLE: Short-term Interest Rates

<i>Futures market and dealing hours (f)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>Its spread (b)(e)</i>	<i>Controlled Risk bet spread (b)(e)</i>	<i>Deposit Factor</i>	<i>Contract months Las dealing day (a)(d)</i>
Eurodollar	0.01	\$25	\$15	4	6	28	Mar, Jun, Sep, Dec
IMM–Chicago 13.20–20.00 20.10–13.05							Second bus. day prior to third Wed of contract month at 11.00 (London time)
Sterling Deposit (3 month)	0.01	£12.50	£10	4	6	20	Mar, Jun, Sep, Dec
LIFFE–London 07.30–18.00							Third Wed. of contract month at 11.00 (London time)
Euribor (3 month)	0.01	£17.50 (Depends on exchange rate)	£10	4	6	24	Mar, Jun, Sep, Dec
LIFFE–London 07.00–18.00							Two bus. days prior to 3rd Wed. of contract month
Euroswiss	0.01	£10 (Depends on exchange rate)	£10	6	8	22	Mar, Jun, Sep, Dec
LIFFE–London 07.30–18.00							Two bus. days prior to 3rd Wed. of contract month at 11.00 (London time)
Euroyen	0.01	£12.50 (Depends on exchange rate)	£10	6	8	10	Mar, Jun, Sep, Dec
SGX–Singapore 23.43–11.05							Two Singapore bus. days preceding the third Wed of the contract month

(See notes page 57)

INFORMATION TABLE: Long-term Interest Rates

<i>Futures market and dealing hours (f)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread (b)(e)</i>	<i>Controlled Risk bet spread (b)(e)</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day (a)(d)</i>
Treasury Bond	1/32 (c)	\$31.25	\$10	6	10	86	Mar, Jun, Sep, Dec
CBOT–Chicago 02.00–22.00							Third last bus. day of prev. month
Long Gilt (7%)	0.01	£10	£5	6	10	150	Mar, Jun, Sep, Dec
LIFFE–London 08.00–18.00							3rd last bus. day of previous month
German Bund	0.01	£6.50 (Depends on exchange rate)	£5	6	10	160	Mar, Jun, Sep, Dec 2 Frankfurt bus. days before the 10th calendar day or next business day at 12.30 Central European time
EUREX–Frankfurt 07.00–18.00							
French Notional Bond	0.01	£6.50 (Depends on exchange rate)	£5	8	12	150	Mar, Jun, Sep, Dec
Euronext–Paris 08.00–22.00							2 bus. days prior to 3rd Wed. of contract month at 11.00 (Paris time)
Japanese 10-year Government Bond	0.01	£50 (Depends on exchange rate)	£10	8	12	175	Mar, Jun, Sep, Dec
TSE–Tokyo Note (g)							Usually the 7th Tokyo bus. day prior to 20th calendar day of month at 06.00

(See notes page 57)

Notes to Interest Rate Information Tables

- a)** Bets not already closed by the Client expire automatically at the official market settlement price on the last dealing day plus or minus half the IG spread.
- b)** Spreads shown apply only to months where there is a good volume of trading; in other months the spread may be wider.
- c)** A quotation in Treasury Bonds such as 125-12 means 125 and 12/32. Thus, if an Up Bet were opened at 125-12 and closed at 126-20 the difference between the two levels would be 1 and 8/32, i.e. 40 points.
- d)** The last dealing day shown in this Handbook does not always coincide with the last trading day of the relevant exchange. This is because contracts can become illiquid as they approach expiry and market spreads can widen considerably.
- e)** Spreads are subject to variation, especially in volatile market conditions.
- f)** Market opening times for UK and US markets are given in London time. Market times for other markets are given as local time, unless otherwise indicated.
- g)** Dealing hours for the Japanese 10-year Government Bond are from 09.00 to 11.00 and from 12.30 to 15.00 Tokyo time, and from 07.00 until 16.00 London time.

Commodities

Futures markets were first developed in the 19th century to serve the needs of commodity traders. Commodity markets are characterised by sometimes dramatic changes in supply and demand and consequent price volatility. The ability to buy or sell forward on regulated Exchanges gives producers, consumers and traders in raw materials the ability to limit their risks by hedging against adverse price movements.

From the beginning, speculators were attracted to commodity futures markets by the prospect of dramatic price movements and a trading mechanism which made short selling as easy as buying. The boom in financial futures over the last twenty-five years has reduced speculative interest in these contracts. However, commodity markets continue to present periodic opportunities for spectacular profit, and for equally dramatic loss.

IG offers a simple way to get involved in these markets, with the ability to take smaller positions than are possible in the underlying futures contracts. However, you should be aware of the risks. Commodity prices can remain relatively static for long periods, but they can also make dramatic moves. Coffee, potatoes and orange juice, for example, are quite capable of doubling or halving in price over a relatively short period.

The risks are compounded by the fact that many of these markets operate a system of price limits which mean that you can be locked into mounting losses for several days in a row with no opportunity to cut your position. You cannot sell a contract which is 'limit down' or buy one which is 'limit up', either in the underlying market or with IG Index. If you are concerned by this possibility, we would strongly

suggest that you use Controlled Risk bets, where you are guaranteed that, if the price gets to your stop level, your bet will be closed at the specified level regardless of market conditions.

A note about the London Metal Exchange (LME)

The LME has an important peculiarity. The main quoted price for all LME metals is the so-called 3-month price, a price for metal to be delivered on a particular date in roughly ninety days time. The 3-month price quoted on, say, 3 July, and the 3-month price quoted on, say, 17 July, a couple of weeks later, are thus prices for different settlement and delivery dates. (This is in contrast to the situation in other commodity futures markets; 'March Cocoa', for example, has the same settlement date whether you trade in December or in February.)

This peculiarity has an important practical consequence when you bet on LME metals with IG. Say, for example, you 'buy' 3-month copper. A week later the price rises and you decide to take your profit. You cannot close your position simply by 'selling' 3-month copper, because the 3-month date is now a different day. Instead you have to 'sell' copper for the same date for which you 'bought' it. The price for this date is not normally the same as the current 3-month price. It may be lower, if the market is in 'contango', or higher, if the market is in 'backwardation'. When metal is in short supply, backwardations can sometimes be very large. So you should be aware that it is possible to lose money on an LME bet even if the 3-month price has moved in your favour, or make money even if the 3-month price has moved against you.

Example 1: 'Buying' London Cocoa

You expect that the price of Cocoa in London is going to increase. The market price is £1440/£1442 per tonne. IG Index will put their spread around this price, so our 6 point spread will make our quote 1437/1445.

You 'buy' at 1445 and you decide to make a bet of £20/point. The deposit is £800; (£20, the bet size, times 40, the deposit factor). The market rises so that our quotation becomes 1460/1468. You decide to take your profit. Your closing price is 1460. Your profit is calculated as follows:

Closing level	1460
Opening level	<u>1445</u>
Difference	15

Profit on a £20/point 'buy': $15 \times £20 = £300$ free of tax

Example 2: 'Selling' Comex Gold on a Controlled Risk basis

You decide that the price of Gold is set to fall but you feel that you want to limit your risk potential with a Controlled Risk bet. If the price of December Comex Gold is \$285, IG would subtract the whole 3 point Controlled Risk spread on the opening, so you would 'sell' December Comex Gold at 282. You decide to make a bet of \$100/point. You want to limit your losses to \$2000 so you put your Stop 20 points above your opening level, i.e. at 302. We require as a deposit for this kind of bet the maximum amount you can lose—\$2000 in this case.

The market falls to 275 and you decide to close the bet. It closes at exactly 275 since all the spread was charged on the opening.

Opening level	282
Closing level	<u>275</u>
Difference	7

Profit on a \$100/point Controlled Risk 'sell': $7 \times \$100 = \700 free of tax

INFORMATION TABLE: Commodities—Soft and Industrial Commodities; Oil

<i>Commodity market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>16 spread (c)(9)</i>	<i>Controlled Risk bet spread</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day (a)(c)(f)</i>
Cocoa LIFFE—London 09.30–16.50 (b)	£/tonne	£10	£8	6	10	40	Mar, May, Jul, Sep, Dec Last bus. day of prev. month
Cocoa CSCE—New York 12.30–14.00	\$/tonne	\$10	\$10	12	18	84	Mar, May, Jul, Sep, Dec Second Fri. or prev. bus. day of prev. month
Coffee Robusta LIFFE—London 09.40–16.55 (b)	\$/tonne	\$5	\$5	12	18	50	Jan, Mar, May, July, Sep, Nov Last bus. day of prev. month
Coffee Arabica CSCE—New York 15.50–17.50	0.01 cents/pound	\$3.75	\$2	60	80	653	Mar, May, Jul, Sep, Dec Second Fri. or prev. bus. day of prev. month
Orange Juice NYCE—New York 20.30–22.00	0.01 cents/pound	\$1.50	\$1	120	180	466	Jan, Mar, May, Jul, Sep, Nov Last bus. day of prev. month
Potatoes LIFFE—London 09.35–14.30 (b)	£/tonne	£20	£20	3	4.5	10	Apr, May, Nov Last bus. day of prev. month
White Sugar No.5 LIFFE—London 09.45–18.20	\$/tonne	\$50	\$25	1.6	2.4	10	Mar, May, Aug, Oct, Dec First Fri. or prev. bus. day of prev. month
Sugar No.11 World CSCE—New York 13.30–15.30	0.01 cents/pound	\$11.20	\$8	10	15	75	Mar, May, Jul, Oct. Last bus. day of prev. month

(See notes page 67)

INFORMATION TABLE: Commodities—Soft and Industrial Commodities; Oil

<i>Commodity market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread (c)(10)</i>	<i>Controlled Risk bet spread</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day (a)(e)(f)</i>
Cotton NYCE—New York 18.30–20.00	0.01 cents/pound	\$5	\$3	40	60	200	Mar, May, Jul, Oct, Dec. Second Fri. or prev. bus. day of prev. month
Lumber Random Length CME—Chicago 15.00–19.05	0.01 cents/board foot	\$1.50	\$1	160	240	2200	Jan, Mar, May, Jul, Sep Nov Third Fri. or prev. bus. day of prev. month
Crude Oil NYMEX—New York 15.00–19.30 20.15–14.00	cents/ barrel	\$10	\$3 or £2	10	16	300	Any month Third bus. day prior to 25th calendar day of prev. month (if 25th calendar day of prev. month is a non-bus. day, third bus. day prior to last bus. day preceding 25th calendar day of prev. month)
Heating Oil NYMEX—New York 15.05–19.30 20.15–14.00	0.01 cents/gallon	\$4.20	\$3	30	50	642	Any month Last bus. day of prev. month
Natural Gas NYMEX—New York 15.00–19.00 20.15–14.00	\$0.001 MBBtu	\$10	\$5	30	50	540	Any month 6 business days prior to the first calendar day of the delivery month
Gas Oil IPE—London 08.00–09.00 09.15–17.30 (b)	\$/tonne	\$100	\$50	1	1.6	18	Any month up to 9 months forward Third bus. day prior to 14th day of delivery month
Unleaded Gasoline NYMEX—New York 15.05–19.30 20.15–14.00	0.01 cents/gallon	\$4.20	\$3	30	50	642	Any month Last bus. day of prev. month
Brent Crude IPE—London 02.00–09.45 10.02–19.30 (b)	cents/ barrel	\$10	\$3 or £2	10	16	200	Any month up to 9 months forward 1st or 2nd bus. day preceding 15th day prior to 1st day of delivery month

(See notes page 67)

INFORMATION TABLE: Commodities—Precious and Other Metals

<i>Commodity market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread (c)/(g)</i>	<i>Controlled Risk bet spread</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day (a)/(e)/(f)</i>
Gold futures COMEX—New York 14.00–18.30 20.15–13.00	\$/troy ounce	\$100	\$15 or £10	2	3	13	Feb, Apr, Jun, Aug, Oct Dec Third Fri. or prev. bus. day of prev. month
Spot Gold	\$/troy ounce	n/a	\$15 or £10	0.8	1.1	7	Settles at each day's official closing price (h)
24 hours							
Palladium NYMEX—New York 13.40–18.00 20.15–13.00	\$/troy ounce	\$100	\$100	4	6	67	Mar, Jun, Sep, Dec Third Fri. or prev. bus. day of prev. month
Platinum NYMEX—New York 13.45–18.05 20.15–13.00	\$/troy ounce	\$50	\$50	3	4.5	47	Jan, Apr, Jul, Oct Third Fri. or prev. bus. day of prev. month
Silver COMEX—New York 13.25–19.25 21.00–13.00	cents/troy ounce	\$50	\$40	4	6	26	Jan, Mar, May, Jul, Sep, Dec Third Fri. or prev. bus. day of prev. month
Aluminium LME—London 08.30–17.00 (d)	\$/tonne	\$25	\$15	16	24	70	3 months forward 2 bus. days prior to contract date (2nd morning ring)
Copper LME—London 08.30–17.00 (d)	\$/tonne	\$25	\$10	20	30	80	3 months forward 2 bus. days prior to contract date (2nd morning ring)
Copper—High Grade COMEX—New York 13.10–18.00 20.15–13.00	0.01 cents/pound	\$2.50	\$2	80	110	650	Jan, Mar, May, Jul, Sep, Dec Third Fri. or prev. bus. day of prev. month

(See notes page 67)

INFORMATION TABLE: Commodities—Precious and Other Metals

<i>Commodity market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread (c)(10)</i>	<i>Controlled Risk bet spread</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day (a)(e)(f)</i>
Lead LME–London 08.30–16.50 (d)	\$/tonne	\$25	\$25	8	12	20	3 months forward 2 bus. days prior to contract date (2nd morning ring)
Nickel LME–London 08.30–16.45 (d)	\$/tonne	\$6	\$2	60	90	600	3 months forward 2 bus. days prior to contract date (2nd morning ring)
Tin LME–London 08.30–16.45 (d)	\$/tonne	\$5	\$2	40	60	275	3 months forward 2 bus. days prior to contract date (2nd morning ring)
Zinc (Special High Grade) LME–London 08.30–16.50 (d)	\$/tonne	\$25	\$20	10	16	50	3 months forward 2 bus. days prior to contract date (2nd morning ring)

(See notes page 67)

INFORMATION TABLE: Commodities—Grain and Livestock

<i>Commodity market and dealing hours (London time)</i>		<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread (c)(g)</i>	<i>Controlled Risk bet spread</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day (a)(e)(f)</i>
Corn	cents/ bushel	\$50	\$50	4	6	8	Mar, May, Jul, Sep, Dec	
CBOT—Chicago 02.30–12.00								Third Fri. or prev. bus. day of prev. month
Oats	cents/ bushel	\$50	\$50	3	4.5	13	Mar, May, Jul, Sep, Dec	
CBOT—Chicago 02.30–12.00								Third Fri. or prev. bus. day of prev. month
Soybeans	cents/ bushel	\$50	\$25	5	7.5	27	Jan, Mar, May, Jul, Aug, Sep, Nov	
CBOT—Chicago 02.30–12.00								Third Fri. or prev. bus. day of prev. month
Soybean Meal	cents/ tonne	\$1	\$1	120	180	675	Jan, Mar, May, Jul, Aug, Sep, Oct, Dec	
CBOT—Chicago 02.30–12.00								Third Fri. or prev. bus. day of prev. month
Soybean Oil	0.01 cents/lb	\$6	\$4	20	30	68	Jan, Mar, May, Jul, Aug, Sep, Oct, Dec	
CBOT—Chicago 02.30–12.00								Third Fri. or prev. bus. day of prev. month
London Wheat	£/tonne	£100	£100	0.7	1.1	2	Jan, Mar, May, Jun, Sep, Nov	
LIFFE—London 10.00–16.45 (b)								First Fri. or prev. bus. day of prev. month
Wheat	cents/ bushel	\$50	\$50	4	6	11	Mar, May, Jul, Sep, Dec	
CBOT—Chicago 02.30–12.00								Third Fri. or prev. bus. day of prev. month
Cattle, Live	0.01 cent/pound	\$4	\$3	40	70	200	Feb, Apr, Jun, Aug, Oct, Dec	
CME—Chicago 15.05–19.00								Third Fri. or prev. bus. day of prev. month

(See notes page 67)

INFORMATION TABLE: Commodities—Grain and Livestock

<i>Commodity market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread (¢/¢)</i>	<i>Controlled Risk bet spread</i>	<i>Deposit Factor</i>	<i>Contract months Last dealing day (a)(e)(f)</i>
Hogs, Lean	0.01 cents/pound	\$4	\$3	40	60	256	Feb, Apr, Jun, Jul, Aug, Oct, Dec
CME—Chicago 15.10–19.00							Third Fri. or prev. bus. day of prev. month
Pork Bellies, Frozen	0.01 cents/pound	\$4	\$3	40	60	405	Feb, Mar, May, Jul, Aug
CME—Chicago 15.10–19.00							Third Fri. or prev. bus. day of prev. month
CRB Index	0.01 Index point	\$5	\$1	40	60	300	Jan, Feb, Apr, Jun, Aug, Nov
NYFE—New York 15.00–19.45							Second Fri. of contract month

(See notes page 67)

Notes to Commodities Information Tables

a) In those London commodity markets where a closing quotation is published giving both a bid price and an offer price, 'buy' bets not already closed by the client expire automatically at the bid price minus half the IG Spread. 'Sell' bets are closed at the closing offer price plus half the IG Spread. In those London commodity markets where there is just one closing price published i.e., the settlement price, and in all U.S. commodity markets, bets not already closed expire automatically at the official market settlement price plus or minus, as appropriate, half the IG spread.

b) A system of 'calls' operates at the beginning and/or end of each session. At such times, you will only be able to get a quotation for the particular month being traded at any given moment.

c) Any market spread will be added to the spread shown in the Information Table.

d) Exact LME Ring trading times for each individual metal are given on the next page.

e) It may not be possible to obtain quotes for all months listed because of a lack of market liquidity in some months.

f) The last dealing day shown in this Handbook will not always coincide with the last dealing day

on the relevant exchange. This is because contracts can become illiquid as they approach expiry and market spreads can widen considerably.

g) Spreads are subject to variation, especially in volatile market conditions.

h) Normal closing time for the Spot Gold market is 22.10 (London Time). Bets on Spot Gold left open at this time will be closed basis the official Spot Gold settlement price, as published on Bloomberg (E&EO), plus or minus half the IG spread. Spot Gold bets can be rolled over provided a rollover instruction is received from the client before 21.45 on the last dealing day.

When a Spot Gold bet is rolled over, the open bet expires at the official Spot Gold settlement price and a new bet is automatically opened for the next trading day at the settlement price plus or minus the IG rollover spread. The IG rollover spread for Spot Gold is 0.02% of the price.

When a Controlled Risk Spot Gold bet is rolled over we will, unless instructed otherwise, place the Stop on the new bet at the same level as the Stop on the expiring bet. The IG rollover spread for a Controlled Risk Spot Gold bet is 0.03% of the price.

London Metal Exchange: Times of Rings and Kerbs

On the London Metal Exchange, a Ring is a five-minute period during which one specified metal is traded on the floor of the exchange.

The Official Kerbs are the specified times during which, after the morning and afternoon rings have finished, several or all of the metals are traded

simultaneously on the floor of the exchange.

A screen-based trading system operates alongside the floor-based trading. While spreads may be tighter, and the markets more liquid, during the Ring, it is normally possible to trade any metal whether it is in the Ring or not.

Morning				
	1st Ring			2nd Ring
Secondary Aluminium	11.45–11.50		Copper	12.30–12.35
Tin	11.50–11.55		Tin	12.40–12.45
Aluminium	11.55–12.00		Lead	12.45–12.50
Copper	12.00–12.05		Zinc	12.50–12.55
Lead	12.05–12.10		Aluminium	12.55–13.00
Zinc	12.10–12.15		Nickel	13.00–13.05
Nickel	12.15–12.20		Secondary Aluminium	13.05–13.10
Official Kerb 13.10–13.30				

Afternoon				
	1st Ring			2nd Ring
Lead	15.20–15.25		Lead	16.00–16.05
Zinc	15.25–15.30		Zinc	16.05–16.10
Copper	15.30–15.35		Copper	16.10–16.15
Aluminium	15.35–15.40		Aluminium	16.15–16.20
Tin	15.40–15.45		Tin	16.20–16.25
Nickel	15.45–15.50		Nickel	16.25–16.30
Secondary Aluminium	15.50–15.55		Secondary Aluminium	16.30–16.35
Official PM Kerbs				
Nickel	16.35–16.45		Aluminium	16.35–17.00
Lead	16.35–16.50		Copper	16.35–17.00
Zinc	16.35–16.50		Tin	16.35–16.55
Secondary Aluminium	16.35–16.55			

Options

IG Index quotes option prices on stock indices, currencies, interest rates, commodities and individual shares (details of share options are in the Individual Shares section of this Handbook). It is important to understand that when you deal with IG Index in traded options you are betting about the price of an option. None of our options can be exercised.

There is not enough space in this Handbook to explain options in very much detail. If you are interested in finding out more about how to evaluate and trade options, and some of the maths involved, there are many books available. We particularly recommend a book called *Option Volatility and Pricing* by Sheldon Natenburg. It is also worthwhile visiting the websites of some of the major options exchanges, such as www.liffe.com and www.cboe.com.

An option is a type of *derivative*—a financial instrument the value of which is derived from the price of a different instrument. At IG Index we offer bets on the value of two types of option, *calls* and *puts*.

A call option is the right to buy a particular market (the underlying market) at a fixed level on or before a fixed date. For example, the December S&P 500 Index future 1500 call is the right to buy the December S&P 500 Index future at 1500 on or before a particular day in December. A put option is the right to sell a market at a fixed level, on or before a particular date. For example, a September 1.4500 CME British Pound put is the right to sell the CME British Pound at 1.4500 on or before a date in September.

In ‘real’ options markets, the holder of a call or put has the right *but not the obligation* to exercise the option—he need only do so if it suits him. With IG Index, options can never be exercised; you are only betting about their value.

The price of an option is strongly dependent on the level of the underlying market, but it is also influenced by the time the option has to expiry and the *volatility* of the underlying market. The valuation of an option is slightly complicated. In order to understand it better it is convenient to split its value into two components, *intrinsic value* and *time value*.

Intrinsic Value

An option has intrinsic value if there is some value to be gained by exercising it. A call has intrinsic value if the strike price is lower than the level of the underlying; it gives the right to buy the market at a lower level than where it currently stands. A put has intrinsic value if the strike price is higher than the level of the underlying; it gives the right to sell at a higher level than where the market currently stands. When an option has intrinsic value it is said to be *in the money*.

For a call:

$\text{intrinsic value} = \text{level of underlying} - \text{strike price}$

For a put:

$\text{intrinsic value} = \text{strike price} - \text{level of underlying}$

Note that intrinsic value can never be less than zero.

Time value

An option has time value to reflect the possibility that it may come to have more value to the holder than its current intrinsic value before expiring. Time value is higher the more time there is left before expiry, and the more volatile the market is.

One of the most important things to remember about options is that a ‘buyer’ of an option enjoys a limited risk position. The worst thing that can happen is that his option expires worthless. The time value is effectively the price he pays to acquire a position that has limited risk, yet is able to benefit from favourable market moves.

Advantages of 'buying' options

Limited risk

An option buyer can exploit a particular market view without exposing himself to unlimited losses if his market view proves incorrect. Consider the following scenario:

The FTSE stands at 5400 and you believe it is going up. Our quote on the September FTSE is 5420/5430. You call for a quote on our September 5400 call and we quote you 51/62. You 'buy' £10/point at 62.

One week later the FTSE crashes to 5105, with our September quote 5124/5134. If you had 'bought' £10/point of the September FTSE, your bet would be losing about £3000. Even if the price of the option had dropped to zero, you would have only lost £620, the option price, 62, times the bet size, £10. In fact, your option will probably still have some value.

However, if your market view had proven correct and the FTSE had risen to 5610 by the time of expiry, your profit would still have reflected this move. The option would expire with a value of 210, a profit of 148 points or £1480.

Leverage

A position has leverage if a percentage movement in the underlying market changes the value of that position by a higher percentage. Options can give you highly leveraged positions.

For example, consider a client who wishes to risk £4800 exploiting a bullish view of Wall Street. It is April and Wall Street stands at 10500. He may be able to 'buy' only £10/point of the Wall Street future, as such a bet would use up £4800 deposit (although the deposit is not necessarily the maximum he is risking). Another alternative is to buy an out-of-the-money call. The June 11000 call is quoted at 70/80 and he 'buys' £60/point at 80, risking £4800 in total.

His view proves correct; in June Wall Street stands at 11500 and the option is quoted at 560/576. Selling the option at 560, he makes a profit of $(560 - 80) = 480$. $480 \times £60 = £28,800$. This is a far larger profit than he could have made 'buying' the future, and his risk has also been limited. However, 'buying' options has this disadvantage: if Wall Street had risen, but only slowly, the option bet might have lost money where the future bet would have made money.

Because the risks associated with buying and selling options are so different, deposits are calculated using different methods. The deposit for 'buying' an option is the price at which the option is bought multiplied by the bet size. This is the total amount the bet can lose—the limited deposit incurred is another advantage of 'buying' options.

'Selling' options: profiting from static or slow markets

An option seller sells the option because he believes there is little chance of it finishing in the money. He will make money if the market does not move. For example, somebody might sell the August 320 Gold call if he thinks that, however Gold trades, it is unlikely to reach \$320 by August. If he is right, the option will expire worthless and he will receive the total price of the option he sold as profit. However, it is very important to remember that *a seller of an option does not enjoy limited risk*. Since there is no upper limit on the price of an option, there is no limit to the level at which the option 'seller' may have to 'buy' the option to close a losing position.

The deposit factor for 'selling' an option is variable. If the option comes fully into the money, its value moves one-for-one with the underlying market; therefore, at worst, an option seller can be charged deposit equal to what he would have paid had he taken a position in the underlying market. The deposit factor is never less than half the deposit factor for

the underlying future, because there is always the possibility that the option may come into the money. So the deposit factor lies between a half and one times the equivalent for the underlying future, and is often equal to the price of the option sold.

Buyers of options tend to profit from fast-moving markets, while sellers make money when the market stays broadly static. The decision to 'buy' or to 'sell' options, or to trade options as opposed to futures, involves a consideration of market volatility as well as direction.

Example 1: 'Buying' a Comex Gold Call Option

June Comex Gold is trading at \$300/ounce. You expect Gold to rise sharply and call IG Index for a quote on the June 320 call. We quote 8.5/10.5 and you 'buy' \$100 per point at 10.5.

Your maximum loss is 10.5 times \$100, i.e. \$1050, and this is your deposit. In fact, Gold falls sharply to \$270. The option becomes worthless and the bet closes at 0. Your loss is calculated as follows:

Opening level	10.5
Closing level	<u>0</u>
Difference	10.5

Loss on a \$100/point 'buy': $10.5 \times \$100 = \1050

If you had used a bet on the futures market to back your judgement, your losses would have been considerably higher. A futures bet of the same size (\$100) would have incurred a loss of about \$3000: (i.e. $[300 - 270] \times \$100$).

Example 2: 'Buying' a FTSE Put Option

You believe the FTSE will fall and we quote you 5600/5610 for the June FTSE. You ask what our quote is for a June 5300 put option and we quote 30/37. You decide to 'buy' £10/point at 37. Your maximum loss is $37 \times £10$, i.e. £370, and this is your deposit.

The market does fall and when you ring two weeks later we are quoting 5330/5340 for June FTSE and, based on this futures quote, the option is 75/85. You close the bet at 75.

Closing level	75
Opening level	<u>37</u>
Difference	38

Profit on a £10/point 'buy': $38 \times £10 = £380$ free of tax

INFORMATION TABLE: Options—Stock Indices

<i>Futures market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread range</i>	<i>Contract months Last dealing day (a)</i>
FTSE 100 Index	1 Index point	£10	£2	4 – 20	Current and next month last month of current and next quarter.
LIFFE—London 24 hours (g)					3rd Fri. or prev. bus. day of contract month (b)
Wall Street Index	1 Index point	£6	£2	4 – 24	Current and next month, last month of current and next quarter. Thurs. prior to
CBOT—Chicago 24 hours (g)					3rd Fri. or prev. bus. day of contract month. (h)
S&P 500 Index futures	1 Index point	\$250	\$20	0.6 – 5	All liquid months
CME—Chicago 14.30–21.15					3rd Fri. or prev. bus. day of contract month (i)
DAX 30 Index	1 Index point	£3 (Depends on exchange rate)	£5	4 – 24	All liquid months
EUREX—Frankfurt 09.00–20.00					3rd Fri. or prev. bus. day of contract month
Nikkei 225 Index	1 Index point	\$5	\$1	40 – 200	Mar, Jun, Sep, Dec
CME—Chicago 23.55–02.15 03.15–21.00					Business day preceding second Fri. or prev bus day of contract month (f)
Nasdaq 100 Index	1 Index point	\$100	\$10	1 – 30	All liquid months
CME—Chicago 14.30–21.15					3rd Fri. or prev. bus. day of contract month (j)

(See notes page 77)

INFORMATION TABLE: Options—Currencies and Interest Rates

<i>Futures market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread range</i>	<i>Contract months Last dealing day (a)</i>
Eurodollar	0.01	\$25	\$25	6 – 16	All liquid months
CME—Chicago 13.20–20.00					2nd London bus. day before 3rd Wed. of contract month
Treasury Bond	1/64 (e)	\$15.625	\$15	6 – 16	All liquid months Last Fri. preceding by at least 5 bus. days the last day of the prev. month at 14.00 (local time)
CBOT—Chicago 13.20–20.00					
Long Gilt (7%)	0.01	£10	£5	8 – 20	All liquid months 6 bus. days prior to 1st day of contract month at 10.00 (local time)
LIFFE—London 08.02–16.18					
British Pound/\$	0.01 cents/£	\$6.25	\$5	10 – 40	All liquid months
CME—Chicago 13.20–20.00					Two Fridays before the third Wed. of contract month
Euro/\$	0.01 cents/Euro	\$12.50	\$10	10 – 30	All liquid months
CME—Chicago 13.20–20.00					Two Fridays before the third Wed. of contract month
Swiss Franc/\$	0.01 cents/SF	\$12.50	\$10	8 – 20	All liquid months
CME—Chicago 13.20–20.00					Two Fridays before the third Wed. of contract month
Japanese Yen/\$	0.0001 cents/Y	\$12.50	\$10	10 – 30	All liquid months
CME—Chicago 13.20–20.00					Two Fridays before the third Wed. of contract month
Sterling Deposit (3 month)	0.01	£12.50	£12	6 – 16	All liquid months
LIFFE—London 08.07–16.09					Third Wed. of contract month at 11.00 am.
German Bund	0.01	£6.50 (Depends on exchange rate)	£10	8 – 20	All liquid months 6 bus. days prior to 1st day of contract month at 10.00 (London time)
EUREX—Frankfurt 08.00–19.00					

(See notes page 77)

INFORMATION TABLE: Options—Currencies and Interest Rates

<i>Futures market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread range</i>	<i>Contract months Last dealing day (a)</i>
Euribor (3 month)	0.01	£17.50 (Depends on exchange rate)	£10	6 – 16	All liquid months
LIFFE–London 07.02–18.00					2 bus. days prior to 3rd Wed. of contract month at 11.00 (London time)

(See notes page 77)

INFORMATION TABLE: Options—Commodities

<i>Futures market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread range</i>	<i>Contract months Last dealing day (a)</i>
Gold COMEX—New York 13.20–19.30	\$/troy ounce	\$100	\$100	0.6 – 2.6	Feb, Apr, Jun, Aug, Oct, Dec 2nd Fri. or prev. bus. day of prev. month
Silver COMEX—New York 13.25–19.25	cents/troy ounce	\$50	\$50	1 – 4	Mar, May, Jul, Sep, Dec 2nd Fri. or prev. bus. day of prev. month
Copper—High Grade COMEX—New York 13.10–19.00	0.01 cents/ pound	\$2.50	\$2.50	20 – 160	Mar, May, Jul, Sep, Dec 4th last bus. day of prev. month
Crude Oil NYMEX—New York 14.45–20.10	cents/ barrel	\$10	\$10	6 – 20	Any month up to 6 months forward 1st or 2nd Friday prior to the termination of the futures contract
Heating Oil NYMEX—New York 14.50–20.10	0.01 cents/ gallon	\$4.20	\$4	10 – 40	Any month up to 6 months forward 3rd bus. day prior to the termination of the underlying futures contract
Gas Oil IPE—London 09.15–12.15, 14.30–17.15	\$/tonne	\$100	\$100	1 – 3	Any month up to 3 months forward Ask dealing desk for details
Soyabeans CBOT—Chicago 15.30–19.15	cents/ bushel	\$50	\$50	2 – 5	Jan, Mar, May, Jul, Aug Sep 1st Fri. that is 5 days prior to last bus. day of prev. month

(See notes page 77)

INFORMATION TABLE: Options—Commodities

<i>Futures market and dealing hours (London time)</i>	<i>One point means</i>	<i>Bet size equivalent to one contract</i>	<i>Minimum bet</i>	<i>IG spread range</i>	<i>Contract months Last dealing day (a)</i>
Sugar No. 11 World CSCE—New York 09.00–12.00	0.01 cents/ pound	\$11.20	\$10	6 – 16	Mar, May, Jul, Oct 2nd Fri. of prev. month
Wheat CBOT—Chicago 15.30–19.15	cents/ bushel	\$50	\$50	1 – 4	Mar, May, Jul, Sep, Dec 1st Fri. that is 5 days prior to last bus. day of prev. month
Corn CBOT—Chicago 15.30–19.15	cents/ bushel	\$50	\$50	1 – 4	Mar, May, Jul, Sep, Dec 1st Fri. that is 5 days prior to last bus. day of prev. month
CRB Index NYFE—New York 15.00–19.45	0.01 Index point	\$5	\$5	20 – 80	Apr, Jun, Aug, Nov 2nd Friday of contract month
Coffee Arabica CSCE—New York 09.00–11.45	0.01 cents/pound	\$3.75	\$3	40 – 200	Mar, May, Jul, Sep, Dec First Fri. or prev. bus. day of prev. month
Cocoa CSCE—New York 15.30–18.30	\$/tonne	\$10	\$10	8 – 24	Mar, May, Jul, Sep, Dec First Fri. of month preceding delivery month

(See notes page 77)

Notes to Options Information Tables

- a)** Bets not already closed by the client expire automatically on the date indicated. With the exception of bet on options on Individual shares (see page 28), bets on options are closed at the settlement prices of those options on the exchanges concerned. No IG spread is charged on automatic closings.
- b)** FTSE options expire basis the Exchange Delivery Settlement Price (EDSP). The EDSP is not calculated at the end of the day concerned, but over a period in the morning as determined by the Exchange.
- c)** IG quotes an 'all-in' spread on all options which includes both IG spread and market spread. This applies to both opening and closing transactions. The size of the spread depends on a range of factors including the level of the option premium, the time to expiry and the liquidity of the underlying market.
- d)** Spreads are subject to variation, especially in volatile market conditions.
- e)** A quotation in Treasury Bond options such as 3-07 means 3 and 7/64. Thus if you 'bought' at 3-07 and 'sold' to close at 4-49 the difference between the two levels would be 106/64, i.e. 106 points.
- f)** Nikkei 225 options expire basis the special opening quotation of the Nikkei Stock Average on the day following the last dealing day, which is used to settle the Nikkei Stock Average Futures at the Osaka Securities Exchange, rounded to the nearest 1/10th of a point.
- g)** 24-hour dealing starts at 23.30 on Sunday and finishes at 21.15 the following Friday. Ask dealers for information about public holidays.
- h)** Wall Street Index options expire basis the Special Opening Quotation of the Dow Jones Index on the 3rd Friday of the contract month, as reported by the CBOT. Note that this is the day after the last IG dealing day.
- i)** The deposit factor for 'buying' an option is the opening price (or premium) multiplied by the size of the bet. This is the maximum amount that the bet can lose.
- The deposit factor for 'selling' an option is variable. In general, it will be a number equal to the opening level of the bet, but never less than half the deposit factor for a bet on the underlying futures market or greater than the full deposit factor for the underlying futures market.
- For example, a client making a Down Bet on a FTSE option will have a deposit factor of 150 for bets with an opening price of 150 or less, 300 for bets with an opening price of 300 or more, and otherwise a deposit factor equal to the opening level of the bet.
- j)** Bets on S&P and NASDAQ options that expire in the quarter month can be dealt until the close of the business day before the third Friday. Bets on S&P and NASDAQ options that expire in the non-quarter months can be dealt until close of business on the third Friday. These non-quarter month options settle against the relevant quarter future month's price.

House Prices

IG's Average House Price bets give you the chance to profit from the housing market without the expense and effort of actually buying a property.

Spread betting lets you avoid many of the pitfalls often associated with investing in property. Betting on house prices may sound odd, but it lets you gain exposure to the market and has the following advantages over purchasing property directly:

- No red tape, expenses or delays
- No stamp duty
- No capital gains tax
- No need to put up the full value

We offer bets on the average house price for the country as a whole (our National House Price bet); and for 12 regions within the UK (our Regional House Price bets). The regions offered are: Greater London, the South East, the South West, East Anglia, the West Midlands, the East Midlands, the North West, Yorkshire and Humberside, the North, Wales, Scotland, and Northern Ireland.

Our bets are based on the Halifax House Price Survey produced by HBOS, the premier and most widely publicised indicator of the UK housing market. So, whether you want to profit from possible market shifts or to hedge against

the value of property you already own, you can back your judgement against nationally recognised figures.

The National House Price bet is measured against the survey's seasonally adjusted Standardised Average House Price (published monthly), and our Regional House Price bets are measured against the average price for the relevant region (published quarterly). Further details, historical data and a map giving the precise boundaries between the various regions can be found at www.hbosplc.com

For the National bet, we offer a choice of the next four quarter-months (i.e. the *monthly* figure for March, June, September and December). For the Regional bets, we offer a choice of the next four quarters (i.e. the *quarterly* figure for the 3-month period ending in March, June, September and December).

Our prices are given in points per £1000, with the settlement price rounded to one decimal point. Settlements are based on the first published average for the period concerned so there is no delay, with all bets usually settled within 24 hours of the HBOS announcement.

Controlled Risk prices are also available for all our House Price bets, so you can cap your losses without limiting your profit potential.

Examples

Example 1: 'Buying' September National House Prices

It is July. The latest HBOS figures show an average UK house price for June of £129,000. Our price for the September monthly survey (in £1000s) is 129.5/130.5. You believe house prices will continue to rise and decide to 'buy' £1000 per point at 130.5.

The housing market roars upwards. By the end of August our September quote is 132.7/133.7. You decide to take your profit and close your bet by 'selling' at 132.7.

Your profit on the trade is:

Closing level	132.7
Opening level	<u>130.5</u>
Difference	2.2

Profit: $2.2 \times £1000 = £2200$ tax-free

Example 2: 'Selling' December London House Prices

It is August. The latest HBOS figures show a London Standardised Average House Price for the quarter up to and including June of £220,400. Our price for the December survey for the capital's house prices is now 219.0/220.6. You believe the market has run out of steam and decide to 'sell' this quote at 219.0 for £500 per point.

You were wrong. The Halifax Survey reveals the average London house price for the quarter to December was £221,400. Your bet therefore settles at a level of 221.4.

Your loss on the trade is:

Closing level	221.4
Opening level	<u>219.0</u>
Difference	2.4

Loss: $2.4 \times £500 = £1200$

House Prices: Notes

a) For all National House Price bets, the nearest four quarter months (June, September, December and March) will be available.

For all Regional House Price bets, the nearest four quarters (quarters ending in June, September, December and March) will be available.

b) All quotes will be expressed in £1000s, rounded to one decimal place. Dealing spreads vary according to market and date of contract expiry as follows:

National House Prices:

1.0–1.6

Regional House Prices (priced below 100):

1.4–1.8

Regional House Prices (priced above 100):

1.6–2.0

Controlled Risk dealing spreads are as follows:

National House Prices:

1.5–2.4

Regional House Prices (priced below 100):

2.1–2.7

Regional House Prices (priced above 100):

2.4–3.0

c) The deposit factor for National House Price bets is 3, i.e. a £500/point bet will incur a

deposit of £1500.

The deposit factors for Regional House Price bets vary between 3 and 10, depending on the price of the region concerned.

d) The minimum bet size is £10 per point.

e) Dealing hours are from Monday to Friday, 08.00–21.00.

f) The last dealing day is the last UK business day of the contract month/quarter.

g) For National House Price Bets, trades are settled on the basis of the Standardised Average UK House Price (seasonally adjusted) for the contract month, as reported by HBOS plc.

For Regional House Price Bets, trades are settled on the basis of the Standardised Average House Price (seasonally adjusted) for the relevant region during the contract quarter, as reported by HBOS plc.

The settlement will be expressed in £1000s and will be rounded to one decimal place. Settlements will be based on the first published price and will not be adjusted to reflect any further revisions, unless IG deems there to have been a material error.

Extreme Bets

IG's Extreme bets allow you to speculate on the extremes reached by major financial markets over the course of a calendar year.

There are two forms of Extreme bet: the **Hi-Lo** bet and the **Boundary** bet.

Hi-Lo bets are based on the highest or lowest daily closing level a market will achieve over the course of an entire calendar year. A '2004 Wall Street High', for instance, is a price on the highest daily closing level of the Wall Street Index during the calendar year 2004. A '2005 FTSE Low' is a price on the lowest daily closing level of the FTSE 100 Index during the calendar year 2005.

Boundary bets are based on the number of days during a calendar year that a market will close at or through a specified level. A '2004

FTSE 3500-Minus', for instance, is a price on the number of trading days during 2004 that the FTSE 100 Index closes at or below a level of 3500. A '2004 Wall Street 9000-Plus' is a price on the number of trading days during 2004 that the Wall Street Index closes at or above 9000.

Extreme bets are quoted from September of the previous year through to the final trading day of the contract year. So, for instance, you could trade the 2004 Wall Street High at any time from September 2003 until Friday 31 December 2004.

Hi-Lo bets are offered on the following markets: FTSE, Wall Street, Vodafone, Sterling/US Dollar, Euro/US Dollar, US Dollar/Japanese Yen, US Dollar/Swiss Franc.

Boundary bets are offered only on FTSE and Wall Street.

Examples

Example 1: 'Buying' the 2004 FTSE Low

It is early January 2004. The FTSE 100 Index stands at 4200. Our quote for the 2004 FTSE Low is 3110/3130. You believe the FTSE will not close as low as this during the coming year, and therefore decide to 'buy' £10 per point at 3130.

The FTSE remains trapped in a tight range around 4200 over the following two months. Our quote for the 2004 FTSE Low rises, to 3210/3230. You decide to take your profit and close your bet by 'selling' at 3210.

Your profit on the trade is:

Closing level	3210
Opening level	<u>3130</u>
Difference	80

Profit: $80 \times £10 = £800$ tax-free

Example 2: 'Selling' the 2004 Wall Street 7000-Minus

It is August 2004. The Wall Street Index is standing at 8300, and has not settled below 7000 in the year to date. There are 90 trading days remaining in 2004. Our quote for the 2004 Wall Street 7000 minus is 4/8. You decide there is almost no chance of the Wall Street Index falling below 7000 during the remainder of the year and 'sell' £20 per point at 4.

The index falls dramatically during the autumn, spending much of October beneath 7000 before recovering during the final two months of the year. You do nothing, leaving your trade to expire on 31 December 2004. The index closed below 7000 on 15 different trading days during October and above 7000 on every other trading day of the year. Your bet therefore expires at 15.

Your loss on the trade is:

Closing level	15
Opening level	<u>4</u>
Difference	11

Loss: $11 \times £20 = £220$

Extreme Bets: Notes

a) All quotations are based on the achievement of specified price levels during the contract year.

b) Quotations for Hi-Lo bets on Vodafone are expressed as a share price in points. One point means one penny. All other Hi-Lo quotations are expressed in whole points of the relevant underlying instrument. One point means one index point/exchange rate pip.

Quotations for Boundary bets are expressed in number of days, rounded to the nearest whole day. One point means one day.

c) Hi-Lo bets are settled at the highest or lowest daily settlement of the relevant cash instrument over the contract period, to one decimal place. Intra-day highs and lows will be ignored.

Boundary Bets are settled at the number of trading days during the contract year on which the cash level of the relevant instrument settles at or through the specified boundary level. Intra-day highs or lows do not count towards the total.

For bets on the FTSE, Wall Street and Vodafone, 'trading days' means all days when the underlying cash instrument is open and trading for some period, including days with trading hours curtailed because of holidays, technical

problems and other special circumstances. For bets on currencies, 'trading days' means all days when the IMM currency futures are open and trading for some part of their main (Chicago) trading session, including days with trading hours curtailed because of holidays, technical problems and other special circumstances.

d) IG spread will vary according to the level of the quote, the boundary level or level of the relevant underlying instrument and the time to expiry. Deposit factor will vary according to the nature of bet, the underlying index concerned and the time to expiry.

e) For Extreme bets on the FTSE, Wall Street and Vodafone, the official daily cash settlements of the relevant instrument over the contract period will be those published by Reuters (E&EO).

f) For Extreme bets on currencies, the official daily cash settlements of each currency pair will be those implied by the settlement of the IMM currency futures contracts.

g) Dealing hours are from Monday to Friday, 08.00–21.00.

h) The last dealing day is the last trading day of the contract year.

