Risk Disclosures[1]

The information set out herein is provided for your information only, and is not intended to be relied upon as legal, tax or other advice.

1. PRODUCT INFORMATION

1.1 Understanding the risk of Equity Securities

1.1.1 Buying Equity Securities (the most common form of which are shares) means that you will become a member of the issuer company and participate fully in its economic risk. You will be entitled to receive any dividend distributed (if it elects to pay dividends to its shareholders) out of the issues profits made during the reference period. On the other hand, buying debt securities (such as bonds and certificates of deposit) means that you are, in effect, a lender to the company or entity that has issued the securities and are entitled to receive specified periodic interest payments, as well as repayment of the principal at maturity.

1.1.2 Generally, holdings in Equity Securities expose holders to more risk than debt securities since remuneration is tied more closely to the profitability of the issuer. In the event of insolvency (or an equivalent event) of the issuer, your claims for recovery of your equity investment in the issuer will generally be subordinated to the claims of both preferred or secured creditors and ordinary unsecured creditors of the issuer.

1.1.3 Shares have exposure to all the major market risk types. In addition, there is a risk that there could be volatility or problems in the sector that the company is in. If the company is private, i.e. not listed or traded on an exchange, or is listed but only traded infrequently, there may also be liquidity risk, whereby shares could become very difficult to dispose of. If shares have to be sold quickly, you may get back much less than was paid for them.

1.1.4 The price may change quickly and it may go down as well as up. You could lose the entire value of your investment.

1.2 Ordinary shares

1.2.1 Ordinary shares are issued by limited liability companies as the primary means of raising risk capital. The issuer has no obligation to repay the original cost of the share, or the capital, to the shareholder until the issuer is wound up (in other words, the issuer company ceases to exist). In return for the capital investment in the share, the issuer may make discretionary dividend payments to shareholders which could take the form of cash or additional shares.

1.2.2 Ordinary shares usually carry a right to vote at general meetings of the issuer. There is no guaranteed return on an investment in ordinary shares, and in a liquidation of the issuer, ordinary shareholders are amongst the last with a right to repayment of capital and any surplus funds of the issuer, which could lead to a loss of a substantial proportion, or all, of the original investment.

1.3 Preference shares

[1] Article 48 DR and Article 24(4) MiFID II.

1.3.1 Unlike ordinary shares, preference shares give shareholders the right to a fixed dividend the calculation of which is not based on the success of the issuer company. They therefore tend to be a less risky form of investment than ordinary shares. Preference shares do not usually give shareholders the right to vote at general meetings of the issuer, but shareholders will have a greater preference to any surplus funds of the issuer than ordinary shareholders, should the issuer go into liquidation.

1.4 **Depositary Receipts**

1.4.1 Depositary Receipts (ADRs, GDRs, etc.) are negotiable certificates, typically issued by a bank, which represent a specific number of shares in a company, traded on a stock exchange which is local or overseas to the issuer of the receipt. They may facilitate investment in the companies due to the widespread availability of price information, lower transaction costs and timely dividend distributions. The risks involved relate both to the underlying share and to the bank issuing the receipt. In addition, there are important differences between the rights of holders of ADRs and GDRs, (together, "**Depositary Receipts**") and the rights of holders of the shares of the underlying share issuer represented by such Depositary Receipts.

1.4.2 The relevant deposit agreement for the Depositary Receipt sets out the rights and responsibilities of the depositary (being the issuer of the Depositary Receipt), the underlying share issuer and holders of the Depositary Receipt which may be different from the rights of holders of the underlying shares. For example, the underlying share issuer may make distributions in respect of its underlying shares that are not passed on to the holders of its Depositary Receipts. Any such differences between the rights of holders of the Depositary Receipts and holders of the underlying shares of the underlying share issuer may be significant and may materially and adversely affect the value of the relevant instruments. Depositary Receipts representing underlying shares in a foreign jurisdiction (in particular an emerging market jurisdiction) also involve risks associated with the securities markets in such jurisdictions.

1.5 **Penny shares**

1.5.1 There is an extra risk of losing money when shares are bought in some smaller companies, including penny shares. There is a big difference between the buying price and the selling price of these shares. If they have to be sold immediately, you may get back much less than you paid for them. The price may change quickly and it may go down as well as up.

1.6 **Understanding the Risk of derivative products**

1.6.1 You should not deal in derivative products unless you understand the nature of the contract you are entering into and the extent of your exposure to risk. You should also be satisfied that the contract is suitable for you in the light of your circumstances and financial position.

1.6.2 Although forwards and options can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Derivative products will not always act in the same way. Relationships with us may differ depending on the product and style of the transaction, and clearing houses may not always owe you a direct commitment. Different products involve different levels of exposure to risk and in deciding whether to trade in such products you should be aware of the following points.

1.6.3 You should be aware that the product information contained herein is not necessarily a comprehensive description of all aspects of the product.

1.6.4 A derivative is a financial instrument, the value of which is derived from an underlying asset's value. Rather than trade or exchange the asset itself, an agreement is entered into to exchange money, assets or some other value at some future date based on the underlying asset. A premium may also be payable to acquire the derivative instrument.

1.6.5 There are many types of derivative, but options, futures and swaps are among the most common. An investor in derivatives often assumes a high level of risk, and therefore investments in derivatives should be made with caution, especially for less experienced investors or investors with a limited amount of capital to invest.

1.6.6 If a derivative transaction is particularly large or if the relevant market is illiquid (as may be the case with many privately negotiated off-exchange derivatives), it may not be possible to initiate a transaction or liquidate a position at an advantageous price.

1.6.7 On-exchange derivatives are subject, in addition, to the risks of exchange trading generally, including potentially the requirement to provide margin. Off-exchange derivatives may take the form of unlisted transferable securities or bi-lateral "over-the-counter" contracts ("**OTC**"). Although these forms of derivatives may be traded differently, both arrangements may be subject to credit risk of the Issuer (if transferable securities) or the counterparty (if OTCs) and, like any contract, are subject also to the particular terms of the contract (whether a one-off transferable security or OTC, or a master agreement), as well as the risks identified. In particular, with an OTC contract, the counterparty may not be bound to "close out" or liquidate this position, and so it may not be possible to terminate a loss-making contract. Off-exchange derivatives are individually negotiated. As the terms of the transactions are not standardised and no centralised pricing source exists (as exists for exchange traded instruments), the transactions may be difficult to value. Different pricing formulas and financial assumptions may yield different values, and different financial institutions may quote different prices for the same transaction. In addition, the value of an off-exchange derivative will vary over time and is affected by many factors, including the remaining time until maturity, the market price, price volatility and prevailing interest rates.

1.6.8 Derivatives can be used for speculative purposes or as hedges to manage other investment or economic risks. In all cases the suitability of the transaction for the particular investor should be very carefully considered.

1.6.9 You are therefore advised to ask about the terms and conditions of the specific derivatives and associated obligations (e.g., the circumstances under which you may become obligated to make or take delivery of an underlying asset and, in respect of options, expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the exchange or clearing house to reflect changes in the underlying asset. Normal pricing relationships between the underlying asset and the derivative may not exist in all cases. This can occur when, for example, the futures contract underlying the option is subject to price limits while the option is not. The absence of an underlying reference price may make it difficult to assess 'fair' value.

1.6.10 The points set out below in relation to different types of derivative are not only applicable specifically to these derivatives but are also applicable more widely to derivatives generally. All derivatives are potentially subject to the major risk types set out below from paragraph 1.30 of these Risk Disclosures onwards, especially market risk, credit risk and any specific sector risks connected with the underlying asset.

1.7 **Futures, forwards and forward rate agreements**

1.7.1 Transactions in futures or forwards involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The 'gearing' or 'leverage' often obtainable in futures and forwards trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of your investment, and this can work against you as well as for you.

1.7.2 Futures and forwards transactions have a contingent liability, and you should be aware of the implications of this, in particular margining requirements: these are that, on a daily basis, with all exchange-traded, and most OTC off-exchange, futures and forwards, you will have to pay over in cash losses incurred on a daily basis and if you fail to, the contract may be terminated.

1.8 **Options**

1.8.1 There are many different types of options with different characteristics subject to the following conditions:

(a) ***Buying options***: Buying options involves less risk than selling options because, if the price of the underlying asset moves against you, you can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if you buy a call option on a futures contract and you later exercise the option, you will acquire the future. This will expose you to the risks described under `futures' and `contingent liability investment transactions'.

(b) ***Writing options***: If you write an option, the risk involved in considerably greater than buying options. You may be liable for margin to maintain your position and a loss may be sustained well in excess of the premium received. By writing an option, you accept a legal obligation to purchase or sell the underlying asset if the option is exercised against you, however far the market price has moved away from the exercise price. If you already own the underlying asset which you have contracted to sell (when the options will be known as `covered call options') the risk is reduced. If you do not own the underlying asset (`uncovered call options') the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

(c) ***Traditional options***: Certain London Stock Exchange ("**LSE**") member firms under special LSE rules write a particular type of option called a `traditional option'. These may involve greater risk than other options. Two-way prices are not usually quoted and there is no access to a market via a Market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

1.8.2 Certain options Markets operate on a margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation you may subsequently be called upon to pay margin on the option up to the level of your premium. If you fail to do so as required, your position may be closed or liquidated in the same way as a futures position.

1.8.3 Depending on the type of option entered into, there may be increased exposure to market risk when compared to other financial products. There are several option styles including (but not limited to) American-, European- and Bermuda-style. An American-style option may be exercised at any time prior to its expiration. A European-style option may only be exercised on a specific date, its expiration date. A Bermuda-style option may be exercised on certain specified dates during the term of the transaction.

1.8.4 If you buy an American-style call option and the relevant market price of the underlying asset never rises above the strike price on the option (or if you fail to exercise the option while such condition exists), the option will expire unexercised and you will have lost the premium you paid for the option. Similarly, if you buy an American-style put option and the relevant market price for the underlying asset does not fall below the option strike price (or if you fail to exercise the option while such condition exists), the option will not be exercised and you will have lost the premium you paid for the put option.

1.8.5 Purchasing European-style or Bermuda-style options may carry additional market risk since the option could be "in-the-money" for part or substantially all of the holding period but not on the exercise date(s). A call option is "in-the-money" if the strike price is lower than the relevant market price for the underlying asset. A put option is "in-the-money" if the strike price is higher than the relevant market price for the underlying asset.

1.8.6 It is even possible for the holder of an exercised, "in-the-money" option to lose money on an option transaction. Such a situation exists whenever the value received under the option fails to exceed the purchaser's costs of entering into the option transaction (the premium and any other costs and expenses).

1.8.7 If you are a potential writer of an option, you should consider how the type of option affects the timing of your potential payment and delivery obligations thereunder. As the writer of a European-style option, the timing of any payment and delivery is predictable. Absent early termination, no settlements will be necessary prior to the expiration date. As the writer of an American-style option, however, you must be certain that you are prepared to satisfy your potential payment and delivery obligations at any time during the exercise period (possibly quite soon following the sale of the option).

1.9 **Dual Currency Deposits (DCD)**

1.9.1 A DCD transaction is a structured tailored product combining a deposit with the sale of a currency option.

1.9.2 You sell to the Bank the right to buy or sell a certain foreign currency at a certain maturity by taking the risk of receiving the deposit in another foreign currency, aiming to increase deposit yield through premium earnings. The yield depends on a number of variables including: currency pair, maturity (tailored), interest rate and volatility of currencies.

1.9.3 If the option realizes on maturity, there is also a risk of losing from the deposited principal.

1.10 **Contracts for differences**

1.10.1 Futures and options contracts can also be referred to as a contract for differences. These can be options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this.

1.11 **Swaps**

1.11.1 A swap agreement is a derivative where two counterparties exchange one stream of cash flows against another stream, calculated by reference to an "underlying" (such as securities' indices, bonds currencies, interest rates or commodities, or more intangible items).

1.11.2 A swap agreement may also be combined with an option. Such an option may be structured in two different ways. On the one hand, "swaptions" are transactions that give the purchaser of the swaption the right, against payment of a premium, to exercise or not to exercise, until the agreed maturity date, its right to enter into a preagreed swap agreement. On the other hand, "caps", "floors" and "collars" enable a party, against payment or receipt of a premium, to protect itself against, or to take an exposure on, the variation on the value or level of an underlying.

1.11.3 A major risk of off-exchange derivatives, (including swaps) is known as counterparty risk, whereby a party is exposed to the inability of its counterparty to perform its obligations under the relevant Financial Instrument. For example if a party, A, wants a fixed interest rate loan and so swaps a variable rate loan with another party, B, thereby swapping payments, this will synthetically create a fixed rate for A. However, if B goes insolvent, A will lose its fixed rate and will be paying a variable rate again. If interest rates have gone up a lot, it is possible that A will struggle to repay.

1.12 **Break costs**

1.12.1 If you enter into an OTC contract with us and decide to close out the Transaction before its scheduled termination date, you may have to pay breakage costs. These will be calculated by reference to prevailing market conditions on the basis of current market levels and market expectations of future performance and future obligations under the Transaction and may include associated costs, such as credit charges, our cost of funding, and any costs incurred by us in terminating any related financial instrument or trading position. Please note that such break costs may be substantial.

1.13 **Securitised derivatives**

1.13.1 These instruments may give you a right to acquire or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment, or they may give you rights under a contract for differences which allow for speculation on fluctuations in the value of the property of any description or an index, such as the FTSE 100 index. In both cases, the investment or property may be referred to as the “underlying instrument”.

1.13.2 These instruments often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile.

1.13.3 These instruments have a limited life, and may (unless there is some form of guaranteed return of the amount you are investing in the product) expire worthless if the underlying instrument does not perform as expected.

1.13.4 You should only buy this product if you are prepared to sustain a substantial loss of the money you have invested plus any commission or other transaction charges.

1.13.5 You should consider carefully whether or not this product is suitable for you in light of your circumstances and financial position, and if in any doubt please seek professional advice.

1.14 **Combined instruments**

1.14.1 Any combined instruments, such as a bond with a warrant attached, is exposed to the risk of both those products and so combined products may contain a risk which is greater than those of its components generally, although certain combined instruments may contain risk mitigation features, such as principal protected instruments.

1.15 **Baskets**

1.15.1 The value of a basket of products (such as shares, indices etc.) may be affected by the number and quality of reference assets included in such basket. Generally, the value of a basket that includes reference assets from a number of reference asset issuers or indices will be less affected by changes in the value of any particular reference asset included therein than a basket that includes fewer reference assets, or that gives greater weight to some reference assets included therein. In addition, if the reference assets included in basket are concentrated in a particular industry, the value of such a basket will be more affected by the economic, financial and other factors affecting that industry than if the reference assets included in the basket are in various industries that are affected by different economic, financial or other factors or are affected by such factors in different ways.

1.16 **Liquidity**

1.16.1 The liquidity of an instrument is directly affected by the supply and demand for that instrument and also indirectly by other factors, including market disruptions (for example a disruption on the relevant exchange) or infrastructure issues, such as a lack of sophistication or disruption in the securities settlement process. Under certain trading conditions it may be difficult or impossible to liquidate or acquire a position. This may occur, for example, at times of rapid price movement if the price rises or falls to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to intended amounts, but market conditions may make it impossible to execute such an order at the stipulated price. In addition, unless the contract terms so provide, a party may not have to accept early termination of a contract or buy back or redeem the relevant product and there may therefore be zero liquidity in the product. In other cases, early termination, realisation or redemption may result in you receiving substantially less than you paid for the product or, in some cases, nothing at all.

1.17 **Contingent liability Transactions**

1.17.1 Contingent liability Transactions, which are margined, require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

1.17.2 If you trade in futures, contracts for differences or sell options you may sustain a total loss of the margin you deposit with your firm to establish or maintain a position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the position. If you fail to do so within the time required, your position may be liquidated at a loss and you will be responsible for the resulting deficit.

1.17.3 Even if a Transaction is not margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when you entered the contract.

1.18 **Limited liability Transactions**

1.18.1 Before entering into a limited liability Transaction, you should obtain from your firm, or the firm with whom you are dealing, a formal written statement confirming that the extent of your loss liability on each Transaction will be limited to an amount agreed by you before you enter into the Transaction.

1.18.2 The amount you can lose in limited liability Transactions will be less than in other margined Transactions, which have no predetermined loss limit. Nevertheless, even though the extent of loss will be subject to the agreed limit, you may sustain the loss in a relatively short time. Your loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.

1.19 **Suspensions of trading**

1.19.1 Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant Market trading is suspended or restricted or if the systems of the relevant Market cannot function for any reason. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

1.20 **Clearing house protections**

1.20.1 On many Markets, the performance of a Transaction by your firm (or third party with whom he is dealing on your behalf) is 'guaranteed' by the Market or clearing house. However, this guarantee is unlikely in most circumstances to cover you, the client, and may not protect you if your firm or another party defaults on its obligations to you. Not all Markets act in the same way.

1.21 **Insolvency**

1.21.1 Your firm's insolvency or default, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash. On request, your firm must provide an explanation of the extent to which it will accept liability for any insolvency of, or default by, other firms involved with your Transactions.

1.22 **Warrants**

1.22.1 A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities and is exercisable against the original issuer of the underlying securities. Warrants often involve a high degree of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can therefore be volatile.

1.22.2 It is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time with the consequence that if the investor fails to exercise this right within the pre-determined timescale then the investment becomes worthless.

1.22.3 You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.

1.22.4 Transactions in off-Market warrants may involve greater risk than dealing in Market traded warrants because there is no access to a market through which to liquidate your position, or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

1.23 **Money-market instrument**

1.23.1 A money-market instrument is a borrowing of cash for a period, generally no longer than six months, but occasionally up to one year, in which the lender takes a deposit from the money markets in order to lend (or advance) it to the borrower. Unlike in an overdraft, the borrower must specify the exact amount and the period for which he wishes to borrow. Like other debt instruments, money-market instruments may be exposed to the major risk types in set out below from paragraph 1.30 of these Risk Disclosures onwards, in particular credit and interest rate risk.

1.24 **Debt instruments, bonds and debentures**

1.24.1 All debt instruments are potentially exposed to the market risk types, in particular credit risk and interest rate risk. Debt securities may be subject to the risk of the issuer's inability to meet principal and / or interest payments on the obligation and may also be subject to price volatility due to such factors as interest rate sensitivity, market perception of the creditworthiness of the issuer, general market liquidity, and other economic factors, amongst other issues. When interest rates rise, the value of corporate debt securities can be expected to decline. Fixed-rate transferable debt securities with longer maturities / lower coupons tend to be more sensitive to interest rate movements than those with shorter maturities / higher coupons.

1.25 **Collective investment schemes**

1.25.1 Collective investment schemes and their underlying assets are potentially exposed to all of the market risk types.

1.25.2 There are many different types of collective investment schemes. Generally, a collective investment scheme will involve an arrangement that enables a number of investors to 'pool' their assets and have these professionally managed by an independent manager. Investments may typically include gilts, bonds and quoted equities, but depending on the type of scheme, may go wider into derivatives, real estate or any other asset. There may be risks on the underlying assets held by the scheme and investors are advised, therefore, to check whether the scheme holds a number of different assets, thus spreading its risk. Subject to this, investment in such schemes may reduce risk by spreading the investor's investment more widely than may have been possible if he or she was to invest in the assets directly.

1.25.3 The reduction in risk may be achieved because the wide range of investments held in a collective investment scheme can reduce the effect that a change in the value of any one investment may have on the overall performance of the portfolio. Although, therefore, seen as a way to spread risks, the portfolio price can fall as well as rise and, depending on the investment decisions made, a collective investment scheme may be exposed to many different major risk types.

1.25.4 The valuation of a collective investment scheme is generally controlled by the relevant fund manager or the investment adviser (as the case may be) of the collective investment scheme.

1.25.5 Valuations are performed in accordance with the terms and conditions governing the collective investment scheme. Such valuations may be based upon the unaudited financial records of the collective investment scheme and any accounts pertaining thereto. Such valuations may be preliminary calculations of the net asset values of the collective investment schemes and accounts. The collective investment scheme may hold a significant number of investments which are illiquid or otherwise not actively traded and in respect of which reliable prices may be difficult to obtain. In consequence, the relevant fund manager or the investment adviser may vary certain quotations for such investments held by the collective investment scheme in order to reflect its judgment as to the fair value thereof. Therefore, valuations may be subject to subsequent adjustments upward or downward. Uncertainties as to the valuation of the collective investment scheme assets and/or accounts may have an adverse effect on the net asset value of the relevant collective investment scheme where such judgments regarding valuations prove to be incorrect.

1.25.6 A collective investment scheme and any collective investment scheme components in which it may invest may utilise (inter alia) strategies such as short-selling, leverage, securities lending and borrowing, investment in sub-investment grade or non-readily realisable investments, uncovered options transactions, options and futures transactions and foreign exchange transactions and the use of concentrated portfolios, each of which could, in certain circumstances, magnify adverse market developments and losses. Collective investment schemes, and any collective investment scheme components in which it may invest, may make investments in markets that are volatile and/or illiquid and it may be difficult or costly for positions therein to be opened or liquidated. The performance of each collective investment scheme and any collective investment scheme component in which it may invest is dependent on the performance of the collective investment scheme managers in selecting collective investment scheme components and the management of the relevant component in respect of the collective investment scheme components.

1.25.7 In addition, the opportunities to realise an investment in a collective investment scheme is often limited in accordance with the terms and conditions applicable to the scheme and subject to long periods of advance notice (during which the price at which interests may be redeemed may fluctuate or move against you). There may be no secondary market in the collective investment scheme and therefore an investment in such a scheme may be (highly) illiquid.

1.26 **Alternative investments**

1.26.1 Hedge funds and other private investment fund investments ("**alternative investments**") may involve complex tax and legal considerations and can give rise to considerable risks.

1.26.2 Although often in the form of collective investment schemes, alternative investments are often not subject to the same regulatory requirements or oversight as traditional collective investment schemes. Sponsors or managers of alternative investments may also not be registered with any government agency or regulatory authority. Investors in alternative investments may also have limited rights with respect to their investment interest, including limited voting rights and participation in the management of the alternative investment.

1.26.3 Alternative investments often engage in leverage and other speculative investment practices, which involve a high degree of risk. Such practices may increase the volatility of performance and the risk of investment loss, including the loss of the entire amount that is invested. Interests in alternative investments are often highly illiquid as there is no public market for such interests and are often only transferable with consent. The illiquid nature of such investments can mean interests can be difficult to value and can render transfer (particularly within a required timeframe) difficult. Alternative investments may themselves invest in instruments that may be highly illiquid and difficult to value. Alternative investments may also not be required to provide you with periodic pricing or valuation information. Again, this may limit your ability to redeem or transfer your investment or delay receipt of redemption proceeds. It should be noted that alternative investments may impose significant fees and charges, including management fees that are based upon a percentage of the realised and unrealised gains or management fees that are set at a fixed percentage of assets under management regardless of performance returns.

1.27 **Exchange traded funds**

1.27.1 Exchange traded funds ("**ETFs**") are closed-ended collective investment schemes, traded as shares on stock exchanges, and typically replicate a stock market index, market sector, commodity or basket of assets. As such, they generally combine the flexibility and tradability of a share with the diversification of a collective investment scheme.

1.27.2 Where you purchase ETFs, you will be exposed to similar risks as detailed in respect of equity securities and collective investment schemes.

1.28 **Deposited cash and property**

1.28.1 You should familiarise yourself with the protections accorded to you in respect of money or other property you deposit for domestic and foreign transactions, particularly in the event of a firm insolvency or bankruptcy. The extent to which you may recover your money or property may be governed by specific legislation or local rules. In some jurisdictions, property, which had been specifically identifiable as your own, will be pro-rated in the same manner as cash for purposes of distribution in the event of a shortfall.

1.29 **Structured capital-at-risk products**

1.29.1 These products are designed to provide you with an agreed level of income or growth over a specified investment period. The return of the capital you initially invested may be linked to the performance of an index, a "basket" of selected stocks or other factors. If the product has performed within specified limits, you will be repaid the capital you initially invested but if not, you could lose some or all of your initial capital. Investing in these products can put the capital you initially invested at risk. These products are not 100% protected.

1.29.2 The range of products may include those where the return is linked to an index or indices, a basket of securities or other specified factors which relate to one or more of the following: equity or debt securities, interest rates, currency exchange rates or commodities. Some of the products include an element of principal protection, at a level which is stated at the time of the initial investment, so that on maturity of the investment you are assured of the return, at a minimum, of the stated proportion of your initial capital invested (subject always to the credit of the issuer of the product). In respect of some products which include an element of principal protection, the return of the stated proportion of your initial capital invested may depend on a pre-agreed level of performance being achieved or the product being held to maturity. If the performance is not attained or the product is not held to maturity the element of principal protection will not apply. Different products involve different levels of exposure to risk (and reward) and in deciding whether to trade in such products you should be aware of the following points.

(a) There is no guarantee that all of the initial capital invested by you will be returned to you on maturity of the investment. You may therefore get back a lesser amount than you originally invested.

(b) These investments may involve a degree of gearing or leverage, so that a relatively small movement in the relevant index/indices, basket or other specified factor(s) results in a disproportionately large movement, unfavourable or favourable, in the amount paid out to you on maturity of the investment.

(c) Investments linked to the performance of an index do not include an allowance for any return or reinvestment of dividend income from the underlying constituents of the index.

(d) If you decide to redeem or sell the investment before its stated maturity, you may not gain the maximum benefit of the investment and may receive a poor return or less than the initial capital invested. Early redemption penalties may be applicable in some circumstances.

(e) The initial capital you invest may be placed into high risk investments such as noninvestment grade bonds/instruments linked to commodities or indices on commodities.

(f) The stated rate of growth or income in relation to an investment may depend on specified conditions being met, including the performance of the relevant index/indices, basket of selected stocks or other specified factor(s).

(g) You should not deal in these investments unless you are prepared to sustain a loss of the money you have invested (a loss which may be total or may be partial as specified in the relevant terms and conditions) plus any commission or other transaction charges.

OTHER INFORMATION APPLICABLE TO SEVERAL PRODUCTS

1.30 **Title Transfer Collateral Arrangements**

1.30.1 Where you provide cash collateral to us under a title transfer collateral arrangement:

(a) you will not have a proprietary claim over such cash (even where we act as your agent);

(b) you will have an unsecured contractual claim against us for repayment of an equivalent amount subject to the terms of any relevant agreement;

(c) such cash will not be segregated from our own assets;

(d) in the event of our insolvency, you will have an unsecured claim against us in respect of such cash and you may not recover the full value thereof; and

(e) you will not be entitled to receive any interest that may have otherwise been payable in respect of such cash (subject to any contractual rights that you may have otherwise agreed with us to the contrary).

1.30.2 Where you provide assets to us under a title transfer collateral arrangement:

(a) you will have, and any proprietary or other rights that you may have had (where relevant) in those assets as client assets will be replaced by, an unsecured contractual claim for delivery of equivalent assets subject to the terms of any relevant agreement;

(b) such assets will not be held by us in accordance with the Rules on safe custody assets (and, among other things, will not be segregated from our assets or held subject to a trust);

(c) you will not be entitled to exercise any voting, consent or similar rights attached to the assets (subject to any contractual rights that you may have otherwise agreed with us to direct us to exercise voting, consent or similar rights);

(d) you will not be entitled to receive a manufactured distribution (subject to any equivalent rights contractually agreed with us); and

(e) the provision of assets to us under a title transfer collateral arrangement, the receipt by you of manufactured distributions and the delivery by us to you of equivalent assets may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by you (or by us for your account) of, and the receipt of distributions or other monies or assets delivered pursuant to, those assets.

1.30.3 You may request that we terminate an arrangement relating to the transfer of full ownership of your money or assets to us. We have absolute and sole discretion as to whether we agree to such a request.

1.31 **Foreign markets**

1.31.1 Foreign markets will involve different risks from the Dutch markets. In some cases the risks will be greater. On written request, we will provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which we will accept liability for any default of a foreign firm through whom we deal. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates. Such transactions may also be affected by exchange controls that could prevent or delay performance.

1.32 **Emerging markets risks**

1.32.1 The securities markets of emerging countries are in the early stages of their development and many of them generally lack the levels of transparency, liquidity, efficiency and regulation characteristic of the more developed markets. In some of these markets, standard practices, market customs and usages have yet to evolve and be readily identifiable as such by market participants. The credit rating of local financial institutions may not be high and there is often limited trust in such institutions. Government supervision of securities markets, investment intermediaries and of quoted companies may be considerably less well developed than in many countries with well-established markets and, in some cases, effectively non-existent. Many regulations are unclear in their scope and effect, and there may be a greater risk than in more developed countries of activities conducted in good faith on the basis of professional advice subsequently being regarded as not in compliance with fiscal, currency control, securities, corporate or other Applicable Law. In addition, where a system of regulation is present, it may lack any, or any adequate, mechanism to enforce compliance by participants. The valuation of both enterprises and securities in some of these countries has sometimes proved problematic in the absence of efficient secondary markets. In particular, the illiquidity of the markets in general or of particular securities in some of these countries may make it difficult to determine an accurate valuation for a particular security or whether such security could actually be sold at such a price. In addition, due to historic difficulties in acquiring securities in certain of these countries, depository receipts or derivatives relating to certain of such securities have been created which may not be fungible with each other or the securities underlying or relating to such depository receipts or derivatives. This might lead to such depository receipts or derivatives trading at substantial premiums or discounts to the underlying or related securities.

1.32.2 Many emerging countries lack a strong infrastructure. Telecommunications generally are poor, and banks and other financial systems are not always well developed, well-regulated or well integrated. These countries may also have considerable external debt, which could affect the proper functioning of their economies with a corresponding adverse impact on the performance of their markets. Tax regimes may be subject to the risk of a sudden imposition of arbitrary or onerous taxes, which could adversely affect foreign investors.

1.32.3 Businesses in these countries may have a limited history operating in market conditions. Accordingly, when compared to companies in more developed markets, such businesses may be characterised by a lack of management who are experienced in market conditions and a limited capital base with which to develop their operations.

1.32.4 The political systems in the majority of emerging countries have been the subject of substantial and positive reforms. The relative infancy of some of these political systems may mean that they are more vulnerable in the face of popular dissatisfaction with reform, political or diplomatic developments, or social, ethnic or religious instability. Such developments, if they were to occur, could in tum lead to a reversal of some or all of the democratic reforms, a backlash against foreign investment and, in a worst case scenario in some countries, a return to a centralised planned economy and state ownership of assets. This could involve the compulsory nationalisation or expropriation of foreign-owned assets without adequate compensation, or the restructuring of particular industry sectors in a way which could adversely affect private investors in such sectors.

1.32.5 Foreign investment in emerging countries is in some cases restricted. Some of these countries have non-convertible currencies and the value of investments may be affected by fluctuations in available currency rates and exchange control regulations (which could change at any time). The repatriation of investors' funds and profits may therefore be restricted or difficult and could involve significant cost. Moreover, considerable delays may occur in the transfer of funds within, and with repatriation of monies out of, these countries.

1.32.6 In some countries the tax position is complex and subject to more frequent change than in western countries. It may not be possible to reclaim tax even where this is theoretically possible due to practical and timing issues.

1.32.7 Many emerging countries do not yet have a legal system comparable to those of more developed countries. Legal reforms may net always correspond to market developments, resulting in ambiguities and inconsistencies which increase the risk of investing in these countries. Legislation to safeguard the rights of private ownership and control as well as establishing intellectual property concepts may not yet be in place, and there is risk of conflicting rules and regulations. Laws and regulations governing investment in securities markets may not exist or may be subject to inconsistent or arbitrary interpretation or application. The independence of the judicial systems, and their susceptibility to economic, political or nationalistic influences, remains largely untested. It may be impossible to predict whether a foreign investor would obtain effective redress in the local courts in respect of a breach of local laws or regulations, or in an ownership dispute.

1.32.8 The concepts of ownership of and procedures for the transfer of securities in emerging countries may differ radically from those in more developed markets. In some markets, for example, the term "DvP" (delivery versus payment) does not imply that securities and cash move at the same time. Registration of shares may not be subject to standardised procedures or to a centralised system, and may be effected on an ad hoc basis. The concept of nominee ownership is undeveloped and, in some cas es, not recognised at all. As a result, registration can be administratively cumbersome and time consuming, leading to delays in settling trades, ownership disputes and constraints on trading. The realisation of rights of ownership, for example the exercise of shareholders' rights, cannot be assumed. Moreover, in some markets the risk of conflicts of interest on the part of those responsible for the conduct of the registration procedures, and the risk of fraud (for example, in connection with physical certificates) or of a registrar refusing to effect registration without justification (or of a registrar deleting a registration once it has occurred, with a consequential total loss of investment) is higher in many cases than in more developed markets.

1.32.9 Rules in emerging countries regarding ownership and corporate governance of domestic companies (for example, limiting the ability of management to effect transactions with affiliates or to sell or otherwise dispose of their company's assets) may not exist or may confer little practical protection on minority shareholders. Disclosure and reporting requirements are in many cases less than in more developed countries and may be non-existent or rudimentary. Anti-dilution protection may also be very limited. Redress for violations of shareholder rights may be difficult in the absence of a system of derivative or class action litigation.

1.32.10 Accounting, auditing and financial reporting standards in many emerging countries are not yet equivalent to those applicable in more developed countries and in some of these countries are of virtually no assistance to an investor. The availability, quality and reliability of corporate information (including official data) is likely to be lower than that in respect of investments in more developed markets.

1.33 **Clearing house protections and settlement risk**

1.33.1 On many exchanges, the performance of a transaction may be "guaranteed" by the exchange or clearing house. However, this guarantee is usually in favour of the exchange or clearing house member and cannot be enforced by the client who may, therefore, be subject to the credit and insolvency risks of the firm through whom the transaction was executed. There is, typically, no clearing house for off-exchange OTC instruments which are not traded under the rules of an exchange (although unlisted transferable securities may be cleared through a clearing house).

1.33.2 Settlement risk is the risk that a counterparty does not deliver the security (or its value) in accordance with the agreed terms after the other counterparty has already fulfilled its part of the agreement to so deliver. Settlement risk increases where different legs of the transaction settle in different time zones or in different settlement systems where netting is not possible. This risk is particularly acute in foreign exchange transactions and currency swap transactions.

1.34 **Insolvency**

1.34.1 The insolvency or default of the firm with whom you are dealing, or of any brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent or, indeed, investments not being returned to you. There is also insolvency risk in relation to the investment itself, for example of the company that issued a bond or of the counterparty to off-exchange derivatives (where the risk relates to the derivative itself and to any collateral or margin held by the counterparty).

1.35 **Currency risk**

1.35.1 In respect of any foreign exchange transactions and transactions in derivatives and securities that are denominated in a currency other than that in which your account is denominated, a movement in exchange rates may have a favourable or an unfavourable effect on the gain or loss achieved on such transactions.

1.35.2 The weakening of a country's currency relative to a benchmark currency or the currency of your portfolio will negatively affect the value of an investment denominated in that currency. Currency valuations are linked to a host of economic, social and political factors and can fluctuate greatly, even during intra-day trading. Some countries have foreign exchange controls which may include the suspension of the ability to exchange or transfer currency, or the devaluation of the currency. Hedging can increase or decrease the exposure to any one currency, but may not eliminate completely exposure to changing currency values.

1.36 **Interest rate risk**

1.36.1 Interest rates can rise as well as fall. A risk with interest rates is that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively on other products. There are additional interest rate related risks in relation to floating rate instruments and fixed rate instruments; interest income on floating rate instruments cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of floating rate instruments at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the relevant instruments provide for frequent interest payment dates, investors are exposed to the reinvestment risk if market interest rates decline. That is, investors may reinvest the interest income paid to them only at the relevant lower interest rates then prevailing.

1.36.2 Changes in market interest rates have a substantially stronger impact on the prices of zero coupon bonds than on the prices of ordinary bonds because the discounted issue prices are substantially below par. If market interest rates increase, zero coupon bonds can suffer higher price losses than other bonds having the same maturity and credit rating.

1.37 **Commodity risk**

1.37.1 The prices of commodities may be volatile, and, for example, may fluctuate substantially if natural disasters or catastrophes, such as hurricanes, fires or earthquakes, affect the supply or production of such commodities. The prices of commodities may also fluctuate substantially if conflict or war affects the supply or production of such commodities. If any interest and/or the redemption amount payable in respect of any product is linked to the price of a commodity, any change in the price of such commodity may result in the reduction of the amount of interest and/or the redemption amount payable. The reduction in the amount payable on the redemption of an investment may result, in some cases, in you receiving a smaller sum on redemption of a product than the amount originally invested in such product.

1.38 **Regulatory, legal and structural risk**

1.38.1 All investments could be exposed to regulatory, legal or structural risk.

1.38.2 Returns on all, and particularly new, investments are at risk from regulatory or legal actions and changes which can, amongst other issues, alter the profit potential of an investment. Legal changes could even have the effect that a previously acceptable investment becomes illegal. Changes to related issues such as tax may also occur and could have a large impact on profitability. Such risk is unpredictable and can depend on numerous political, economic and other factors. For this reason, this risk is greater in emerging markets but does apply everywhere. In emerging markets, there is generally less government supervision and regulation of business and industry practices, stock exchanges and over-the-counter markets.

1.38.3 The type of laws and regulations with which investors are familiar in the EEA may not exist in some places, and where they do, may be subject to inconsistent or arbitrary application or interpretation and may be changed with retroactive effect. Both the independence of judicial systems and their immunity from economic, political or nationalistic influences remain largely untested in many countries. Judges and courts in many countries are generally inexperienced in the areas of business and corporate law. Companies are exposed to the risk that legislatures will revise established law solely in response to economic or political pressure or popular discontent. There is no guarantee that an overseas investor would obtain a satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over ownership of assets. An investor may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in overseas courts.

1.38.4 In the case of many products, there will be no legal or beneficial interest in the obligations or securities of the underlying reference entity but rather an investor will have a contractual relationship with the counterparty only and its rights will therefore be limited to contractual remedies against the counterparty in accordance with the terms of the relevant product.

1.38.5 In all cases the legal terms and conditions of a product may contain provisions which could operate against your interests. For example, they may permit early redemption or termination at a time which is unfavourable to you, or they may give wide discretion to the issuer of securities to revise the terms applicable to securities. In other cases there may be limits on the amounts in relation to which rights attaching to securities may be exercised and in the event that you hold too many (or too few) securities, your interests may be prejudiced and should scrutinise these carefully. In some cases, the exercise of rights by others may impact on your investment. For example, a product such as a bond or note may contain provisions for calling meetings of holders of those bonds or notes to consider matters affecting their interests generally (including yours) and may permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meeting and holders who voted in a manner contrary to the majority. Further, in some cases amendments may be made to the terms and conditions of bonds or notes without the consent of any of the holders in circumstances set out in general conditions attaching to such bonds or notes.

1.39 **Operational risk**

1.39.1 Operational risk, such as breakdowns or malfunctioning of essential systems and controls, including IT systems, can impact on all financial products. Business risk, especially the risk that the business is run incompetently or poorly, could also impact on shareholders of, or investors in, such a business. Personnel and organisational changes can severely affect such risks and, in general, operational risk may not be apparent from outside the organisation.

1.40 **Short sales**

1.40.1 Selling "short" means to sell financial instruments that you do not own at the time of the sale. The seller has an obligation to deliver the product sold at the settlement date which will generally be a few days later than the trade date, so he will either go into the market to buy the relevant financial instruments for delivery or he will "borrow" the relevant financial instruments under a stock lending arrangement.

1.40.2 Short selling is a technique used by investors who want to try to profit from the falling price of a financial instrument. If the price of the financial instrument drops after the investor has sold short (in other words at the time when he is buying or borrowing the relevant financial instruments for delivery), the investor will make a profit. If however the price of the financial instrument rises after the investor has sold short, the investor will have automatically made a loss, and the loss has the potential to get bigger and bigger if the price of the financial instrument continues to rise before the investor has gone into the market to buy or borrow the financial instrument to settle the short sale.

1.40.3 Before you begin to trade, you should obtain details of all commissions and other charges for which you must be liable.

1.41 **Commissions and transaction costs**

1.41.1 When products are purchased or sold, several types of incidental costs (including transaction fees and commissions) are incurred in addition to the current price of the security. These incidental costs may significantly reduce or even exclude the profit potential of the products. For instance, credit institutions as a rule charge their clients for own commissions which are either fixed minimum commissions or prorata commissions depending on the order value. To the extent that additional domestic or foreign parties are involved in the execution of an order, including but not limited to domestic dealers or brokers in foreign markets, you must take into account that you may also be charged for the brokerage fees, commissions and other fees and expenses of such parties (third party costs).

1.41.2 In addition to such costs directly related to the purchase of products (direct costs), you must also take into account any follow-up costs (such as custody fees). You should inform yourself about any additional costs incurred in connection with the purchase, custody or sale of an investment before investing. The effect of transaction costs (for example on a new issue of securities) may result in the issue price of such securities falling below the market value when trading starts.

1.42 **Suspensions of trading and grey market investments:**

1.42.1 Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit your losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

1.42.2 Transactions may be entered into in:

(a) a security whose listing on an exchange is suspended, or the listing of or dealings in which have been discontinued, or which is subject to an exchange announcement suspending or prohibiting dealings; or

(b) a grey market security, which is a security for which application has been made for listing or admission to dealings on an exchange where the security's listing or admission has not yet taken place (otherwise than because the application has been rejected) and the security is not already listed or admitted to dealings on another exchange.

1.42.3 There may be insufficient published information on which to base a decision to buy or sell such securities.

1.43 **Stabilisation**

1.43.1 Transactions may be carried out in securities where the price may have been influenced by measures taken to stabilise it.

1.43.2 Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. Regulations allow stabilisation in order to help counter the fact that, when a new issue comes on to the market for the first time, the price can sometimes drop for a time before buyers are found.

1.43.3 Stabilisation is carried out by a 'stabilisation manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

1.43.4 Stabilisation measures:

(a) limit the period when a stabilising manager may stabilise a new issue;

(b) fix the price at which he may stabilise (in the case of shares and warrants but not bonds); and

(c) require him to disclose that he may be stabilising but not that he is actually doing so.

1.43.5 The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

1.44 **Non-readily realisable investments**

1.44.1 Both exchange listed and traded and off-exchange investments may be non-readily realisable. These are investments in which the market is limited or could become so. Accordingly, it may be difficult to assess their market value and/or to liquidate your position.

1.45 **Strategies**

1.45.1 Particular investment strategies will carry their own particular risks. For example, certain strategies, such as 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position.

1.46 **General information**

1.46.1 Your firm may not deal directly in the relevant Market but may act through one or more brokers or intermediaries. In such cases, your positions may be affected by the performance of those third parties in addition to the performance of your firm. In addition, settlement of such transactions may not be effected via the Market itself but may be effected on the books of your firm or of a broker or intermediary if such transactions can be crossed with equal but opposite orders of another participant transacting through the same firm, broker or intermediary. Your rights in such circumstances differ from those you would enjoy if your transaction was effected in the Market.

1.46.2 The price and liquidity of any investment depends upon the availability and value of the underlying as set, which can be affected by a number of extrinsic factors including, but not limited to, political, environmental and technical. Such factors can also affect the ability to settle or perform on time or at all.

1.46.3 Any payments made or received in relation to any investment may be subject to tax and you should seek professional advice in this respect.

1.46.4 Where you are unable to transfer a particular instrument which you hold, to exit your commitment under that instrument, you may have to offset your position by either buying back a short position or selling a long position. Such an offsetting transaction may have to be over the counter and the terms of such a contract may not match entirely those of the initial instrument. For example, the price of such a contract may be more or less than you received or paid for the sale or purchase of the initial instrument.