

## KEY INFORMATION DOCUMENT (CASH SETTLED ENERGY FUTURES)

**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: ICE Futures U.S. ("IFUS") Cash Settled Energy Futures Contracts**

Details of the specific energy futures contracts traded on IFUS are available at:

[https://www.theice.com/publicdocs/rulebooks/futures\\_us/18\\_US\\_Gas\\_Power\\_and\\_Environmental\\_Contracts.pdf](https://www.theice.com/publicdocs/rulebooks/futures_us/18_US_Gas_Power_and_Environmental_Contracts.pdf)

[https://www.theice.com/publicdocs/rulebooks/futures\\_us/--Subchapter\\_18A-Natural\\_Gas.pdf](https://www.theice.com/publicdocs/rulebooks/futures_us/--Subchapter_18A-Natural_Gas.pdf)

[https://www.theice.com/publicdocs/rulebooks/futures\\_us/--Subchapter\\_18B-Power.pdf](https://www.theice.com/publicdocs/rulebooks/futures_us/--Subchapter_18B-Power.pdf)

[https://www.theice.com/publicdocs/rulebooks/futures\\_us/--Subchapter\\_18F\\_LNG\\_Contracts.pdf](https://www.theice.com/publicdocs/rulebooks/futures_us/--Subchapter_18F_LNG_Contracts.pdf)

Call +1 (770) 738-2101 for more information or email [ICEhelpdesk@theice.com](mailto:ICEhelpdesk@theice.com)

IFUS is a designated contract market regulated by the U.S. Commodity Futures Trading Commission.

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

### What is this product?

**Type:** Derivative. Energy futures are considered to be derivatives under Annex I, Section C of **MiFID 2014/65/EU**.

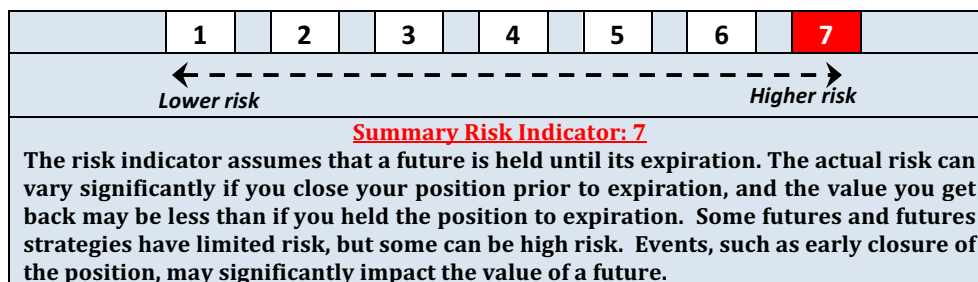
### Objectives:

An energy futures contract is a cash settled derivative contract to buy ("long position") or sell ("short position") the value of a specified quantity of an energy commodity, such as natural gas, electricity and liquefied natural gas, at a certain time in the future ("last trading day") for a certain price ("contract price"). Each cash settled energy futures contract has its own last trading day, after which the product will automatically expire and cash settlement will occur. Subject to market conditions, you can close your position on any trading day up to and including the last trading day. If you 'opened' a position by buying an energy futures contract (to 'go long'), you sell the same contract to 'close' your position. If you 'opened' a position by selling an energy futures contract (to 'go short'), you buy the same contract to 'close' your position. If on the last trading day the market value of the energy commodity exceeds the contract price, the buyer has made a profit and the seller has suffered a loss. Conversely, if on the last trading day the market value of the energy commodity is less than the contract price, the seller has made a profit and the buyer has suffered a loss. In either case, the amount of the profit or loss will be the difference between the market value and the contract price. An energy futures contract may in certain circumstances be unilaterally terminated by IFUS and may be subject to termination following an event of default by a clearing member (see "What happens if IFUS is unable to pay out?" below).

**Intended retail investor:** This product is not designed to be marketed to a specific type of investor or to fulfill 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, retail investors should contact their broker or investment adviser to obtain investment advice.

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

#### Risk indicator:



- The summary risk indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets. This product is classified as **7 out of 7**, which is the highest risk class. This rates the potential losses from future performance at a very high level.
- This product can expose a retail investor to unlimited liabilities in certain circumstances. This is a complex product and is only likely to be appropriate for the most experienced, sophisticated and knowledgeable types of investors.
- 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.
- If the clearing organization or any intermediary is not able to pay you what is owed, you could lose your entire investment.

- **The risk and reward profile of a future depends on its terms, but will involve the following considerations:**
- **Buyer** – A buyer of an energy futures contract can incur unlimited losses down to a zero market price. The loss is equal to buying price minus closing sale price (or the market value at expiration), plus any transaction costs.
- **Seller** – A seller of an energy futures contract can incur unlimited losses in a rising market. The loss is equal to closing purchase price (or the market value at expiration) minus selling price, plus any transaction costs.
- **Buying or selling futures requires extensive product knowledge.**
- Transactions in energy futures contracts may carry a high degree of leverage, because the amount of initial margin required to open a position is small relative to the value of the contract. A relatively small market movement can thus have a large impact on the margin you have provided. If the market moves against your position, you may be required to post additional funds as variation margin, on at least a daily basis. You may lose some or all of the initial and variation margin you have posted as a result of market movements. In addition, if you fail to comply with a request for additional margin by the deadline, your position may be liquidated at a loss or cost to you.
- Positions in energy futures contracts are subject to liquidity risks, in that your ability to close out a position on or prior to the last trading day will depend on entering into an offsetting position in the market with other market participants at the time. There is no commitment on the part of the exchange or any other person to enter into such offsetting transactions, and such closing transactions may not be available at the desired time, or may not be available at favorable prices.
- The price of energy futures contracts (and potential profit or loss) depends on several factors, such as the spot price of the underlying energy commodity, storage and transportation costs, costs and expenses related to delivery, levels of production and consumption, weather, interest and inflation rates and other macroeconomic and geopolitical conditions.

#### Performance scenarios:

These graphs illustrate how your investment could perform. You can compare them with the pay-off graphs of other derivatives products in different Key Information Documents. The graphs presented give a range of possible outcomes and are 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 graphs show what the profit or loss of the product would be. The horizontal axis shows the various possible prices of the underlying on the expiry date and the vertical axis shows the profit or loss.

#### Long Energy Future:



**Transaction:** Buy energy future

**Investment:** None, but margin is required

**Margin:** Initial margin (ranging from approximately 5-15% of total contract value) plus ongoing variation margin

**Market expectation:** Rising market. Buying this product indicates that you think the underlying price will increase.

**Profit/loss calculation:** The profit or loss at expiration is calculated as follows:

**Step one:** Take the market value at expiration minus the contract price, then multiply by the contract quantity.

**Step two:** When the result of Step one is positive the buyer has made a profit. If the result of Step one is negative the buyer has made a loss.

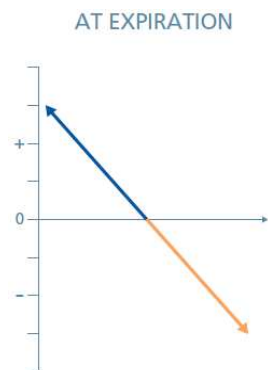
**Profit and loss characteristics:**

**Profit:** Unlimited in a rising market (less transaction costs)

**Loss:** Your maximum loss is unlimited down to a zero market price (plus transaction costs). You may lose all of your investment, and be required to make additional payments significantly exceeding the initial margin payment.

**Break-even:** Reached when the contract price and market value at expiration are equal, after taking into account transaction costs.

#### Short Energy Future:



**Transaction:** Sell energy futures

**Investment:** None, but margin is required

**Margin:** Initial margin (ranging from approximately 5-15% of total contract value) plus ongoing variation margin

**Market Expectation:** Falling market. Selling this product indicates that you think the underlying price will decrease.

**Profit/loss calculation:** The profit or loss at expiration is calculated as follows:

**Step one:** take the contract price minus the market value at expiration, then multiply by the contract quantity.

**Step two:** When the result of Step one is positive the seller has made a profit. If the result of Step one is negative then the seller has made a loss.

**Profit and loss characteristics:**

**Profit:** Unlimited down to a zero market price in a falling market (less transaction costs)

**Loss:** Your loss is unlimited in a rising market (plus transaction costs). You may lose all of your investment and be required to make additional payments significantly exceeding the initial margin payment.

**Break-even:** Reached when the contract price and market value at expiration are equal, after taking into account transaction costs

The scenarios shown may not include all of the costs that you pay to your advisor or broker. The scenarios do not take into account your personal tax situation, which may also affect your return.

#### **What happens if IFUS is unable to pay out?**

ICE Futures U.S. is not responsible for paying out under the investment. Energy futures contracts traded on ICE Futures U.S. are centrally cleared by ICE Clear Europe Limited. Neither ICE Futures U.S. nor ICE Clear Europe is within the jurisdiction of any financial services compensation scheme in the EU. In the event of a default by ICE Clear Europe or your clearing intermediary, your position may become subject to default procedures (including termination) under the IFUS or ICE Clear Europe rules, and you will be exposed to a risk of financial loss.

#### **What are the costs?**

##### **Costs over time and Composition of Costs:**

Transactions (including both opening and closing transactions) in energy futures are subject to exchange, clearing and settlement fees which are charged to clearing members and may be invoiced by clearing members to investors. The full fee schedule is available on our website <https://www.theice.com/fees>. Further or associated costs may be charged to retail investors by brokers or other intermediaries involved in a retail derivative transaction. There are no recurring costs for this product.

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

**There is no recommended holding period for this product.** Futures can be held until expiration (last trading day) or positions can be closed out on any trading day up to and including the last trading day, subject to market conditions. Whether or not retail investors choose to do so will depend on their investment strategy and risk profile.

- ✓ A long position can be closed by entering a sell order in the market on any trading day during the lifetime of the futures contract.
- ✓ A short position can be closed by entering a buy order in the market on any trading day during the lifetime of the futures contract.

Investors wishing to continue to hold economic exposure to the underlying energy commodity beyond the last trading day must close out their existing position on or before the last trading day and enter into new energy futures positions for a later expiration, a process known as rolling. Rolling futures positions may entail costs and risks of loss depending on market conditions at the time.

#### **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 or to the ICE Futures U.S. Market Regulation Department at [Compliance-US@theice.com](mailto:Compliance-US@theice.com).

#### **Other relevant information**

IFUS has produced this document in order to provide a more efficient basis for compliance with Regulation (EU) No. 1286/2014 (the “**PRIIPs Regulation**”) for exchange trading participants/members. To the extent permitted under the PRIIPs Regulation, IFUS undertakes no duty of care for the contents of this document and makes no warranty, representation or undertaking as to its accuracy. IFUS has not considered the specific circumstances of any ‘retail investor’ (as that term is defined in the PRIIPs Regulation) (“**EEA Retail Investors**”). EEA Retail Investors should only trade in this product based on their own assessment of the risks and should take their own financial, tax and legal advice. Any person making products to which this document relates available to an EEA Retail Investor is responsible for verifying whether this document is sufficient for their purposes or their clients’ purposes, for adding any further disclosures as may be required for their clients and for assessing the suitability and appropriateness for their clients of any products traded on IFUS. IFUS is not responsible for the actions of any third party that offers trading in IFUS products, and to the extent possible under applicable law, IFUS excludes all liabilities in relation to IFUS-traded products offered to EEA Retail Investors by any such third party. IFUS is not a ‘PRIIP manufacturer’ (as that term is defined in the PRIIPs Regulation) with respect to any offer to EEA Retail Investors in any EEA Member State other than those in which English is an official language or otherwise where a translated key information document in an official language of that EEA Member State is produced on IFUS’s website.