

## Key Information Document for EEX Dry Bulk Freight Put Option Short

### 1. 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.

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

### 3. Product

#### Name of PRIIP

Dry Bulk Freight Put Option Short

#### Name of PRIIP Manufacturer

European Energy Exchange AG

#### Contact Details of PRIIP Manufacturer

Website: [www.eex.com](http://www.eex.com), Contact: EEX Sales, +49 341 2156 555, [sales@eex.com](mailto:sales@eex.com)

#### Competent Authority responsible for the supervision of the PRIIP Manufacturer:

German Federal Financial Supervisory Authority (BaFin)

#### PRIIP ISIN

The ISINs for all EEX Options can be found on the EEX Website: <https://www.eex.com/en/products/product-codes>

**Publication Date:** 15 December 2017

### 4. What is this product?

#### Type

Cash settled commodity derivative (option contract). Derivative under Annex I, Section C of MiFID 2014/65/EU.

#### Objectives

A put option on futures is a financial derivative where one counterparty (the option writer or seller) sells to another counterparty (the option holder or buyer) the right to sell – by exercising the option – a future at the exercise (strike) price of the option at a specific date (exercise date). The seller of the put option (option writer) obtains a short position in the option. If the buyer (option holder) exercises the option, the seller obtains a long position in the corresponding future at the exercise price.

EEX Dry Bulk Freight Options are European options, whereby the option can only be exercised on the last trading day of the respective maturity. The times during the trading day at which an option can be exercised are set out in the EEX Contract Specifications.

The buyer of an option contract is obliged to pay the price for the purchase of the right of an option (option premium) on the ECC Business Day after the purchase. The premium is credited to the seller of the option on the same day. The buyer and seller have opposing expectations of how the value of the underlying futures price will develop. Either market participant will experience a profit if their expectations materialise, and a loss if their expectations do not materialise.

The gross profit or loss<sup>1</sup> at expiration of a put option short depends on the option strike price and the initial premium at which the option was bought. If at expiration of a put option the underlying futures price is lower than the strike price, the option is profitable and worth exercising by the option holder, and therefore the option writer must buy the underlying future at the strike price. The total gross loss increases as the underlying futures price decreases and reaches the loss limit price of zero. Conversely, if the underlying futures price is equal to or higher than the strike price, the option is not worth exercising by the holder and therefore the gross profit for the option writer is equal to the value of the premium received. The breakeven point for a put option short can be found by subtracting the option premium from the option strike price. The gross profit or loss can be calculated by taking the maximum of either the underlying futures price subtracted from the strike price, or zero, then subtracting the result by the option premium, and multiplying by the product-specific value of the underlying units per contract (contract volume)<sup>2</sup>. The profit and loss formulae at expiration of a put option short are as follows:

<sup>1</sup> The gross profit or loss is a customer's profit or loss before consideration of transaction fees, clearing fees, brokerage fees, tax and/or any other administrative expenses occurring in connection with the exposure to the relevant futures position

<sup>2</sup> More information on product-specific contract volume values can be found in the EEX Contract Specifications for Trade Registration: <https://www.eex.com/en/trading/rules-and-regulations/regulated-market>

Short Put Max. Profit = option premium received

Short Put B/E = strike price – option premium

Short Put P/L = (option premium – MAX(strike price – underlying price, 0)) \* contract volume

A put option short open position can be closed at any time before the maturity date by buying the same option during the trading hours of the exchange. In the highly unlikely event that an orderly functioning of markets would no longer be guaranteed, in accordance with the Exchange Rules, EEX has an extraordinary right to suspend trading or to terminate positions.

Futures contracts which are referenced as the underlying for Dry Bulk Freight Options may include, but are not limited to<sup>3</sup>:

- The respective delivery period of the dry bulk freight Capesize, Panamax, Supramax or Handysize Time Charter Future, that is named in the respective Option as underlying.

**Intended retail investor**

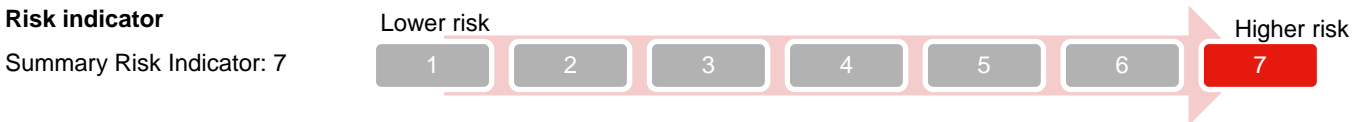
This product is not designed to be marketed to a specific type of investor or to fulfil a specific investment objective or investment strategy. A retail investor should become familiar with the characteristics of this product to make an informed decision on whether or not this product fits their investment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

**Term of the Product**

EEX options contracts have pre-set termination dates (maturities) according to each underlying contract expiry<sup>3</sup>. EEX options contracts terminate automatically on those dates.

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

**Risk indicator**

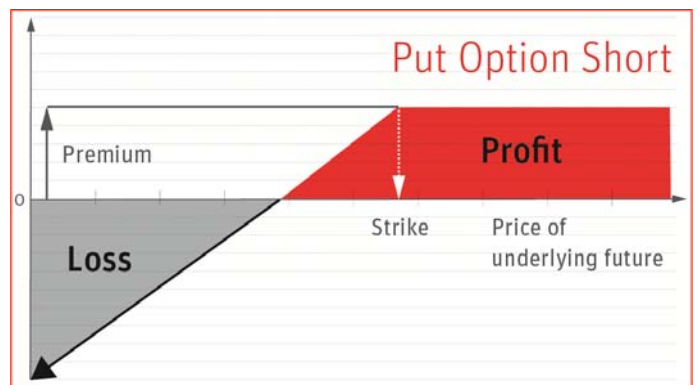


The Summary Risk Indicator is a guide to the level of risk of this product compared to other products. It shows how likely it is that the product will lose money because of movements in the markets.

We have classified this product as a 7 out of 7, which is the highest risk class. This is because the profits and losses of an options contract depend on the daily movements of the underlying futures market price for that contract. 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. Options contracts have a materially relevant liquidity risk. In case of low market liquidity, you may not be able to close out your position at your intended price. This product does not include any protection from future market performance so you could lose some or all of your investment. Be aware of currency risk. Depending on the chosen product, payments will be made in a different currency; therefore the final return will depend on the exchange rate between the two currencies.

**Performance Scenarios**

The following graph illustrates how your investment could perform. 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 depend on how the underlying future will develop. For each value of the underlying, the graph shows what the potential profit or loss of the product will be. Selling a put option indicates that you think the underlying futures price will increase. 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.



**6. What happens if EEX is unable to pay out?**

EEX is an exchange approved under German law and provides a trading platform for the conclusion of financial transactions between

<sup>3</sup> Information on different underlyings and maturities of options contracts can be found in the EEX Contract Specifications for Trade Registration, available under: <https://www.eex.com/en/trading/rules-and-regulations/regulated-market>

---

market participants. EEX does not act as counterparty to its market participants with respect to transactions. All derivatives traded on EEX are centrally cleared by European Commodity Clearing AG (ECC)<sup>4</sup>.

---

## 7. What are the costs?

---

### Exchange one-off costs / transaction costs for entry or exit of the product

EEX and ECC charge transaction and clearing fees which are charged for the execution of orders and the registration of trades. Transaction and clearing fees are paid by exchange trading participants.

For the current applicable transaction fees for this product please refer to the price list on the EEX website in section 1.5:  
<https://www.eex.com/en/trading/price-list>

For the current applicable clearing fees for this product please refer to the price list on the ECC website in section 4.5:  
<https://www.ecc.de/ecc-en/about-ecc/rules/price-list>

In particular if retail investors do not have a contractual relationship in the form of membership with EEX and/or ECC, further or associated costs may be charged to retail investors by the exchange trading participant, brokers or other intermediaries involved in the retail derivatives transaction. EEX and ECC are not aware of the costs charged by intermediaries to the retail investors.

---

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

---

There is no recommended holding period for this product. Options contracts can be held until expiration. Whether or not retail investors choose to do so will depend on their investment strategy and risk profile. A short option position can be closed by entering into a corresponding buy contract in the market on any trading day during the lifetime of the option and during the exchange trading hours. No penalties apply for disinvestment prior to maturity. If the retail client decides to close the position, fees as described in section 7 apply.

---

## 9. How can I complain?

---

Retail investors should address complaints to the party with whom the investor has the contractual relationship in relation to the product. If the retail investors are exchange trading participants complaints should be addressed to: European Energy Exchange AG, Market Operations, Augustusplatz 9, 04109 Leipzig. Or an email may be sent to: [trading@eex.com](mailto:trading@eex.com).

---

## 10. Other relevant information

---

Further information on Dry Bulk Freight Options can be found on the EEX website:  
<https://www.eex.com/en/products/freight>

Contract specifications for all EEX products are available under the following link:  
<https://www.eex.com/en/trading/rules-and-regulations/regulated-market>

---

<sup>4</sup> More information on EEX's clearing house, ECC, can be found on its company website: <https://www.ecc.de/ecc-en/>