

## KEY INFORMATION DOCUMENT (CRUDE OIL & REFINED PRODUCTS 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: Crude Oil & Refined Products Futures - ICE Futures Abu Dhabi ("IFAD")** - <https://www.theice.com/products/Futures-Options?filter=IFAD>

Examples: Murban Crude Oil Futures (physically deliverable) / Murban 1<sup>st</sup> Line Future, Murban Singapore Marker 1st Line vs Brent Singapore Marker 1st Line Future and Singapore Gasoil (Platts) vs Murban 1st Line Future (cash-settled derivatives).

For more information, email: [Sales-Oil@ice.com](mailto:Sales-Oil@ice.com) or call +44 (0)20 7429 4640

IFAD is a Recognised Investment Exchange regulated by the Abu Dhabi Global Market Financial Services Regulatory Authority.

Published:

**Alert:** *You are about to open a position in a product which is not simple and may be difficult to understand.*

### What is this product? - Type & Objectives

A Crude Oil & Refined Products Future contract ("Oil Future") is a derivative contract based on either a deliverable quantity of a particular type of oil or a financial index. The physically deliverable Oil Future (e.g. Murban Crude Oil Futures) gives rise to delivery of a specified quantity and quality of an oil commodity at a certain time in the future for a certain price at a certain location. The financial index Oil Future (e.g. Murban 1st Line Future) gives rise to the payment or liability to the payment of the index price (either an individual settlement price or the outturn of an average price) against the traded value of the commodity contract ("Index or Assessment"). Each contract has a predefined underlying specification or index assessment and a nominal value composed of the total quantity (or lot size) of the oil multiplied by its price.

The price of the contract changes with forward price expectations for that specification or grade of oil. This means that there is a positive relationship between the direction in which the underlying physical oil price for that grade or specification is moving and the degree by which it is expected to move in its forward value and hence the value of the contract.

Each Oil Futures contract has its own last trading day ("Last Trading Day"), after which the product will expire. You can close your position on any trading day up to and including the Last Trading Day. If you (as a buyer) 'opened' a "long" position by buying an Oil Future you sell the same contract to 'close' your position. If you (as a seller) 'opened' a "short" position by selling an Oil Future, you buy the same contract to 'close' your position.

If the closing price exceeds the opening price the buyer has made a profit and the seller has made a loss. In this case, during the holding period, the seller has paid the buyer the difference between the final closing price and the opening price multiplied by the monetary value of each Oil Future's minimum price movement or tick size ("Tick Size"). If the closing price is less than the opening price, the seller makes a profit and the buyer makes a loss. In this case, during the holding period, the buyer has paid the seller the difference between the opening price and the final closing price multiplied by the relevant Tick Size.

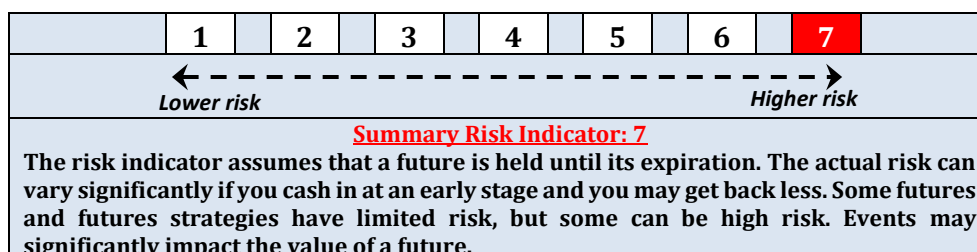
On the relevant Last Trading Day, a physically deliverable Oil Future will (unless you choose to close your position beforehand) result in a seller having to physically deliver the specified quantity and quality of the oil commodity and the buyer will have to take delivery and make payment, in accordance with the contract specifications. A financial index Oil Future will (unless you choose to close your position beforehand) automatically expire on the relevant expiry date.

### Intended retail investor

Oil Futures products are 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 the product fits their investment needs. 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:



- 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. This rates the potential losses from future performance at a very high level.
- **Be aware of currency risk. You may receive payments in a different currency, so the final return you will get depends on the exchange rate between the two currencies. This risk is not considered in the indicator shown above.**

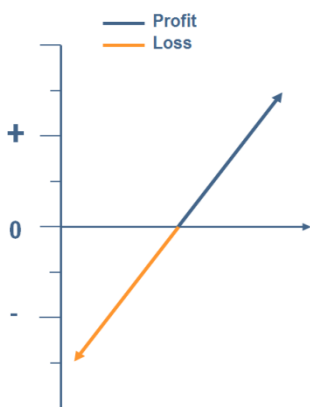
- In some circumstances you may be required to make further payments to pay for losses. **The total loss you may incur may significantly exceed the amount invested.**
- This product does not include any protection from future market performance so you could lose some or all of your investment.
- If ICE Clear Europe ("ICEU") (see "What happens if IFAD is unable to pay out?" below) or any intermediary is not able to pay you what is owed, you could lose your entire investment.
- **The risk and reward profile of an Oil Future depends on its terms, but will involve the following considerations:**
  - **Buyers** of an Oil Future can incur very significant losses exceeding the amount invested. The loss is equal to the opening contract price minus the closing sale price. The physically deliverable Oil Futures (for e.g Murban Crude Oil Futures) are deliverable contracts. This means holders of long positions have to take delivery of a specified quantity and quality of oil, if they have not traded out of the position by the Last Trading Day. Please note this will be an expensive and operationally burdensome process for a retail investor.
  - **Sellers** of an Oil Future can incur unlimited losses. The loss is equal to the closing sale price minus the opening contract price. The physically deliverable Oil Futures (for e.g Murban Crude Oil Futures) are deliverable contracts. This means holders of short positions have to deliver a specified quantity and quality of oil, if they have not traded out of the position by the Last Trading Day. Please note this will be an expensive and operationally burdensome process for a retail investor.
- Buying or selling futures can be high risk and requires extensive product knowledge. The price of the Oil Future depends on several factors, such as the price movement of oil in the underlying physical market. Additionally, the potential for profit or loss of the Oil Future position depends highly on the way the position is used, e.g. Oil Futures can be traded as a risk management tool to hedge other investments or as a stand-alone investment.
- This product can expose a retail investor to unlimited liabilities. This is a complex product and is only likely to be appropriate for the most experienced, sophisticated and knowledgeable types of investors.

### 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 Oil Future on the expiry date and the vertical axis shows the profit or loss.

#### AT EXPIRATION



#### **Buy Crude Oil & Refined Products Futures - Long Position:**

**Transaction:** Buy Oil Future (e.g. Brent Crude Oil Future)

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

**Margin:** Initial margin (approximately 0.1-10% of the contract nominal value) plus variation margin to mark-to-market prices on a daily basis.

**Market expectation:** Rising market. Buying this product holds that you think the value of the Oil Future will increase.

**Profit/loss calculation:**

**Step one:** Take the closing price minus the price at which the contract was entered into.

**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.

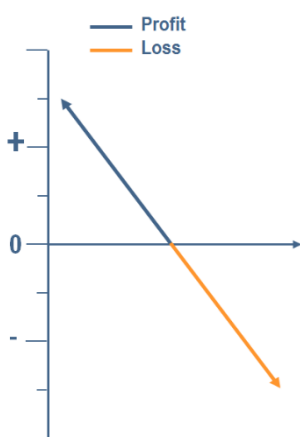
**Step three:** For example, Murban Crude Oil Futures are priced at increments of 1ct/bbl nominal value. To monetise the difference calculated in Step two, you have to multiply the difference between the closing price and the contract price by the monetary value of each tick. For example, in the case of Murban Crude Oil Futures, this is \$10 (1ct/bbl x 1000bbl).

**Profit and loss characteristics:**

**Profit:** Unlimited

**Loss:** You may lose all of your investment and be required to make additional payments significantly exceeding the initial margin payment.

#### AT EXPIRATION



#### **Sell Crude Oil & Refined Products Futures - Short Position:**

**Transaction:** Sell Oil Future (e.g. Brent Crude Oil Future)

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

**Margin:** Initial margin (approximately 0.1-10% of the contract nominal value) plus variation margin to mark-to-market prices on a daily basis.

**Market expectation:** Falling market. Selling this product holds that you think the value of the Oil Future will decrease.

**Profit/loss calculation:**

**Step one:** Take the opening price the contract was entered into minus the closing price.

**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.

**Step three:** For example, Murban Crude Oil Futures are priced at increments of 1ct/bbl nominal value. To monetise the difference calculated in Step two, you have to multiply the difference between the opening price and the closing price by the monetary value of each tick. For example, in the case of Murban Crude Oil Futures, this is \$10 (1ct/bbl x 1000bbl).

**Profit and loss characteristics:**

**Profit:** Potential to be significant from the price paid to potentially unlimited, depending on the difference between the price paid and the final settlement value.

**Loss:** Your maximum loss is unlimited and you may lose all of your investment and be required to make additional payments significantly exceeding the initial margin payment.

Buying or selling an Oil Future is one of the ways that you can take a 'long' or 'short' Oil Future position and depends on the retail investor's individual trading strategy.

The scenarios 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 scenarios do not take into account your personal tax situation, which may also affect how much you get back.

#### What happens if IFAD is unable to pay out?

IFAD is not responsible for paying out under the investment. All derivatives traded on IFAD are centrally cleared by ICEU. IFAD and ICEU are not within the jurisdiction of the UK Financial Services Compensation Scheme. In the event of a default by ICEU or your intermediary your position may become subject to ICEU's default procedures in accordance with its clearing rules, which may ultimately expose you to a risk of financial loss - see [https://www.theice.com/publicdocs/clear\\_europe/Customer\\_Protection\\_Framework.pdf](https://www.theice.com/publicdocs/clear_europe/Customer_Protection_Framework.pdf). If you are in any doubt as to your position you should seek independent professional advice.

#### What are the costs?

##### Costs over time and Compositions of Costs:

IFAD charges fees which are applied to the Clearing Members. The full fee schedule is available on our website [Exchange & Clearing Fees](#). The person selling you or advising you about this product may pass on IFAD and ICEU charges and 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. 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.** Oil 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. Whether or not retail investors choose to do so will depend on their investment strategy and risk profile.

- ✓ A long Oil Future position (i.e. a position opened by buying an Oil Future) can be closed by entering a sell order (e.g. by giving the relevant instructions to your broker) in the market on any trading day up to and including the Last Trading Day.
- ✓ A short Oil Future position (i.e. a position opened by selling an Oil Future) can be closed by entering a buy order (e.g. by giving the relevant instructions to your broker) in the market on any trading day up to and including the Last Trading Day.

#### 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 IFAD Complaints Handling Officer. Complaints must be made in writing to: The Complaints Handling Officer, ICE Futures Abu Dhabi, Part of 29th Floor, Al Sarab Tower, ADGM Square, Al Maryah Island, Abu Dhabi, United Arab Emirates or can be emailed to: [ICEFutures-AbuDhabi-Complaints@TheIce.com](mailto:ICEFutures-AbuDhabi-Complaints@TheIce.com). For full details of IFAD's complaints handling procedures see [https://www.theice.com/publicdocs/futures/IFAD\\_Complaint\\_Resolution\\_Procedures.pdf](https://www.theice.com/publicdocs/futures/IFAD_Complaint_Resolution_Procedures.pdf)

#### Other relevant information

**Contract specifications setting out key details of all Crude Oil & Refined Products Futures traded on our markets are published on IFAD's website:** (<https://www.theice.com/futures-abu-dhabi/regulation>).

No part of this Key Information Document is, or is intended to be, addressed to persons outside the European Economic Area ("EEA") or the United Kingdom.

To the extent permitted by applicable law, IFAD undertakes no duty of care for the contents of this document and makes no warranty, representation or undertaking as to its accuracy. IFAD has not considered the specific circumstances of any retail investor.

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 a 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 IFAD. IFAD does not admit any members that are retail investors, and this document is only relevant to you if you have been offered trading in products traded on IFAD by a third party. IFAD is not responsible for the actions of any such third parties, and to the extent possible under applicable law, IFAD excludes all liabilities in relation to IFAD-traded products offered to retail investors by any such third party.

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