

About spread betting

FAQs

Please note that the following are designed to simply answer general questions and are not to be considered as the Terms and Conditions of City Index Limited. Should there be any conflict between the following and the Terms and Conditions of City Index limited, then the Terms and Conditions will take precedence in all cases. These questions contain some jargon and should therefore be read in conjunction with the Glossary.

Accounts Questions

What is a Deposit Account?

A deposit account is one where you will not normally be expected to provide proof of funds before opening but you will be required to deposit funds into the account before trading. The amount that you deposit will determine the total size of any trade/trades permitted on the account and will not be considered as your ultimate financial liability.

What is a Credit Account?

A credit account is one where City Index will, subject to the size of trade (see NTR below), normally allow the client, to trade on account without the need to deposit funds prior to trading. This does not constitute a credit facility nor is it to be considered as a limit to your losses but is simply a risk allocation figure against which you may trade and if exceeded entitles City Index to make margin calls (see below).

When positions have been closed and a deficit cash balance occurs, the balance is due within five business days of the statement date. Realized losses are due regardless of open positions that may be in profit. Realized losses are included in margin calculations and if losses accumulate to place the account on margin, funds are then required as per City Index margin terms and normally due prior to further trading.

In the case of clients who are granted a credit allocation, City Index will have requested and obtained proof of funds in a multiple of the credit allocation requested by the client. When City Index are satisfied as to the client's financial standing, City Index may establish the client's credit allocation and also waive the need for the client to maintain NTR (see below for an explanation of NTR) normally in an equivalent size to the credit allocation granted.

How do I apply for a Credit account?

We will require to see evidence of liquid risk capital of five times your requested credit allocation for Financial trading (including Sports and Finance accounts). We will, subject to status, grant up to £1000.00 credit for Sports only accounts without proof of funds. Sports only accounts in excess of £1000.00 must be supported by proof of funds in the size of three times the required allocation, a copy of a recent bank/building society statement will normally be sufficient, or evidence of other liquid assets.

If you require a credit allocation of £5,000.00, we will require proof of liquid risk capital

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in the sum of £25,000.00 in the case of Finance account and £15,000.00 in the case of Sports Only accounts.

When can I expect to receive my winnings?

With the exception of Deposit accounts and those who prefer to be classed as “pay on request” City Index will normally pay Clients any available realized profits on a weekly basis. Payments will normally be made by cheque or by means of an electronic funds transfer with prior notice. We will hold details of one debit or credit card on account that can be used to pay and receive money from your account. Any other payments or changes to the debit or credit card details will need to be referred to Customer Services when the need arises.

Can I pay or receive money by telegraphic transfer (TT)?

You can pay any amount into your City Index account at any time by TT. Our bank details can be obtained from Customer Services department. When arranging a TT from your bank, please ensure your bankers quote your full name and address on the transfer. Only net receipt of funds after any bank charges that relate to the transfer will be credited as paid.

a) City Index will TT funds requested over £5,000 free of charge, the same day into the clients bank account on condition the request is made before 11am and there are sufficient realised /cleared funds available.

b) Any TT required from your account for less than £5,000 will incur a charge imposed by our bank currently of £23.50 however, this is subject to immediate change in accordance with bank charges.

c) International transfers will be done for amounts greater than £5000, however, these may take up to 3 working days for clearance.

Do I earn interest on my cash balance?

a) City Index does not provide interest on cash balances under £50,000. Any request for interest on cash balances over this level will be considered individually. Paying interest on balances is not automatic for these amounts.

b) Interest when agreed is paid at approximately two percentage points below the Barclays Bank base rate.

How do I get a credit increase?

All applications for a credit increase will have to meet the following criteria and be sent in writing to the New Accounts department:

a) Account must have been opened a minimum of three months prior to the request.

b) Adequate proof of funds must be provided. For an account allowing financial trading this is five times the level of credit required and for sports-only account, three times the

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level of credit.

What represents an adequate proof of funds?

Proof of funds can be in the form of brokers valuation of a share portfolio, a bank/building society statement that covers at least one full month with adequate funds for the duration, PEP or ISA statement etc. City Index can of course reference your bank direct and pay any fee that is applicable, however, due to the Bankers Charter, you will, prior to our inquiry, be required to provide your bankers with authority to respond.

Can you send my money to a third party such as my spouse?

We cannot send any money to any person other than our Client. Refunds by electronic funds transfer will normally only be made to the same card that the funds were deposited from. Many of our Clients have accounts specifically set up for the purposes of spread betting and use this account card only to fund their accounts.

How do I open an account in another currency?

Simply contact our Client Services department to request a new currency on your account. Their telephone number is 0207 550 8580.

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What is Notional Trading Requirement (NTR)?

NTR is a risk figure applied to each individual market that City Index quotes and which City Index considers being a fair reflection of the potential daily volatility applicable to the market in question.

It is therefore imperative that, prior to dealing, you familiarise yourself with the levels of NTR applied when you are considering what is the suitable size of your stake.

NTR x Stake is the minimum value a Deposit Account Client must deposit prior to trading with City Index to allow them to trade a certain stake size in a particular market. Different markets have different NTR multipliers (which may change from time to time) according to the volatility City Index attributes to the market in question.

Single stocks are calculated as share value x a% where "a" is the figure City Index consider as the reasonable potential movement in a given market.

Example: You buy £20 of British Petroleum Amoco at £5.60. This is a FTSE 100 stock and as such, the NTR is worked out as $(£20 \times 560) \times 10\% = £1,120$ (£1,120 is therefore the NTR required on the account to place the trade. The current NTR for stocks quoted on SETS (i.e. electronically) is 10 % of contract value. For non-SETS stocks the NTR is 12.5% of contract value. For stocks outside the FTSE 350 the NTR will be determined at the time of trading and is likely to be greater than 25% of contract value.

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Please be aware that each individual position that you hold will incur a charge for NTR. You will be liable, and will be called for, any NTR in excess of your Waived NTR Limit. Deposit account clients are required to maintain the total NTR over and above any marked to market losses.

An example of how NTR works in relation to a Deposit Account.

In the case of a Deposit Account a Client with a £5,000 cash balance will be able to place bets with an NTR of £5000, (for example £20 stake on a market such as DAX Future which currently has an NTR multiplier of 250). This trade would, however, be at the risk of immediate margin call in the event of adverse market movement and it is therefore advisable not to place positions that have NTR levels equivalent to the amount of funds deposited.

An example of how NTR works in relation to a Credit Account.

Credit accounts normally enjoy a Waived NTR Limit which will be agreed at the same time as and is in addition to, the Credit Allocation (these figures are generally equal)

Example: Normally, a client with a credit allocation of £5,000 is treated as having:

- a) £5,000 waived NTR requirement plus
- b) £5,000 credit allocation.

Any excess NTR over and above the credit allocation will be charged to the client. Therefore, a client with a credit allocation of £5,000.00 is treated as having: (a) £5,000.00 waived NTR requirement plus (b) £5,000.00 credit allocation (which may be employed against excess NTR (over and above the waived requirement), open position marked to market losses and realised losses prior to settlement).

How do I place a Trade?

You may trade at the telephone. The City Index financial dealing desk is open from 23:30 on Sundays to 21:15 on Fridays (times may vary during Bank and Public holidays). Our Single Share trading desk is currently open from 08.00 to 21.15 Monday to Friday. Once again times may vary during public and bank holidays.

Our Sports trading desk is generally available when there are major televised sporting events taking place but the general rule of thumb is from 09.30 to the last close of a televised sports event Monday to Friday. On Saturdays they usually open at 10.00 and on Sundays at Noon. Of course, should there be a cricket match, for instance, in Australia, we will normally be available for trading for extended hours.

How does Spread Betting Work?

City Index pioneered sports spread betting and remains in the vanguard of the financial and sports spread betting industry. All spread betting is based on the same principle. We make a prediction as to the future result of an event in the form of high and low estimates.

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The gap between these two figures is the 'spread'.

You bet according to your judgement either by 'buying' at the top end of our spread or 'selling' at the low end. You buy if you think the result will be higher than our spread and sell if you think it will be lower. Profits and losses equal your stake multiplied by the difference between the result / closing level* and the original level at which you struck your bet. Both financial and sports spread betting are currently free from all UK taxes, including Capital Gains Tax **. Furthermore, City Index levy no dealing charges and pay any betting duty applicable *** with instant execution effected over the telephone.

Information on markets and indicative prices can be found via Teletext (Ch 4 page 609+699), Reuters (BETS), Bloomberg (CDEX) or via the internet using www.cityindex.co.uk.

a) Because City Index adjust their spread to reflect progress once an event is under way ('in running'), spread betting allows you to take profits or limit losses during the life of an event / market. It should be noted that some Sports markets are not quoted in running.

b) Tax laws can, of course, change.

c) City Index reserves the right to require you to pay or reimburse us for any betting duty or levy in the event of a change in the basis of taxation, duty or levy.

What is a spread?

A spread is the difference between the price City Index will sell to you, and the price City Index will buy from you. As an example, the typical spread on the FTSE (near quarter) future contract may be quoted as 6510 to 6520 representing a ten-point spread. You would "sell" (go short / 'down bet') at 6510 or "buy" (go long / 'up bet') at 6520.

Can someone else open & close my bets while I am on holiday?

We strongly recommend that you do not divulge your account number, to ANYONE. Since you can access our dealers by telephone, you should be able to contact us at any time during our trading hours. Alternatively, in the case of Financial markets that we quote, you may wish to consider placing stop losses against each individual position for the duration of your trip.

However, should you feel the need to give a friend or colleague authority to trade on your behalf, please contact our client services department so some form of password procedure can be established in order to avoid divulging your confidential account number.

How often are the prices updated on the Internet/Ceefax?

We endeavour to update our prices every three minutes however, this is not always possible. Therefore, the City Index web page, Teletext, Sky Text, Reuters and Bloomberg pages are an indication-only service and cannot be taken as representing City Index real prices at any time.

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Margins

What is a margin?

Margin is required when:

Clients, who hold open positions, exceed their credit allocation or initial deposit because of:

- a) Open position losses marked to market.
- b) Realised losses.
- c) Excess Notional Trading Requirement (NTR).
- d) Or any combination of the above three.

The amount of margin required is the total of the above factors minus the amount deposited or the credit allocation.

In the case of a deposit account, when the aggregate of open position marked-to-market losses and any NTR requirements exceed the amount deposited by the client, the difference is immediately due to City Index as margin from the client.

In the case of a credit account, when the aggregate of the client's cash balances, open position marked-to-market losses and excess NTR (i.e. over and above that waived) exceed the amount of the credit allocation, the difference is immediately due to City Index as margin from the client.

Margin is due as soon as the mathematics dictates irrespective of whether a margin call is made. It is therefore imperative that you remain aware of and monitor the position of your account at all times. Please note that City Index normally make margins calls upon clients by telephone. It is the policy of City Index not to disclose our company name when attempting to contact clients by telephone, unless we are certain that we are addressing our client in person or have received authority from the client to do so. However, we reserve the right to leave a detailed message should we wish to do so.

What are the margin payment terms?

City Index Terms and Conditions state that: 'Clients are responsible for monitoring their own positions and ensuring sufficient funds reach City Index Ltd within 3 business days (excluding weekends and bank holidays) of margin becoming due'. We advise clients to transfer funds via Switch/Delta/Visa MasterCard or any other form of electronic fund transfer for immediate transactions, as we hold no responsibility for postal delays. Balances due over £10,000.00 are required to be paid by Telegraphic Transfer from the client's bank or by any other means of immediate clearing Electronic Funds Transfer.

It is imperative that you do not ignore margin requests as failure to remit margins in accordance with clause 11 of City Index Terms and Conditions could result in the compulsory closure of all or some of your open positions if you do not come off margin call within the specified time period. If you disagree with the amount requested, or have any doubt as to when funds must be received by City Index, please contact our Credit

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Department immediately on the following number: 0207 480 7779.

Finance questions

Can I hold Long and Short Positions in the same market?

It is not possible, as the two would cancel each other out. You can, however, hold a long position in the near quarter and a short position in the far quarter of a market or vice versa.

Equities Explanation

We are currently quoting the futures on single shares from the FTSE 100 and FTSE 250 as well as AIM and Techmark stocks and are adding more every day. We are also taking trades on 250 major US stocks and other less mainstream companies on the NASDAQ and the NYSE. If you would like to know if we offer a market for a particular stock, please view the available stocks on our web site. If the one you require is not there, please contact our traders direct on 020 7550 8515 to see if we can offer the stock requested.

How does equity / share trading work?

You can telephone our single share-trading desk and you will be quoted a spread of, for example, 530–540. If you decide to buy, this will be at 540 and, likewise, if you decide to sell, this will be at 530. If you wish to restrict the loss, a stop loss (see below) can be placed at the time of taking out the trade.

How do I roll my Financial or Single Stock positions from one contract month to the next?

Your open positions* (excluding Options that cannot be rolled) become eligible for roll over into the next contract period, within a short period of expiry of the existing contract. You can choose to roll the positions but you will be required to contact our trading desk by telephone in order to do so.

It should be noted that by executing a roll over, the original bet is closed at mid-market level and becomes due for settlement and a new bet is established incurring half the City Index Spread or in the case of 'small caps stocks', half the market spread is charged. It should be noted that any roll over is at the absolute discretion of City Index.

*Any position in an individual stock equivalent to or greater than six times normal market size which is still open one hour before expiry will automatically be rolled at the expiry of the contract.

What is a stop loss?

For financial markets, you are offered the facility to place limit, stop or other orders at levels and on terms acceptable to City Index. Orders are not guaranteed.

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Orders in most markets can be left either SCREEN or OUR QUOTE (except for Finex currency orders, which can be left basis SPOT as well).

If you leave an order with us, we will ask you whether that order is GOOD FOR THE DAY (GFTD) or GOOD TILL CANCELLED (GTC).

GOOD FOR THE DAY (GFTD) means that the order will be worked for the day in question only.

Having left your GFTD order basis "SCREEN", it will be valid until the underlying market closes at the end of that day's trading session.

Having left your GFTD order basis "OUR QUOTE", it will be valid until the underlying market closes at the end of that day's trading session. If, however, your order relates to a market that we are quoting *24-hours a day, it will then be valid until 12 midnight on the day in question.

If your GFTD order relates to a Daily Wall St contract, the order will only be valid up until the underlying market ceases trading at 21:00 on the day in question. If the GFTD order relates to a Daily SE 100 /Daily SE 100 Futures contract, the order will only be valid up until the underlying market ceases trading at 16:30 on the day in question.

GOOD TILL CANCELLED (GTC) means that the order will be continuously worked until you cancel the order, or in the case of a closing order, until you manually close your open position or it expires.

Having left your GTC order basis "SCREEN", it will be valid until the underlying market closes at the end of each daily session during the lifetime of your open position. If, however, your order relates to a market that we quote *24-hours a day, then the order will be valid during each 24-hour period traded by City Index Limited, until you manually close your open position or it expires.

Having left your GTC order basis "OUR QUOTE", it will be valid until the underlying market closes at the end of each daily session during the lifetime of your open position. If, however, your order relates to a market that we quote *24-hours a day, then the order will be valid during each 24-hour period traded by City Index Limited, until you manually close your open position or it expires.

City Index can on request, usually work more complex orders such as "OCO" (one cancels the other) etc.

*24 Hour Financial Trading at City Index Limited is available between 23.30 on Sunday until 21.15 on Friday. (Times may vary during Bank and Public holidays). It is important to note that stop loss orders (excluding guaranteed stops) are not guaranteed at the client's designated level

Guaranteed Stops are offered on a few selected financial markets and some individual stocks. Guaranteed Stops are only available at the time of opening the position and an additional spread is charged for this service. Guaranteed Stops will not be accepted at a level that is closer to the price of the bet than the City Index minimum stop gap (information available from the "Market Information Sheets" or our Traders). Guaranteed

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Stops may not always be available and may be subject to negotiation.

Guaranteed Stops are deemed to be 'good until cancelled' and 'good all markets'. The Guaranteed

Stop will be executed at the agreed level irrespective of the underlying market causing a loss in excess of the Guaranteed Stop level. During the lifetime of the position, the client can request that we amend the level at which the Guaranteed Stop was set, provided that the new Guaranteed Stop level is not closer than the City Index minimum stop gap to City Index's then current price quotation. Amending the level of Guaranteed Stop requires City Index's agreement and will not usually (although it may) be subject to any further charge.

Please note that any limits, stops or orders that City Index fill for you will normally only be confirmed by contract notes / statements in the usual way and not by telephone.

Options – What are they and how do they work?

An option is the right but not the obligation to buy or sell a given market at a fixed price (called the 'strike price') at some fixed point in the future (the 'expiry date'). The right to buy is known as a 'Call Option' and the right to sell is known as a 'Put Option'.

These contracts have prices which are typically a small fraction of the price of the underlying. For example, with the FTSE index at 6750 in mid September a Call option with a strike of 6900 expiring in December might have a value of 150.

The value of an option comes essentially from two components. The first is how valuable the option is already (known as the 'intrinsic value') and the second component comes from the likelihood of the options value increasing with market movements over its life (known as the 'time value'). On the expiry date of an option there will be no time value left, and the options value is all intrinsic. (Note that because an option is a right but not an obligation its value can never be negative).

A customer may buy or sell options. Buying options is often a good way to take a view on a market whilst having only a limited risk, as the maximum possible loss is the price paid for the option. Selling options is however a much riskier proposition as by selling them, you are accepting a limited possible profit (the price you sold at) whilst having potentially unlimited losses. Once you have bought or sold the option of your choice you are free to run that option to expiry, or to trade out of the position at any time.

This may seem complicated but a few examples should make things clearer.

Example a: Buying a Call Option

In September with the FTSE at 6550, City Index quotes the Dec 6700 Call as 150 – 160. (This option expires on the 3rd Friday in December and will settle at the difference between the level of the index on that date and 6700, or at zero if the index is below 6700). You buy £5 per tick at 160.

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Outcome 1

and the index rises to 6924 on expiry date.

	6924	market price
Less	(6700)	strike price
Difference	224	
Less	(160)	level option bought at
Difference	64 x	£5 stake
Profit	£320	

Outcome 2

and the index is below 6700 on expiry date. Your option has a settlement value of zero. You therefore lose £5 x 160 (price paid) = £800 loss. (Note: it doesn't matter how far the index is below 6700, your loss is the same).

Example b: Selling Call Options

In September with the FTSE at 6550 City Index quotes a price for the Dec 6700 Call of 150 – 160. (This option expires on the 3rd Friday in December and will settle at the difference of the index on that date and 6700, or zero if the market is below 6700). You sell £5 per tick at 150.

Outcome 1

and the index is below 6700 on the expiry date. Your option has a settlement value of zero. You therefore make £5 x 150 (price received) = £750 profit. (Note: it doesn't matter how far the index is below 6700, your profit is the same).

Outcome 2

and the index rises to 7220 on the expiry date.

	7220	market price
Less	(6700)	strike price
Difference	520	
Less	(150)	level option sold at
Difference	370 x	£5 stake
Loss	£(1850)	

(Note: There is no limit to how big this loss could be).

Example c: Buying Put Options

In September with the FTSE standing at 6550 City Index quotes a price for the Dec 5925 Put of 45–52. (This option expires on the 3rd Friday in December and will settle at the

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difference between 5925 and the level of the index on that date, or zero if the index is above 5925). You buy £25 per tick at 52.

Outcome 1

and the index falls to 5609 on the expiry date.

	5925	strike price
Less	(5609)	market price
Difference	316	
Less	(52)	level option bought at
Difference	264 x	£25 stake
Profit	£6,600	

Outcome 2

and the index is above 5925 on the expiry date. Your option has a settlement value of zero. You therefore lose £25 x 52 (price paid) = £1300 loss. (Note: it doesn't matter how far the index is above 5925, your loss is the same).

Example d: Selling Put Options

In September with the FTSE standing at 6550, City Index quotes a price for the Dec 5925 Put of 45– 52. (This option expires on the 3rd Friday in December and will settle at the difference between 5925 and the level of the index on that date, or zero if the index is above 5925) You sell £25 per tick at 45.

Outcome 1

and the index is above 5925 on the expiry date. Your option has a settled value of zero. You therefore make £25 x 45 (price sold) = £1,125 profit. (Note: it doesn't matter how far the index is above 5925, your profit is the same).

Outcome 2

and the index falls to 5728 on the expiry date.

	5925	strike price
Less	(5728)	market price
Difference	197	
Less	(45)	level option sold at
Difference	152 x	£25 stake
Loss	£(3,800)	

Do you provide a graph/chart on your website showing how the markets have been doing?

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Our web site is designed to be fully user friendly and in this respect, graphs will be available although not on all stocks and not at all times. We provide these services for ease of client use however, we ask our clients to remember we offer an execution only service and are not authorised to provide advice.

Sports questions

Do you quote prices 'in running'

If the sports event is a major event and is being screened on satellite or terrestrial television, we can usually provide an 'in running' betting service however this does not apply to all markets. If you are in any doubt, please contact our traders or customer services prior to trading. Real time prices are only available at the telephone when we quote events in running, with indication only prices available on Reuters (page BETZ), Bloomberg (page CDEX) Sky Text, Teletext and the via the internet using www.cityindex.co.uk.

Are you available to trade 24 hours a day?

Our Sports traders are normally open for business from 09:30 Monday to Friday, from 10.00 on Saturday and from 12.00 noon on Sunday. Should a major televised sports event on which we offer a market start before the above times, we will normally be open to cover the event in question. Traders are at the office all day until the last major televised sports event where we offer a market is completed.

What do I do if I have a question regarding the result of a bet?

Should you find you have a question regarding the 'make up' of a bet, please feel free to contact our Customer Services desk and they will be happy to look into the matter for you and make any adjustments warranted

How much will it cost me in terms of tax?

All betting duties are written into the spread we quote. We do not have any charges for setting up accounts or for running of the accounts. Charges are only incurred when making payments using Visa or MasterCard (currently 1.5%). It should also be noted that in the event of default on your account, until the balance is repaid, interest maybe charged. At present, interest charges on the principle sum will be levied at a rate of 4% above the base rate of Barclays Bank Plc as amended from time to time.