

KEY INFORMATION DOCUMENT (Equity Options – Short Call – American Style)

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.

Product: Equity Option – Short Call

Cboe Europe Derivatives Exchange (CEDX) Equity Options Documentation is available at: [CEDX Equity Options](#)

Manufacturer: Cboe Europe BV

Competent Authority: Autoriteit Financiële Markten (AFM)

Document creation date: 03-04-2024

Alert

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

What is this product

Equity call options are derivative based contracts. A derivative is a financial contract, which derives its value from the value of another underlying instrument, in this case an equity.

Objectives

A call option gives the buyer the right but not the obligation to buy the underlying asset at a certain price (the strike price) at any time during the lifetime of the option. The seller of a call option has a short position and has sold the right to buy the underlying asset, to the buyer. This means, the seller may be forced to sell the underlying asset at the strike price at any time during the lifetime of the option. The price of the option is also known as the option premium. The total amount received by the option seller from the option buyer is determined by multiplying option premium by the contract size. An option's premium can fluctuate due to movement in the expectations of the following non-exhaustive list of parameters: the difference between the option's strike price and the price of the underlying asset, interest rates, dividend expectations, time remaining until expiry of the options contract and expected volatility in the underlying asset.

The buyer and seller of an option have opposing expectations of how the price of the underlying asset will develop. The buyer of a call option expects that at any time to expiry, the underlying asset price will be higher than the sum of the option strike price plus the option premium. The seller of a call option expects that at any time to expiry the underlying asset price will be lower than the sum of the option strike price plus the option premium.

The gross profit or loss for the seller of a call option depends on the underlying asset price. At expiry, if the underlying asset price is at or below the option strike price, the gross profit for the seller is equal to the option premium received. If the underlying asset price is above the option strike price, then the gross pay-off for the seller is calculated as the received option premium, minus the underlying asset value, plus the option strike price. The seller's maximum potential gross loss is unlimited.

An equity call option American style has a pre-defined expiry date, however the seller can close the position early during normal Exchange trading hours by entering into an opposing call option position (with the same underlying, expiry and strike price) traded on CEDX and cleared by Cboe Clear Europe, acting as buyer to close the open short position. In the highly unlikely event that an orderly functioning of markets can no longer be guaranteed, in accordance with the Exchange Rules, CEDX has the right to suspend trading or to terminate positions.

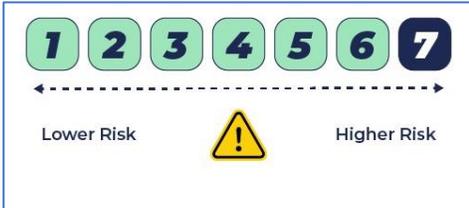
There is no recommended holding period, the seller can close the position early with the gross profit or loss for a short call calculated as the options premium received at the time the call was sold minus the options premium paid at closure. This difference multiplied by the contract size results in the monetary value of the gross profit or loss. The potential pay-off at expiration of a short call is asymmetric since the profit is limited to a maximum of the premium received and the potential loss is unlimited.

Intended retail investor

An equity call option is a product only suitable for clients with extensive knowledge and experience in derivative financial products. 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 this product fits their investment needs. If in doubt, a retail investor should contact their broker or investment adviser to obtain investment advice. A retail investor may bear financial losses exceeding the initially invested capital. There is no capital protection meaning that repayment of the invested capital is not guaranteed.

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

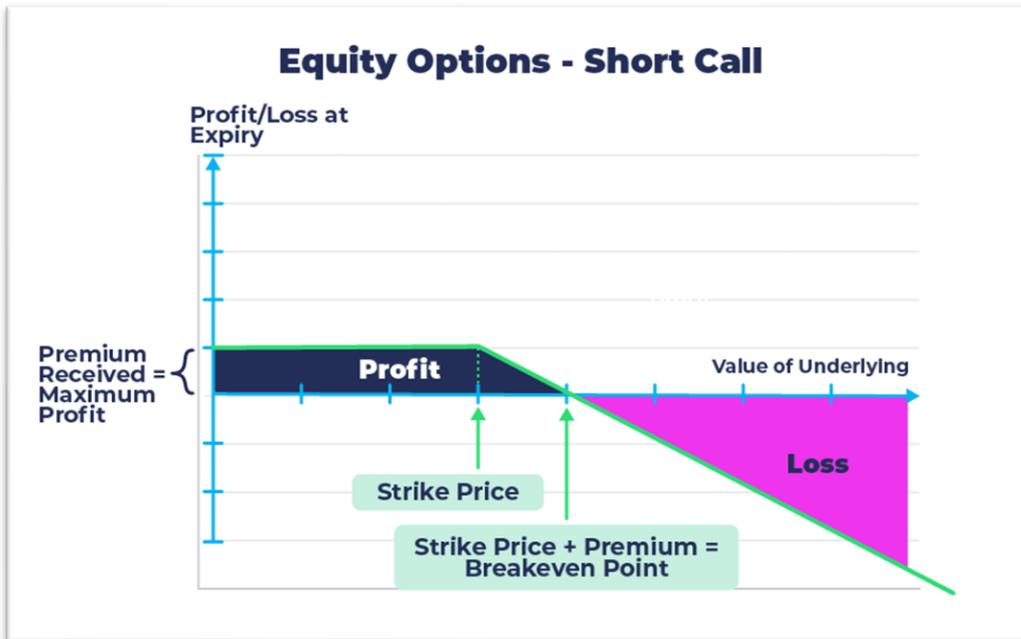
Summary Risk Indicator :



The product can be held for the duration of a short, medium or long-term investment horizon. The Summary Risk Indicator is a guide to the level of risk of these products compared to other products. It shows how likely it is that a product will result in a loss because of movements in the markets. These products are classified as 7 out of 7, which is the highest risk class. This rates potential losses from future performance at a very high level. Options are leveraged products: small changes in the underlying price can result in large gains or losses because of this leverage. Initial costs for a customer may include execution fees and assets deposited to secure the exposure. These account for only a small percentage of the traded contract’s overall value.

Performance scenarios

This graph illustrates how your investment could perform.



You can compare it with the pay-off graphs of any other derivatives. The graph presents a range of possible outcomes and is not an exact representation of what you might get back. The horizontal axis shows the price of the underlying on expiry date and the vertical axis shows the profit or loss. For each underlying price, the graph displays the profit or loss of the product at expiry. If you sell a call, you are expecting the price of the underlying at expiry to be lower than the strike plus the premium received. Consider this an illustration. The illustration does not include the costs that you pay to your advisor and/or distributor. The figures do not consider a retail investor's personal tax situation or the tax legislation of your home member state, both of which may have an impact on the actual payout.

Be aware that you may be exposed to currency risk. Depending on the chosen product, you may receive payments in a different currency than the currency of your home state, so the final return will depend on the exchange rate between the two currencies. This risk is not considered in the indicator shown above. These products do not include any protection from future market performance so you could incur significant losses.

Before entering into a short call option position, you must have made an independent assessment on whether to enter into such a contract and decide whether the respective product is appropriate or proper for you, based upon your own judgment and/or the recommendation from your broker or advisor. The scenarios indicated in the graph illustrate a range of possible returns for this product at expiry.

What happens if CEDX is unable to pay out?

CEDX does not cover related losses through any investor compensation or guarantee scheme. CEDX is a derivatives exchange approved under Dutch law and provides a trading platform for the conclusion of financial transactions between market participants. CEDX does not act as counterparty to any market participant with respect to any of these transactions. Any transaction traded on CEDX is centrally cleared by Cboe Clear Europe.

What are the costs?

[CEDX Fee Schedule](#)

[Cboe Clear Europe Fee Schedule](#)

The person selling you or advising you about this product may charge you other costs. If so, you will be provided with information about these costs and the impact that all costs will have on your investment over time. In addition, you might have to deposit assets to secure this product's exposure.

How long should I hold a short call option position and can I take money out early?

Each customer's optimal holding period depends on their individual investment strategy and risk profile. Hence, there is no recommended holding period for these products by the exchange. You can close a position before expiry, let the position expire or roll the position forward into a similar contract with a longer dated expiry. Rolling an option position forward involves closing out the original contract and simultaneously opening a new contract, with a longer dated expiry on the same underlying, at a strike and expiry to match your investment horizon.

How can I complain?

If there is a complaint about the products covered by this KID, please contact Cboe Europe Sales, Gustav Mahlerplein 77, 1082 MS Amsterdam, Netherlands, or send an e-mail to EUDerivatives@Cboe.com. If there is a complaint about the person advising on, or selling, or distributing the product to you then please contact the institution that this person represents.

Other relevant information

For more information on the products, tick sizes, trading hours, expiration dates and more, please visit the following site: [European Equity Options](#).