KEY INFORMATION DOCUMENT (CURRENCY OPTION - LONG PUT)

Purpose

This document provides key information about this investment product. It is not marketing material. The information is required by law to help you understand the nature, risks, costs, potential gains and losses of this product and to help you compare it with other products.

Product

Currency Option – Long Put
Manufacturer: Euronext
www.euronext.com
Competent Authority: Euronext Amsterdam – AFM, Euronext Brussels – FSMA, Euronext Lisbon – CMVM, Euronext Paris - AMF
Document creation date: 2019-12-31

Alert

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

What is this product?

Type

Derivative. Currency options are considered to be derivatives under Annex I, Section C of MiFID 2014/65/EU.

Objectives

A put option gives the buyer (long position) the right, during the fixed period stated in the contractual terms, to sell a specified amount of the underlying asset at a pre-determined price (strike price). Sellers (writers) of put options (short position) take on an obligation to buy the underlying asset if the option is exercised by the buyer. When exercised, currency options are cash settled based on the difference between the Exchange Delivery Settlement Price and the strike price. Currency options are European style options which means that holders of long positions are only entitled to exercise their options on the expiration date.
Each option series has its own maturity date, after which the product will expire. An open position can be closed at any time before the maturity date by entering into a closing transaction. The full contract specifications are available on our website:
https://derivatives.euronext.com/en/fx. Trading venues reserve the right to propose changes to contracts terms which may in certain circumstances affect open contracts, but these would occur following public consultation or the issuance of a market notice.

Intended retail investor

This product is not designed to be marketed to a specific type of investor or to fulfil a specific investment objective or investment strategy. A retail investor should become familiar with the characteristics of this product to make an informed decision on whether or not this product fits their investment needs. If in doubt, a retail investor should contact their broker or investment adviser to obtain investment advice.

What are the risks and what could I get in return?

Risk indicator

Summary Risk Indicator

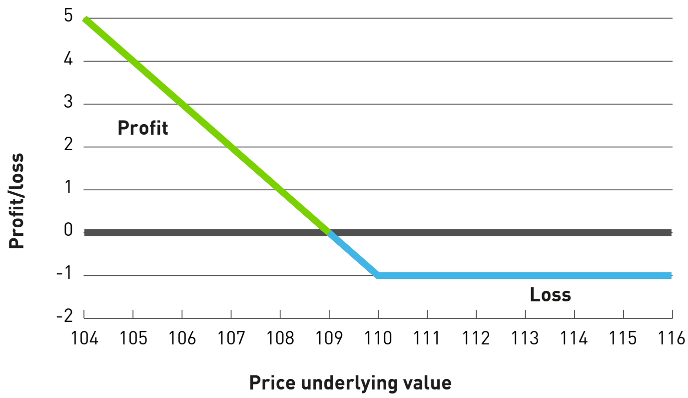
The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets. We have classified this product as 7 out of 7, which is the highest risk class.
The maximum possible loss that buyers of options can incur is equal to the price of the option premium, plus the transaction costs.
Be aware of currency risk. When the product is denominated in a currency other than the home currency of the investor, the return, when expressed in the home currency of the investor, may change depending on currency fluctuations. This risk is not considered in the indicator shown above.
The tax legislation of the retail investor's home Member State may have an impact on the actual investment result.

Performance scenarios

The profit or loss potential of a put option on the expiration date depends on the exercise price and the premium paid for a long position. The price of the option premium depends on several factors, such as the price movement of the underlying asset and interest rates.
Additionally, the potential for profit or loss of the option position depends highly on the way the position is used, e.g. options can be traded as a risk management tool to hedge other investments or as a stand-alone investment.
The characteristics of put options and an explanation of the profit and loss profile is shown below. The examples and the graphs demonstrate the profit and loss profile of an individual option. The graphs illustrate how your investment could perform. You can compare them with the pay-off graphs of other derivatives. The graph presented gives a range of possible outcomes and is not an exact indication of what you might get back. What you get will vary depending on how the underlying will develop. For each value of the underlying, the graph shows what the profit or loss of the product would be. The horizontal axis shows the various possible prices of the underlying value on the expiry date and the vertical axis shows the profit or loss.
The figures shown include all the costs of the product itself, but may not include all the costs that you pay to your advisor or distributor. The figures do not take into account your personal tax situation, which may also affect how much you get back.

Transaction: Buy put
Expectation: Fall in underlying price
Investment: Put premium
Risk: Limited to a maximum of the paid premium
Yield: Maximum of the exercise price less the premium paid if the underlying price falls to zero
Margin: not required

Long put option:



Profit/loss calculation:

The profit or loss at expiration is calculated as follows. Step one: take the options strike price minus the Exchange Delivery Settlement Price (EDSP). When the result of this calculation is a negative figure, the result is set at zero. Step two: take the result of step one and subtract the premium paid to buy the option. Step three: options are priced per unit of the underlying value and the previous calculation determines the result per unit of the underlying value, but the total value of an option contract depends on the contract multiplier. The total profit or loss of an option is therefore calculated by multiplying the value of step two by the contract multiplier.
The option's profit or loss is zero when the EDSP is equal to the strike price minus the premium paid to buy the option.

The profit and loss calculation in formulas:

Total profit or loss: (Max(S-P, zero) – premium) * contract multiplier [if relevant], where P is the EDSP and S is the option's strike price.
The profit/loss is zero where P = S - paid premium

Examples:

Example 1: when the EDSP is 107, the strike price is 110, the premium paid is 1 and the contract multiplier is 100. The profit per unit of the underlying value is: 110 – 107 – 1 = 2 and the total profit of the option is: 2 x 100 = 200.
Example 2: when the EDSP is 112, the strike price is 110, the premium paid is 1 and the contract multiplier is 100. The options strike price minus the price of the underlying value is a negative figure (110 – 112 = -2), so this value is set as zero. The loss per unit of the underlying value is: 0 – 1 = -1 and the total loss of the option is: -1 x 100 = -100.
The profit or loss is zero when the EDSP equals 110 – 1 = 109

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What happens if Euronext is unable to pay out?

Euronext is not responsible for paying out under the investment and is not within the jurisdiction of an authorised investor compensation scheme. All derivatives traded on Euronext are centrally cleared by CCP LCH S.A.

What are the costs?

Costs over time

Euronext charges fees which are applied to the exchange trading participant/member. The transaction fee or range of transaction fee for this asset class is as follows:

Trading fee per lot	Premium	Central Order Book Broker Client account
Currency Options	≤ €0.05/$0.05	€ 0.00
	> €0.05/$0.05	€ 0.40
Maximum fee per order		€ 160

The tariff and fee schedule is also available in the price list on our website: www.euronext.com/en/trading-fees-charges.
The person selling you or advising you about this product may charge you other costs. If so, this person will provide you with information about these costs.
There are no recurring costs for this product.

Composition of costs

Euronext charges fees which are applicable to the exchange trading participant/member. Details are available in the price list on our website. Further or associated costs may be charged to retail investors by the exchange trading participant/member, brokers or other intermediaries involved in a retail derivative transaction.

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

There is no recommended holding period for this product.
Each option series has its own maturity date, after which the product will expire. Options can be held until expiration. Whether or not a retail investor chooses to close the contract prior to expiration will depend on their investment strategy and risk profile. A short option position can be closed by entering a buy order in the market on any trading day during the lifetime of the option. A long option position can be closed by entering a sell order in the market.

How can I complain?

Retail investors should address complaints to the broker or intermediary with whom the investor has a contractual relationship in relation to this product.

Other relevant information

Contract specifications setting out key details of all derivatives traded on our markets are published on our website:
https://derivatives.euronext.com/en/fx

Disclaimer: The English language version is the definitive version. In the case of any conflict between the English version and a version in another language, the English version shall prevail.

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