

Packaged Retail and Insurance-based Investment Products (“PRIIP”) Regulation – Key Information Document (“KID”): London Metal Exchange Short Put Options

Purpose

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

Product

Product covered by this KID: Short Put Options Contracts available for trading on the London Metal Exchange. A full list of the international securities identification numbers for products covered by this KID are available on the FCA website at: <https://data.fca.org.uk/#/homepage>

Name of product manufacturer: London Metal Exchange

Website of product manufacturer: www.lme.com

More information: Call 0207 113 8888 (Relationship Management Team) for more information

Competent Authority: Financial Conduct Authority (www.fca.org.uk)

Date of production of the KID: 21.12.2022

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

What is this product?

Type: Short Put Options Contracts (with metal as their underlying asset)

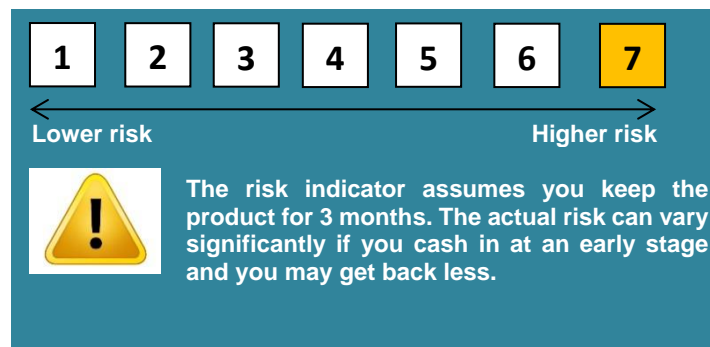
Objectives: This is a derivative contract under which you agree to sell to a counterparty a contract that gives your counterparty the right, but not the obligation, to sell to you: an entitlement to metal at a future date (in relation to Options Contracts that exercise into an underlying physically deliverable Futures Contract); or an exposure to the price of the relevant underlying metal (for cash settled Options Contracts). The value of the Options Contract will be linked to the price of the underlying metal – see “Investment Performance Information” for further information.

Intended retail investor: This product is not intended for retail investors, which means that the needs of retail investors and considerations relevant to them have not been taken into account in the design of this product.

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

Risk Indicator –

This product is rated as a **7 out of 7** on the basis of the risk chart below.



The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets, or because the counterparty to the contract is not able to pay you.

We have classified this product as **7 out of 7**, which is the highest risk class. We have classified this product as 7 out of 7 because this product is complex, and there is a risk that you could lose considerably more money than you invested. This rates the potential losses from future performance at a very high level and poor market conditions are very likely to impact the capacity of your counterparty to pay you.

Be aware of currency risk. You may receive payments in a different currency so the final return you will get may depend on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.

In some circumstances you may be required to make further payments to pay for losses. The total loss you may incur may significantly exceed the amount invested.

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

Investment performance information

Several factors could affect future returns in the product, such as but not limited to, supply and demand of the underlying metal, the outlook of supply and demand, the cost of storage, interest rates, liquidity, market positioning, volatility of the underlying metals prices or participants view on future volatility and other factors.

For Traded Average Price Options (TAPOs), the relevant benchmark is the Monthly Average Settlement Price (MASP). For LME Options, the relevant benchmark is the underlying futures contract.

For TAPOs, these cash settle against the Monthly Average Settlement Price (MASP). For LME Options, these settle into the underlying futures contract. Delivery obligations fall on the LME member, therefore if an end client is unable to make or take delivery, the member may have mechanisms in place to avoid a default.

What could affect my return positively?

Positive returns in the product would depend on the movement of the price of the underlying metal or the change in the underlying volatility of the price of the underlying metal or other factors such as interest rates or the time to expiry of the option. Buying this product (i.e. selling a put option) holds that you think the underlying price may increase, or the underlying volatility will decrease, and your return may be affected positively if this holds true.

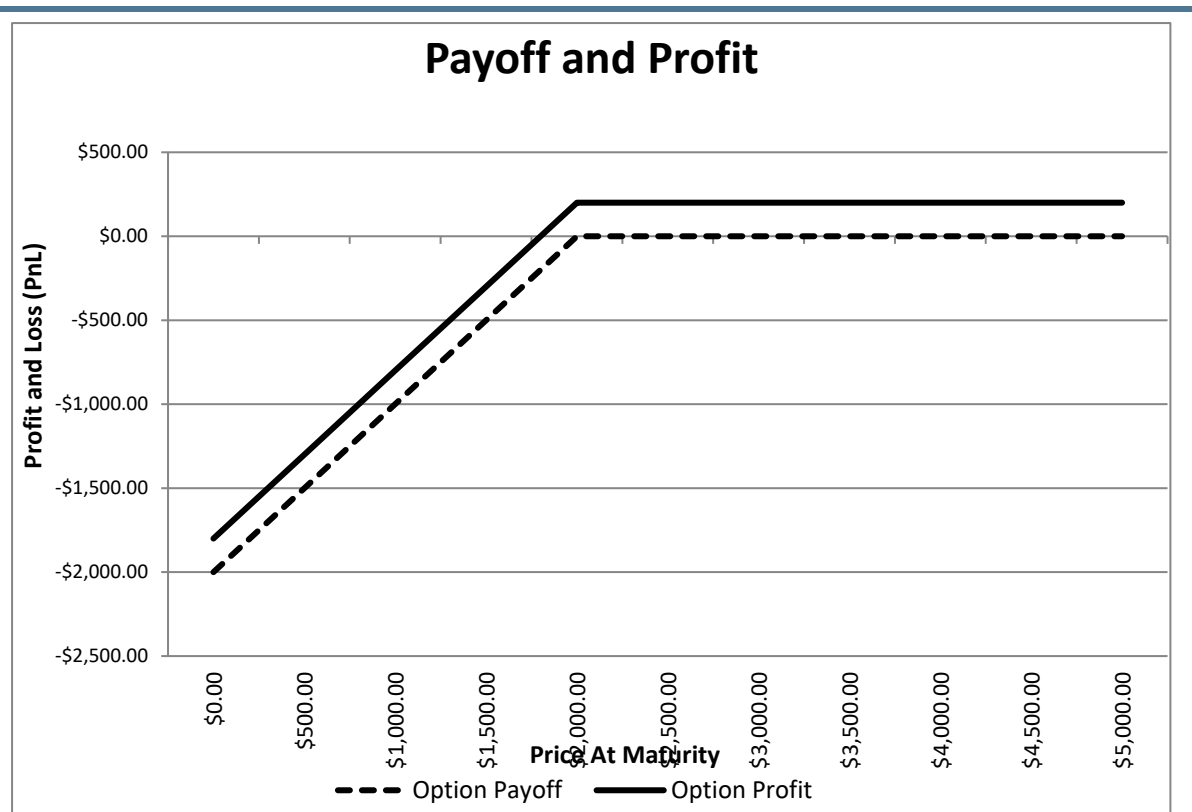
What could affect my return negatively?

Negative returns in the product would depend on the movement of the price of the underlying metal. Or the change in the underlying volatility of the price of the underlying metal or other factors such as interest rates or the time to expiry of the option. Buying this product (i.e. selling a put option) holds that you think the underlying price may increase, or the underlying volatility will decrease and your return will be affected negatively if this does not hold true. Changes in interest rates and the time to expiry may also negatively affect your return. For a short put position your loss is theoretically unlimited. Your contract with your broker may include a contractual limitation on your maximum loss, but this would be a matter to be confirmed with the broker that has sold you the product.

The graph below assumes a short put position with a strike price of USD \$2,000 has been sold for USD \$200. It illustrates how your investment could perform. You can compare them with the pay-off graphs of other derivatives. 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 and the tax legislation of the United Kingdom, which may also affect how much you get back.

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.

In the event that this product is settled in circumstances where there are severely adverse market condition, it is possible that you may not recover your expected return.



What happens if the London Metal Exchange is unable to pay out?

The London Metal Exchange is a market operator and will not be a counterparty to your trade. You may face a financial loss due to the default of the counterparty to your trade (which may be your broker). Please refer to your broker for further information, including on whether it will be possible to claim under any investor compensation scheme in the event of your broker's default. We suggest you consult with your broker to confirm what arrangements may apply in the event of their default and potential options for mitigating your risks of loss in such circumstances.

What are the costs?

The London Metal Exchange does not charge retail clients directly. The person selling you or advising you about this product (your broker) may charge you other costs. If so, this person will provide you with information about these costs, and show you the impact that all costs will have on your investment over time. In the interests of transparency, details of trading and clearing fees that your broker pays when trading on the London Metal Exchange can be found here: <https://www.lme.com/Trading/Access-the-market/Fees#tabIndex=0>.

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

Recommended holding period: There is no recommended or minimum holding period. London Metal Exchange products have a range of dates on which you can choose for your Option Contract to expire. Please speak to your broker for further information.

How can I complain?

In the first instance we recommend you speak to your broker in relation to any complaints. Complaints to the London Metal Exchange must be made in writing and, in the event that it is made by a company, must be signed by a director or equivalent officer. Complaints should be sent to The Complaints Office, London Metal Exchange, 10 Finsbury Square, London, EC2A 1AJ or by email to complaints@lme.com. The complaint should include sufficient information to allow the London Metal Exchange to properly identify the trade(s) or activity complained of and establish the basis for any alleged loss. Details of the London Metal Exchange's complaints procedure is available at www.lme.com.

Other relevant information

For further details on our market, our rulebook and product and clearing specifications please see www.lme.com or speak to your broker.