KEY INFORMATION DOCUMENT
(CREDIT 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") Credit Futures Contract
Details of the specific Credit Futures Contracts traded on IFUS are available at:
https://www.theice.com/publicdocs/rulebooks/futures_us/28_Credit_Index_Futures_docx.pdf
Call *+1 (770) 738-2101* for more information *or email* *ICEhelpdesk@theice.com*
IFUS is a designated contract market regulated by the U.S. Commodity Futures Trading Commission.
Published: *January 1, 2018*

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

What is this product?

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

Objectives:
A credit futures contract is a cash settled derivative contract to buy ("long position") or sell ("short position") credit risk with respect to an index of reference entities during a period ending on a specified day in the future ("last trading day") for a specified price ("contract price"). Each credit 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 a credit futures contract (to 'go long'), you sell the same contract to 'close' your position. If you 'opened' a position by selling a credit futures contract (to 'go short'), you buy the same contract to 'close' your position. Calculation of daily and final settlement prices will be based on a formula set out in the contract specifications that takes into account, among other factors, the occurrence of credit events with respect to reference entities in the index during the relevant period. If on the last trading day the final settlement price 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 final settlement price 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 settlement price and the contract price multiplied by the contract multiplier, which is set out in the contract specifications for the particular contract. A credit future 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:

1	2	3	4	5	6	7

← Lower risk — — — — Higher risk →

Summary Risk Indicator: 7

The risk indicator assumes that a future is held until its expiration. The actual risk can vary significantly if you close your position prior to expiration, and the value you get back may be less than if you held the position to expiration. Some futures and futures strategies have limited risk, but some can be high risk. Events, such as early closure of the position, may significantly impact the value of a future.

- 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 a credit future is a seller of credit protection and can incur unlimited losses down to a zero settlement price. The

loss is equal to adjusted buying price minus adjusted closing sale price (or the final settlement price), plus any transaction costs.

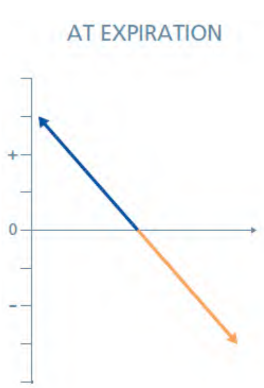
- **Seller** – A seller of a credit future is a buyer of credit protection and can incur unlimited losses with a rising settlement price. The loss is equal to the adjusted closing purchase price (or final settlement price) minus adjusted selling price, plus any transaction costs.
- **Buying or selling futures requires extensive product knowledge**.
- The buyer of a credit future bears the risk of a credit event, such as a bankruptcy or a payment default, with respect to the reference entities in the index.
- Transactions in credit futures 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 credit futures 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 the credit future (and potential profit or loss) depends on several factors, such as the occurrence of credit events on the reference entities in the index and the level of credit losses determined with respect thereto, perceived changes in creditworthiness (or the likelihood of default) with respect to such entities and interest rates, as well as overall macroeconomic 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 adjusted settlement price level on the expiry date and the vertical axis shows the profit or loss.

<u>Long Credit Future</u>:

Transaction: Buy credit future (i.e., buy credit risk/receive credit protection premium)
Investment: None, but margin is required
Margin: Initial margin (approximately 1% of total contract value) plus ongoing variation margin
Market expectation: Buying this product indicates that you think a credit event for one or more underlying index constituents is unlikely to occur .
Profit/loss calculation: The profit or loss at expiration is calculated as follows:
<u>Step one</u>: Take the final settlement price minus the adjusted contract (traded) price (calculated in accordance with the contract specifications), then multiply by the contract multiplier.
<u>Step two:</u> 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: Your profit is based on the embedded credit protection premium, less transaction costs and credit event payments.
Loss: Your maximum loss is unlimited down to a zero settlement 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 adjusted contract price and settlement price at expiration are equal, after taking into account transaction costs.

<u>Short Credit Future:</u>



Transaction: Sell credit future (i.e., sell credit risk/pay credit protection premium)
Investment: None, but margin is required
Margin: Initial margin approximately 1% of total contract value plus ongoing variation margin
Market Expectation: Selling this product indicates that you think that a credit event is likely to occur for one or more constituents in the underlying index.
Profit/loss calculation: The profit or loss at expiration is calculated as follows:
<u>Step one</u>: Take the adjusted contract price minus the final settlement price, then multiply by the contract multiplier.
<u>Step two:</u> 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 settlement price in market with increasing credit risk (less transaction costs)
Loss: Your loss is based on the embedded protection premiums where credit risk is decreasing (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 adjusted contract price and final settlement price 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?

Credit futures traded on ICE Futures U.S. are centrally cleared by ICE Clear US, Inc. ICE Futures U.S. is not responsible for paying out under the investment. Neither ICE Futures U.S. nor ICE Clear US is within the jurisdiction of any financial services compensation scheme in the EU. In the event of a default by ICE Clear US or your clearing intermediary, your position may become subject to default procedures (including termination) under the ICE Clear US or ICE Futures U.S. 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 credit 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 credits beyond the last trading day must close out their existing position on or before the last trading day and enter into new 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.

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 products traded on IFUS, 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.