

Bitcoin Asset linked Note - Product Definition

Product Description. All products traded with FGC are contained within a deliverable bitcoin Asset Linked Note (bALN). The purchaser of the asset is buying a bALN linked to the designated quantity of the selected asset ("underlying asset"). The settlement of this note will be in bitcoin.

The note will accrue payments to represent any dividends or coupons received by the underlying asset. The note will also gain or lose in value depending upon the change in value of the underlying asset while to position is held.

The value of the note at settlement is defined as follows:

Stock Linked bALNs

(Sale Price of bALN-Purchase price of bALN+dividend related payouts-financing charge)*quantity traded/bitcoin rate

Sale Price of bALN – This is the price that the note was originally sold at (adjusted for any corporate actions on the underlying stock) – this price is linked to the underlying stock at time of sale.

Purchase price of bALN – This is the price that the note was originally purchased at (adjusted for any corporate actions on the underlying stock) – This is linked to the underlying stock at time of purchase

Dividend Related Payouts – The sum of all dividend payments that went XD during the holding period of the note adjusted for withholding tax where required.

Financing Charge – The sum of all daily financing charges during the holding period of the note.

Quantity Traded – The quantity of the note purchased or sold – this is represented as the number of underlying securities traded.

Bitcoin Rate – The bitcoin rate in the currency of the underlying asset at the time the note position is closed.

Example 1.

Customer Purchases 100 Apple bALNs at 100.05

The following day Apple goes Ex Dividend and declares a dividend of \$1.50 / share

On the third day the Customer Sell 100 Apple bALNs at 101.20

Assume the bitcoin rate to USD is \$1000

The settlement amount will be:

$(101.20-100.05+1.20*0.7-0.022)*100/1000 = \$196.8 / \$1000 = +0.1968$ bitcoin settled to the customer account.

Example 2.

Same example as above but the customer sells 100 Apple bALNs at 100.05 and purchases them back at 101.20

The settlement amount will be:

$(101.20-100.05+1.20-0.019)*(-100)/1000 = -\$233.10 / \$1000 = -0.2331$. 0.2331 bitcoin is settled from the customer account to FGC.

Notice the difference is attributable to the US withholding tax, this is debited from the hedge dividend we receive but from the short sale we must pay the full amount.

Futures Linked bALNs

(Sale Price of bALN-Purchase price of bALN -financing charge)*quantity traded* Underlying Future Point value/bitcoin rate

Sale Price of bALN – This is the price that the note was originally sold at (adjusted for any corporate actions on the underlying stock) – this price is linked to the underlying stock at time of sale.

Purchase price of bALN – This is the price that the note was originally purchased at – This is linked to the underlying future at time of purchase

Financing Charge – The sum of all daily financing charges during the holding period of the note.

Quantity Traded – The quantity of the note purchased or sold – this is represented as the number of underlying futures traded.

Bitcoin Rate – The bitcoin rate in the currency of the underlying asset at the time the note position is closed.

Example 1.

Customer Purchases 2 Mar 2017 Mini S&P Future linked bALN at 2103.25

On the same day the customer sells 1 Mar 2017 Mini S&P linked bALN at 2104.75

The following day the customer sells 1 Mar 2017 Mini S&P linked bALN at 2103.00

Assume the bitcoin rate to USD is \$1000

The settlement amount will be:

$(2103.875-2103.25-0.022)*2*50/1000 = \$62.50 / \$1000 = +0.0625$ bitcoin settled to the customer account.

In this instance you can see the sale price is the weighted average of the 2 sales.

FX Linked bALNs

(Sale Price of bALN-Purchase price of bALN -financing charge)*quantity traded / bitcoin rate

Sale Price of bALN – This is the price that the note was originally sold – this price is linked to the underlying FX rate at time of sale.

Purchase price of bALN – This is the price that the note was originally purchased at – This is linked to the underlying FX rate at time of purchase

Financing Charge – The sum of all daily financing charges during the holding period of the note.

Quantity Traded – The quantity of the note purchased or sold – this is represented as the amount of FX base currency traded.

Bitcoin Rate – The bitcoin rate in the currency of the FX quote currency at the time the note position is closed.

Example 1.

Customer Purchases 50,000 GBP/USD bALNs at 1.2503

On the same day the customer sells 50,000 GBP/USD bALNs at 1.2494

Assume the bitcoin rate to USD is \$1000

The settlement amount will be:

$(1.2494 - 1.2503) * 50000 / 1000 = -\$45 / \$1000 = -0.045$ bitcoin. 0.045 bitcoin will be settled from the customer account to FGC.