FINANCIAL INSTRUMENTS DESCRIPTION AND ASSOCIATED RISKS

1. GENERAL

The financial markets present many different risks of which investors should be aware prior to investing. The purpose of this brochure is to provide you with a description of certain generic risks that may be common to all investments and to describe in more detail the nature and risks of the principal types of investments that we offer. Our objective is to explain the risks in sufficient detail to enable you to take investment decisions or to instruct us to take investment decisions on your behalf, on an informed basis. The brochure gives you a general overview of financial instruments, the knowledge of which we consider crucial to reaching sound investment decisions.

Customer acknowledges that Emporium Capital Ltd (hereinafter called ‘the Company’) is not authorised to provide investment, trading or tax advice and therefore will not provide advice or guidance on trading or hedging strategies. It is noted that this brochure does not disclose all the associated risks or other important aspects of the financial instruments described below and it should not be considered as investment advice or the recommendation for the provision of any service or investment in any of the financial instruments mentioned below.

Customers must evaluate carefully whether any particular transaction is appropriate for them in light of their investment experience, financial objectives and needs, financial resources, and other relevant circumstances and whether they have the operational resources in place to monitor the associated risks and contractual obligations over the term of the transaction. In case where he is uncertain as to the meaning of the warnings described below, he must seek an independent legal and/or financial advice before taking an investment decision.

The investor should be aware of the following:

- a) The value of any investment in financial instruments may fluctuate downwards or upwards and the investment may even become worthless;

The product descriptions and the risks disclosed in this brochure are, however, illustrative and cannot be exhaustive. For example, the brochure does not deal with risks associated with a particular issuer or counterparty, general economic risks (notably those associated with a particular market, interest rate fluctuations, etc.) or tax risks which may be specific to individual investors. We simply attempt to explain the key characteristics of the main asset classes and to include certain recognised risks of investing in such asset classes.

This brochure forms part of the Company’s Private Client Terms (the "Private Client Terms"). Insofar as you wish us to provide you with a product, you acknowledge having been given the opportunity to review and ask questions about this brochure and the matters herein and to clarify any points as it relates to such product.
2. KEY RISKS AND COSTS OF INVESTING

2.1. KEY RISKS OF INVESTING

All financial products carry a certain degree of risk and even low risk investment strategies contain an element of uncertainty. The price or value of an investment will depend on movements in the financial markets outside of anyone’s control. Past performance is no indicator of future performance.

The nature and types of investment risks will depend on various matters, including the type of investment being made, how the investment has been created, structured or drafted, the needs and objectives of particular investors, the manner in which an investment is made or offered, sold or traded, the location or domicile of the issuer, the diversification and concentration in a portfolio (e.g. the amount invested in any one currency, security, country or issuer), the complexity of the transaction and the use of borrowing or leverage. Different risks may occur simultaneously and/or may compound each other resulting in an unpredictable effect on the value of the investments. The risks identified in this Section 2 are common to many of the investments that are offered through the Company. In some cases, in Section 3, we elaborate on these risks when referring to a particular investment but you should always consider the following general risks when making any investment decision or contemplating any form of allocation to such investments:

**Credit risk** - the risk that the issuer or guarantor of a product such as a share or a bond is not able - usually for financial reasons - to repay principal and/or interest in relation to the product or to meet its financial obligations in relation to the product, with resulting loss to the investor.

**Market risk** - the risk that the current value of a product falls as a result of movements in market prices due, in particular, to changes in interest rates, foreign exchange rates, and equity and commodity prices so that the investor may not get back the money invested or may not make the returns anticipated.

**Liquidity risk** - the liquidity of an investment is directly affected by the supply and demand for that investment and also indirectly by other factors, including market disruptions or issues affecting the infrastructure on which the investment is traded such as a securities settlement system. Therefore, under certain conditions and at certain times, there is a risk that when an investor chooses to sell a product, there may be no market for it and the investor may be unable to sell it at the desired time or price. In addition, unless the contract terms so provide, the issuer or counterparty to a product may not be obliged to buy it back or to redeem it such that the investor may not be able to redeem or sell back the product at all or may only be able to do so at disadvantageous terms.

**Inflation risk** - the risk that returns in relation to a product may not keep pace with inflation. A high rate of inflation may reduce the value of future income or redemption amounts in relation to the product.

**Currency/foreign exchange risk** - the risk that currency exchange rate fluctuations may reduce gains or increase losses on foreign investments. Adverse changes in exchange rates may erode or reverse any gains produced by foreign currency denominated investments and may widen any losses. This may also affect the ability of an issuer to repay a debt denominated in a currency other than reference currency of the security, thereby increasing credit risk. Where securities are denominated in a currency other than the investor’s reference currency, changes in rates of exchange may have an adverse effect on the value of the investment in the reference currency.
Risk of borrowing to fund investments - investors should always be aware of the risks associated with borrowing to increase their exposure to a particular investment. Borrowing can increase profits if the investment that is purchased using the loan increases in value. However, if the investment decreases in value, the losses caused to the investor as a result of the greater exposure to the investment, the costs of the loan and the obligation to provide more collateral and/or to repay the loan at a time which may be most disadvantageous to the borrower, can increase losses substantially.

Tax risk - before an investor invests, the investor should note the tax consequences of such investment and take tax advice. Many investments or their issuers do not give any assurance to investors that they will result in, or be managed or operated in a way that will ensure the optimal tax outcome for a particular investor. Investments may have adverse tax consequences for an investor. The information that an issuer provides to an investor may not be sufficient to enable the investor to complete the investor's tax return.

Information risk - the information that is available to investors when making investment decisions in certain investments can vary in quality and accuracy depending on a number of factors, for example, the jurisdiction of the issuer of the investment, the nature of the investment and the obligations applicable to the issuer. For example, bonds or shares issued by emerging market issuers may suffer from such deficiencies.

Emerging markets risk - the term “emerging market” means a securities market in a country which is generally characterised by political instability, precarious financial markets, a potentially weak economy, a potentially challenging legal/regulatory environment and uncertainty concerning that country’s economic development. Investments made in emerging markets generally entail specific risks which are not encountered in developed markets. Bonds issued by emerging markets issuers may pay a higher return but this may not compensate fully for the additional risks involved. See also “16. Emerging Markets” below.

Interest rate risk - interest rates can rise as well as fall. The value of fixed income securities generally moves in the opposite direction of interest rates (inversely) and, therefore, the value decreases when interest rates rise and increases when interest rates fall. This is because a rising interest rate makes the value of the future interest payments on the bond fall and new issues of bonds must raise their interest rates so that older issues with lower yields become less popular and their price falls. There are additional interest rate risks in relation to floating rate investments and fixed rate investments. Interest on floating rate investments cannot be anticipated. Due to varying interest income, investors are not able to determine a definite yield of floating rate instruments at the time of purchase and therefore investors cannot compare the return on the investment with investments having a longer fixed interest period. If the terms and conditions of the relevant instrument provide for frequent interest payment dates, investors are exposed to the reinvestment risk if the market interest rates decline as investors may only reinvest interest income paid to them at the relevant lower interest rate then prevailing.

Counterparty risk - counterparty risk is the risk that the counterparty may, for a variety of reasons, refuse or fail to meet its contractual obligations to the investor in a product with resulting loss to the investor. The insolvency or default of a counterparty may also lead to positions being liquidated or closed out without an investor's consent or investments not being returned to the investor.
Regulatory/legal/structural risk - regulatory or legal actions or changes may alter the profitability of an investment during its life and could even result in an investment becoming illegal. In some cases, the laws affecting the investment may become unclear, or may be subject to inconsistent or arbitrary application or interpretation or may be altered with retroactive effect. Investors may not be guaranteed a satisfactory remedy in a local court if there is a legal dispute in particular regarding ownership of the investment and may not be able to obtain or enforce a legal judgment. In all cases, the legal terms and conditions of a product may contain provisions that may operate against the interests of particular investors. For example, they may permit early redemption, termination or cancellation of principal or interest at a time unfavourable to the investor or they may give wide discretion to the issuer to interpret the terms of the investment.

Operational risk - the risk that the systems and controls essential to the investment may break down or malfunction, for example, IT systems, can impact all investments. Businesses may be run incompetently or poorly with consequent risk for an investor.

Clearing house protections-settlement risk - 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 will therefore be subject to the credit and insolvency risk of the firm through whom the transaction was executed. 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 deliver. Settlement risk increases where different legs of the transaction settle in different time zones in different settlement systems.

Investment manager risk - when investing in a fund, the investor is exposed to the skill and expertise of the investment manager in ensuring that the investment objectives of the fund are met.

Suspensions of trading - each stock or commodities exchange may in certain circumstances be prompted to suspend or limit trading in all securities or commodities which it lists. Such a suspension would render it impossible for an investor to liquidate positions and would accordingly expose the investor to losses and delays in their ability to obtain reimbursement upon demand.

2.2. KEY COSTS OF INVESTING

Making any investment will also involve costs and charges which will vary depending on the nature of the service being offered and the product in which an investor is investing. These costs can be material and may have a negative impact on the returns that an investor expects to realise from the investment.

Where you invest through the Company you will be provided with a fee schedule which sets out our current transaction and other costs. You will also be provided with a schedule which shows the basis on which the Company receives from and/or shares remuneration with the providers of products which you have purchased and/or sold.

In relation to some investments that you purchase such as equities and bonds, the Company charges one-off transaction fees, while in others there are ongoing fees which are charged throughout the term of the product. In addition, when you purchase a product such as a fund (described below), there are ongoing fees deducted by the investment manager of the fund and the providers of services and counterparties to the fund which will reduce the value of your investment. You should consider carefully the costs of any investment and should you require any further information you should contact your Company’s representative.
3. KEY RISKS OF TYPES OF INVESTMENTS

3.1. EQUITY OR SHARE INVESTMENTS AND OTHER TYPES OF EQUITY INSTRUMENTS

3.1.1. WHAT IS AN EQUITY?

Equities are ownership interests representing a share in property, usually a company. 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 to the shareholder. Where an issuer is wound up (i.e. ceases to exist) holders of equities may lose some if not all their value. Most equities are traded on equity markets in which case they are described as listed.

Some equities, known as preference shares, may have preferential rights to other shares in relation to payments of dividends or repayment on insolvency. However, the terms of preference shares often include provisions which mean the issuer can decide not to pay or to delay payment of such dividends.

A depositary receipt (ADRs, GDRs etc.) is a negotiable certificate, typically issued by a Firm, which represents a specific number of shares in a company, traded on a stock exchange which is local or overseas to the issuer of the receipt.

Shares in a company may be offered by way of a prospectus or information memorandum. Information about the company may also be available by way of published accounts and from other sources.

3.1.2. HOW DOES INVESTING IN EQUITIES REWARD INVESTORS?

Equities can reward investors with the potential of higher returns in the form of either capital appreciation of higher incomes through dividend payments in comparison to leaving the investments in cash deposits or money market funds. The increased potential return increases the level of risk to capital loss. Investing in equities usually involves brokerage costs.

3.1.3. WHAT ARE THE RISKS OF INVESTING IN EQUITIES?

Investing in equities carries potential exposure to all the major risk types referred to in Section 2. For example:

**Market risk** - share prices can fluctuate suddenly and sometimes very sharply. Shares also tend to fall in value when the economy is deteriorating as investors recognise that profits will be lower. Not all shares carry equal risk: the level of risk depends on the company in which the investor is buying shares. The value of the shares may increase as company profits increase or as a result of market expectations, but the opposite can also be true.

**Credit risk** - if a company becomes insolvent, its equities have the most junior status, meaning that equities are repaid only after all other debts of the company have been repaid. This can result in a potential severe reduction in, or total loss of, their value.

**Information risk** - the information that is available to investors when making investment decisions in equities can also vary in quality depending on the jurisdiction of the issuer and the rules which apply to such information as noted above.
Investing in equities may also expose an investor to inflation and currency risk. Further, the investor will be exposed to the specific risks of the industry in which the company operates, for example, a computer chip manufacturer might have exposure to the availability and price of certain metals.

Holders of depositary receipts are also subject to particular risks: the deposit agreement for the investment sets out the responsibilities of the depositary, the underlying share issuer and the holder of the depositary receipt, which may be different from the rights of the direct holders of the underlying shares. For example, the underlying shareholders may be entitled to receive dividends which are not passed onto the holders of the depositary receipt. Any such differences may have an adverse effect of the value of the depositary receipt.

3.2. BONDS AND FIXED INCOME INVESTMENTS

3.2.1. WHAT IS A BOND?

A bond is basically a debt instrument issued by a government, company or other corporate entity (an "issuer") and will usually have a maturity date of more than 12 months. A bond enables the issuer to raise money in a low cost, tax efficient way without diluting the interest of shareholders by seeking to raise capital through a share offering. Bonds will typically be issued at close to what is known as 'par' or face value. The bond issuer usually undertakes to pay interest (the "coupon") to the investor which will generally be a fixed amount and is paid annually or semi-annually. At the maturity date, the issuer will repay the capital invested typically at par or face value regardless of how the market price has fluctuated before maturity. Bonds can be bought and sold until maturity and values can fluctuate depending on supply and demand and other factors such as interest rates.

Bonds are often referred to as "debt instruments" or "fixed income investments", since the amount of the interest payments is known in advance unless the issuer defaults (although some fixed income investments pay a floating rate of interest).

Bonds can be either secured or unsecured and either senior or subordinated. Secured debt means that collateral has been pledged as security against the issuer's failure to pay, while investors in senior debt instruments are legally entitled to be paid ahead of investors in subordinated (i.e. non-senior) debt instruments issued by the same company. Senior secured debt instruments therefore carry a lower risk of loss than other debt instruments issued by the same company.

Issuers that want to raise money from investors in the bond market are ranked according to how potential investors judge their ability to continue to make the income and capital repayments when they fall due. This is what is referred to as the 'credit rating'. Independent rating agencies are responsible for researching companies and supplying 'grades' or 'ratings' to companies' debt (bond issues). The most readily recognised rating agencies are Moody's, Standard & Poor's and Fitch Ratings. Long-term credit ratings for Moody's, Standard & Poor's and Fitch Ratings respectively range from Aaa / AAA / AAA (highest quality) to C / D / D (in default). As rating categories and rating methodologies differ between the rating agencies, you should familiarise yourself with the relevant rating agency's current publicly available rating categories and rating methodology which will be available from the relevant rating agency's website:
Ratings given to an issuer or a bond may depend, among other things, on its creditworthiness, its ability to continue to make payments to its bond holders in the future and what protection the bond holder has, should the company face financial difficulties.

There are two main subdivisions of bonds depending on their 'credit rating', which indicates to investors the level of risk associated with the company issuing the bond.

**Investment grade bonds** - with investment grade bonds it is expected that the risk of non-payment or default is low taking into account the financial position of the issuer. As a result, the income or coupons offered are usually lower than those from sub- or non-investment grade bonds.

**Non-investment grade bonds** - non-investment grade bonds, also known as High Yield bonds, are higher risk investments. The issuer may be less financially stable and the chance that the issuer will not be able to repay the amount owed to investors is expected to be higher than that of investment grade bonds. Bonds are offered by way of a prospectus or information memorandum which can be reviewed by investors.

**3.2.2. HOW DOES INVESTING IN BONDS REWARD INVESTORS?**

Investors receive a return on their investment in bonds in two ways: income and capital. The income received from the issuer is usually the major part of the overall return to the investor. However, as not all issuers have the same financial strength, the weaker issuers may pay more than the stronger in order to compensate investors for the extra risk of non-payment. Similarly, issuers with lower financial strength are more at risk of not being able to repay investors when the bond matures. These companies also have to pay investors more when they borrow to compensate for this extra risk. A capital gain is normally only made where bonds are sold in the secondary market or redeemed at a higher price than at which they were purchased.

**3.2.3. WHAT ARE THE RISKS OF INVESTING IN FIXED INCOME INVESTMENTS SUCH AS BONDS?**

Although fixed income investments such as bonds are generally regarded as conservative investments with less risk of capital loss than equities, an investor is also potentially exposed to all of the major risk types referred to in Section 2. For example:

**Liquidity risk** - if an investor seeks to sell a fixed income investment such as a bond prior to its maturity date, there may be no market for the bond and the investor may be unable to sell the bond at the desired time or price or at all. There may be a substantial difference between the secondary market bid (or purchase) and offer (or sale) prices quoted by a market maker for a fixed income investment.

**Credit spread risk** - the risk of financial loss resulting from a change in the credit spread, e.g. the additional yield that a bond issued by for example an A rated issuer must produce over a better rated bond. The value of fixed income investments generally moves in the opposite direction of credit spreads, in particular where such investments pay a fixed rather than floating rate of interest. Values decrease when credit spreads widen and increase when credit spreads tighten.
**Interest rate risk** - the value of fixed income investments such as bonds (in particular where such investments pay a fixed rather than a floating rate of interest) generally moves in the opposite direction of interest rates (inversely) and, therefore, the value decreases when interest rates rise and increases when interest rates fall. This is because a rising interest rate makes the value of the future interest payments on the bond lower and new issues of bonds must raise their interest rates so that older issues with lower yields become less popular and their price falls.

**Early repayment risk** - asset-backed securities, which are backed by a pool of assets such as mortgages, automobile loans or credit card receivables, may be subject to early repayment of principal corresponding to early repayment of the underlying assets, in particular where interest rates have fallen and such assets can be refinanced at a lower interest rate. Callable fixed-rate securities may also be subject to an increased risk of early repayment in such circumstances because the issuer of such securities can issue new securities at a lower interest rate. Early repayment will result in a reduction in value of the relevant securities.

**Inflation risk** - the returns may not keep pace with inflation because the relationship between inflation and corporate bond prices is inverted; a high rate of inflation will reduce the value of future income or redemption amounts under the bond.

**Credit risk** - the issuer or guarantor of the bond may have financial difficulties or may become insolvent thereby being unable to meet interest or capital repayments.

**Regulatory/legal/structural risk** - the bond may contain provisions for calling bondholder meetings to consider matters affecting the interests of the bondholders generally and may permit defined majorities to bind all holders, including holders who did not attend and vote at the relevant meetings and holders who voted in a manner contrary to the majority. Amendments may be made to the terms and conditions of the bonds without the consent of all the bondholders.

**Structural subordination risk** - where bonds are issued by, or payment on them is guaranteed by, a parent or holding company, payments on the bonds may depend on receipt of dividends or cash loans from subsidiaries.

The holder of a bond issued by a parent or holding company may not have any control over whether or not subsidiaries of that company incur significant further indebtedness. In the winding-up of such a subsidiary the claims of the creditors of the subsidiary would normally be required to be met before any surplus amounts are paid up to its parent company and on to the parent company’s creditors (including bondholders).

**Contractual or statutory subordination risk** - claims of bondholders may be contractually subordinated or subordinated by legislation to the claims of holders of other obligations of the issuer.

Subordinated bonds are typically unsecured obligations i.e. the holder will have no claim over specific assets of the issuer. Further, in the event of the winding-up of the relevant issuer, it is unlikely that payment of principal or interest will be made until payments have been made to more senior (less subordinated) creditors.
Bonds (including "senior" bonds) issued by Firms are typically subordinated to the claims of certain depositors (deposit accountholders) of the Firm. Bonds (including "senior" bonds) issued by insurance companies are typically subordinated to the claims of policyholders and certain other beneficiaries of the relevant insurer.

Regulators may also have greater powers, or a greater willingness, to use their statutory powers to "bail-in" (i.e. write off or convert into equity) subordinated Firm issuer or insurance issuer securities than senior bonds or other liabilities owed by that regulated entity. Any equity delivered to bondholders on a mandatory statutory conversion may be illiquid or have a low market value.

Although such bonds may pay a higher rate of interest than comparable bonds which are not subordinated, there is a real risk that an investor in subordinated bonds will lose all or some of his or her investment should the relevant issuer become insolvent or be subject to other analogous proceedings. See also "Regulatory capital risk" and "Corporate hybrid capital risk" below.

**Regulatory capital risk** - regulatory capital bonds issued by Firms and insurers contain terms designed to meet the capital requirements of the relevant Firming or insurance group. As well as being subordinated, they may contain issuer-friendly terms such as (i) optional or mandatory interest deferral or cancellation, (ii) mandatory write-down or conversion of principal into equity upon the occurrence of a specified stress event, (iii) deferral of redemption (i.e. repayment of the original investment) and/or (iv) being long-dated (e.g. 30+ years) or having no maturity date at all. They are unlikely to contain typical bond investor protections such as extensive restrictions on the business of the issuer, events of default or enforcement rights.

Investors in long-dated or perpetual bonds may have to bear credit risk on the issuer for a long period and possibly, effectively, indefinitely.

Although such bonds may pay a higher rate of interest than comparable bonds which are not subordinated, there is a real risk that an investor in such bonds will have payments on the bonds deferred indefinitely or cancelled or will lose all or some of his or her investment should the relevant issuer become distressed, insolvent or be subject to other analogous proceedings. See also "Contractual or statutory subordination risk" above.

**Corporate hybrid capital risk** - corporate issuers (such as utility, energy and telecommunications companies) sometimes issue subordinated bonds intended to have a particular effect for accounting or credit ratings purposes. As well as being subordinated, they may contain issuer-friendly terms such as (i) optional or mandatory interest deferral, (ii) mandatory conversion of principal upon the occurrence of a specified event or date and/or (iv) being long-dated (e.g. 30+ years) or having no maturity date at all. They are unlikely to contain typical bond investor protections such as extensive restrictions on the business of the issuer, events of default or enforcement rights.
Any equity delivered to bondholders on a mandatory contractual conversion may be illiquid or have a low market value.

Investors in long-dated or perpetual bonds may have to bear credit risk on the issuer for a long period and possibly, effectively, indefinitely.

Although such bonds may pay a higher rate of interest than comparable bonds which are not subordinated, there is a real risk that an investor in such bonds will have payments on the bonds deferred indefinitely or cancelled or will lose all or some of his or her investment should the relevant issuer become distressed, insolvent or be subject to other analogous proceedings. See also "Contractual or statutory subordination risk" above.

**High Yield bonds** - non-investment grade bonds may suffer from more volatile price movements in the secondary markets than investment grade bonds; in particular, in times of macro-economic or industry-specific uncertainty. Non-investment grade bonds are also expected to be more susceptible to payment default and restructuring proposals than investment grade bonds.

High yield bond issuers tend to be highly leveraged i.e. to have significant amounts of debt outstanding compared to the equity (share) value of the issuer and its group. This may make it more difficult for the issuer to satisfy its payment obligations under the bonds.

While some High Yield bonds purport to give security over assets of the issuer or its group it may be difficult and expensive for bondholders to extract any value from such security if the issuer defaults on scheduled payment under the bonds. The secured assets may not provide any significant value at that time and enforcement of the security may involve lengthy court or other administrative processes (including in foreign countries where enforcement may be more difficult). If assets are to be recovered from the issuer, it could take many years to realise them and any cash proceeds from their sale; the costs of such recovery will have to be met before any cash sums are shared.

Although such bonds may pay a higher rate of interest than comparable investment grade bonds, there is a real risk that an investor in such bonds will lose all or some of his or her investment should the relevant issuer become unable to meet scheduled payments, become subject to a debt restructuring proposal, become insolvent or be subject to other analogous proceedings. See also “3. Bonds and Fixed Income Investments – 3.2.1. What is a Bond? - Non-investment grade bonds” above.
3.3. MONEY MARKET INSTRUMENTS

These include investments and borrowings evidenced by a certificate such as certificates of deposits, deposit funds, government bonds, global note facilities, commercial papers as well as all notes with a maturity of up to five years for the repayment of principal and fixed interest rates for up to about one year.

Examples of Money Market Instruments include:

- Certificates of deposit Money market instruments with terms of usually 30 - 360 days, issued by banks.
- Deposit funds Money market instruments with a term of up to five years, issued by banks.
- Federal government bonds Money market instruments with a term of six months to five years (maximum), issued by the Federal Ministry of Finance.
- Commercial papers Money market instruments, short-term debt instruments with maturities ranging from five to 270 days, issued by large companies.

3.3. CERTIFICATES OF DEPOSIT

3.3.1. WHAT IS A CERTIFICATE OF DEPOSIT?

A Certificate of Deposit ("CD") is a financial product similar to the making of a deposit in a savings account. A CD typically has a specific, fixed term (often three months, six months, or one to five years) and usually, a fixed interest rate. It is intended that the CD be held until maturity at which time the money may be withdrawn together with accrued interest. In many countries CDs are not treated as deposits but as debt securities and therefore do not benefit from the protections that government or regulatory authorities might offer in respect of deposits.

3.3.2. HOW DOES INVESTING IN CERTIFICATES OF DEPOSIT REWARD INVESTORS?

Certificates of Deposit pay a fixed interest rate. On the maturity of the CD, the issuer is obliged to repay the principal, together with any accrued but unpaid interest.

3.3.3. WHAT ARE THE RISKS OF INVESTING IN A CERTIFICATE OF DEPOSIT?

An investment in CDs, as in any Money Market Instrument, exposes an investor to risks which are similar to the risks associated with bonds and fixed income investments (see Section 3.2), for example:

**Credit risk** - the issuer of the CDs may fail to repay some or all of the amount invested and/or interest payable on that amount, resulting in a loss to the investor. The lower the credit rating of the issuer the higher the credit risk. Some issuers will not have a credit rating which means it may be difficult to assess the credit risk.

**Liquidity risk** - although CDs are normally treated as debt securities and are tradable, most investors find that there is very limited liquidity in the secondary market, making it difficult for them to dispose of their CDs in that market. CDs, which have varying terms ranging from less than a year to many years, are intended to be held for the whole of the term of the CD. The issuer may not buy back the CD or permit redemptions during the term or it may do so only with a significant penalty.
financial penalty to the investor. Selling a CD prior to maturity could result in a significant loss to the investor.

**Market risk** - movement in the price of a CD due to fluctuations in interest rates and credit spreads (reflecting relative credit risk) can cause the price of a CD to decline with the result that losses may be incurred rather than profits made as a result of buying and selling CDs.

**Currency risk** - if an investor chooses to convert payments made on CDs into their reference currency they will also be exposed to currency exchange rate risk.

### 3.5. OPTIONS

#### 3.5.1. WHAT IS AN OPTION?

An option is a contract between a buyer and a seller that gives the buyer the right - but not the obligation - to buy or to sell a particular asset (the "underlying") at a later date at an agreed price. In return for granting the option, the seller collects a payment (the "premium") from the buyer. A call option gives the buyer the right to buy the underlying; a put option gives the buyer the right to sell the underlying.

In return for payment of the premium, the buyer of a call option acquires the right to buy from the seller a defined proportion (the size of the contract) of the underlying at an agreed price (the "exercise price" or "strike") during a certain fixed period or on a predetermined date (the "expiration date"). In return for payment of the premium, the buyer of a put option acquires the right to sell to the seller a defined proportion of the underlying at the exercise price during a certain fixed period or on the expiration date.

Where an option provides for physical settlement, the underlying asset is to be delivered if the option is exercised. For example, if the buyer of a physically settled call exercises its option, then the seller must deliver the underlying in exchange for payment of the exercise price. Where an option provides for cash settlement, only cash is to be delivered. For example, if the buyer of a cash settled call exercises its option, then the seller must deliver in cash the difference between the exercise price and the market value of the underlying at the time of option exercise.

The price of an option is closely linked to that of the underlying. Any change in the market value of the underlying will generally result in a greater change in the price of the option. This is the effect of leverage. It means that the investor participates disproportionately in any rise or fall in the market value of the underlying.

The contractual specifications of the option are either standardised and traded through an exchange (listed options or exchange traded options) or agreed individually between the buyer and the seller (in the case of mutually negotiated or "over-the-counter" (OTC) options).

"American-style" options are those which may be exercised on any business day up to the expiration date. "European-style" options are those which are exercisable only on their expiration date.
WHAT ASSETS CAN AN OPTION APPLY TO?

The assets underlying an option may be capital assets such as shares, bonds, currencies, commodities or precious metals; reference rates or other references, such as interest rates or indices; derivative products (for example swaps, forwards or futures contracts); or combinations of various above-mentioned underlying assets, sometimes referred to as baskets.

WHAT ARE "IN-THE-MONEY", "OUT-OF THE MONEY" AND "AT-THE-MONEY" OPTIONS?

A call option is "in-the-money" when the current market value of the underlying asset is higher than the exercise price (also referred to as the "strike"). A put option is "in-the-money" when the current market value of the underlying asset is lower than the strike.

A call option is "out-of-the-money" when the current market value of the underlying asset is lower than the strike. A put option is "out-of-the-money" when the current market value of the underlying asset is higher than the strike.

When the current market value of the underlying asset and the strike are the same, the option is "at-the-money".

The intrinsic value of an option is the value to the holder of the option if it could be exercised now. Hence, it is either worthless if the option is out-of-the-money or equal to the difference between the current market price or level of the underlying asset and the option's strike if the option is in-the-money.

WHAT IS THE MARGIN REQUIREMENT?

If the investor sells an option, the investor will be required to provide collateral or "margin" for the entire life of the contract. The margin is set by the Company and/or exchange to protect against a possible default by the investor, and may consist of the underlying asset, cash or other collateral. If the margin proves to be insufficient, the investor may be required to provide additional collateral in response to a "margin call". If the investor does not provide the required margin in response to the margin call, then the option may be liquidated at a time which may be disadvantageous to the investor. This may result in loss of all margin and loss of the entire investment even where the investment would otherwise have been profitable had it not been liquidated.
FORMS OF OPTIONS

Foreign Currency Options - The buyer of a foreign currency option acquires the right, but not the obligation, to buy or sell a fixed amount of a foreign currency at a predetermined price at a predetermined date in the future or within a predetermined period of time. The seller (writer) of the option grants this right to the buyer. In exchange for this right, the buyer pays the seller a premium. The following possibilities exist:

- The buyer of a call option acquires the right to buy a fixed amount of a specified currency at a predetermined price (exercise or strike price) on or before a specified date (delivery date). The seller of a call option undertakes to deliver/sell, at the option holder’s request, a fixed amount in a particular currency at the agreed strike price on or before a specified date.

- The buyer of a put option acquires the right to sell a fixed amount of a specified currency at a predetermined price (exercise or strike price) on or before a specified date (expiry date). The seller of a put option undertakes to buy, at the option holder’s request, a fixed amount in a specified currency at the agreed strike price on or before a specified date.

Warrants - a warrant gives the holder the right but not the obligation to buy (in case of a call warrant) or sell (in case of a put warrant) an underlying asset at a predetermined price (strike) from the issuer or receive an equivalent cash amount. Warrants can be issued on a variety of underlyings, such as equities, indices, bonds or commodities, and may be listed on an exchange. The performance of the underlying is reflected in the price of the warrant according to a given ratio. Warrants are leveraged instruments, therefore a relatively small movement in the price of the underlying results in a much larger percentage move in the price of the warrant. At maturity, should the price of the underlying be below the strike for a call warrant (or above for a put warrant), the warrant expires worthless. Your maximum loss is always limited to the initial amount invested.

Listed options - listed (or exchange traded) options are standardised options and are traded on specialist exchanges (for example, EUREX, EURONEXT or CBOT) in accordance with the rules and local practices in force and are executed via a clearing house which guarantees the execution and settlement of the transaction.

Over-the-counter ("OTC") options - OTC options are not listed. They are contracts entered into off-exchange between a buyer and a seller. Thus, a position arising from the purchase or sale of an OTC option can only be liquidated with the same contracting party (the "counterparty"). Such liquidation can be done by either party entering into an exactly off-setting position or unwinding the original option contract. This requires the agreement of both parties. Customised OTC options, the underlying assets of which may be various, are created especially for each investor.

3.5.2. HOW DOES INVESTING IN OPTIONS REWARD INVESTORS?

The buyer of a call option may generate a gain if the market value of the underlying rises or in the case of a put option if the market value of the underlying declines. Any gain will be net of the cost of the premium payable to the seller. The seller of options may generate a gain from the premium.
3.5.3. WHAT ARE THE RISKS OF INVESTING IN OPTIONS?

Risks related to the purchase of call and put options - the value of an option is reduced if, in the case of a call option, there is a fall in the market price of the underlying asset or, in the case of a put option, the price rises. The value of the option may fall as the expiration date approaches, while the market value of the underlying remains the same or fluctuates in a manner in principle favourable to the buyer of the option. This loss of value of the option is due to the passing of time and/or the adverse trend shown by market supply and demand. For this reason, the buyer must bear in mind that the value of the option diminishes as the expiration date approaches and may reach zero in respect of at-the-money or out-of-the-money options. In those circumstances, the maximum loss is equal to the amount of the premium initially paid. If the underlying is itself a derivative (e.g. a future, an option or a swap), after the option has been exercised, both the seller and the buyer are exposed to the risks inherent in this derivative.

Risks related to the sale of options - when you sell an option, the risk is considerably greater than when you are a buyer. You may be liable for margin payments to maintain your position and you may sustain a loss well in excess of the premium you received. The seller must anticipate the possibility that the buyer may exercise its right, even if the intrinsic value of the option is at-the-money or out-of-the-money. In the case of American-style options, the seller must also be prepared for the possible exercise of that right by the buyer at any time during the life of the option. In addition, if the underlying is itself a derivative, after the option has been exercised, both the seller and the buyer are exposed to the risks inherent in this derivative.

Covered call options - a call option is covered if the investor owns a corresponding quantity of the underlying equivalent to the size or nominal amount of the option contract. If the current market value of the underlying exceeds the strike and, consequently, the buyer of the call option exercises the option, the seller of the option is deprived of the gain corresponding to the increase in the underlying which must be delivered. If the current market value of the underlying does not exceed the strike, the seller of the option does not incur any loss on the option, but nevertheless remains fully exposed to the risk related to any fall in price of the underlying. In the event that, throughout the life of the option, all or part of the underlying owned by the seller is required to be used as collateral for the option, the only way in which the seller of the option can sell the underlying in order to avoid a future loss is by repurchasing the option.

Uncovered call options - if the seller of a call option does not own the corresponding quantity of the underlying, the call option is described as uncovered. In the case of options with physical settlement, the potential loss is the difference between the strike paid by the buyer and the price the seller must pay to purchase the underlying in the market, if the buyer exercises the option. Where an option with cash settlement is involved, the potential loss is equivalent to the difference between the strike and the market value of the underlying. Since the market value of the underlying may far exceed the strike when the option is exercised, the maximum potential loss cannot be determined in advance and is theoretically unlimited. In particular, the seller of an American-style option that requires physical settlement of the underlying must bear in mind that the option may be exercised in highly adverse market conditions and that, depending on the circumstances, it may prove difficult, if not impossible, to acquire the underlying asset in order to deliver it. The seller must be aware that the potential loss may far exceed the amount of the collateral or "margin" provided.
Put options - the seller of an American-style put option with physical settlement is obliged to purchase the underlying at the strike if the buyer exercises the option, even though it may be difficult or impossible to sell the underlying received and substantial losses may be incurred. The seller's potential loss may be significantly greater than the amount of the collateral or "margin" provided. The maximum potential loss for each option sold is limited to the strike less the premium received.

Risks related to margin calls - if the investor sells an uncovered option, the investor will be required to provide collateral or "margin" for the entire life of the contract. The margin is set by the Company and/or exchange to protect against a possible default by the investor, and may consist of the underlying asset, cash or other collateral. If margin proves to be insufficient, the investor may be required to provide additional collateral in response to a "margin call". If the investor does not provide the required margin in response to the margin call, then the option may be liquidated at a time which may be disadvantageous to the investor. This may result in loss of all margin and loss of the entire investment even where the investment would otherwise have been profitable had it not been liquidated.

3.6. FORWARD CONTRACTS

3.6.1. WHAT IS A FORWARD CONTRACT?

Under a forward contract, two parties commit to exchange a fixed quantity of an underlying against a cash amount, on a precise date (the maturity date), at a price agreed at the start of the contract. Unlike options which only represent a right to exercise, forward contracts give rise to obligations for both parties. Forward contracts do not require the payment of a premium at the start of the contract. Depending on the circumstances, the underlying(s) may include shares, bonds, commodities or precious metals, reference rates or other references (e.g. interest rates, currencies or indices).

Forward contracts require initial margin and variation margin. The "initial margin" is specified when the contract is initiated, whether the investor is the purchaser or the seller under the forward contract. Such initial margin is expressed either as an absolute amount or as a percentage of the size of the contract. In addition, "variation margin" is calculated periodically throughout the entire life of the contract, generally on a daily basis. This reflects the book profit or loss arising from a change in the value of the underlying. The variation margin may ultimately amount to a sum several times greater than that of the initial margin. The detailed procedure for calculating the variation margin is specified in accordance with the exchange rules and practice or specific contract terms applying in each case. Throughout the life of the contract, an investor must maintain margin equal to the sum of the initial and variation margins required.

An investor may, in principle, close or liquidate the contract at any time prior to the maturity date. The closing of the contract is dependent on the type of contract and/or the rules and practice of the exchange. The investor can either sell the contract or agree an offsetting trade with identical terms. Concluding such an offsetting trade means that the obligations to deliver and receive cancel each other out. The parties to the contract are bound to honour the obligations arising from...
the contract which have not been closed or offset prior to their expiration date. The following principles apply in such circumstances:

If the underlying of the contract is a physical asset, settlement is achieved by physical delivery. Only in exceptional cases do the contract provisions or the rules and practice of the exchange call for cash settlement. All other fulfilment specifications, especially the definition of the place of fulfilment, can be found in the relevant contract provisions.

The difference between physical delivery and cash settlement is that with physical delivery underlying(s) in the quantity specified by the contract must be delivered, whereas with cash settlement only the difference between the agreed price and the market value on settlement must be paid. This means that the investor requires more funds to be available for physical delivery than for cash settlement. • If the underlying of the contract is a reference rate or benchmark, fulfilment by physical delivery is not permitted. Instead, settlement is always in cash.

3.6.3 HOW DOES INVESTING IN FORWARD CONTRACTS REWARD INVESTORS?

A forward contract can offer an investor the possibility of eliminating any uncertainty about the future price of an asset (such as a stock or bond). If the expected future price of an asset increases over the life of the forward contract the right to buy the asset at the contract price will have positive value for the investor who will at the end of the contract pay less for receiving the asset than its market value. The opposite is however also true if the expected future price decreases over the life of the contract.

3.6.4 WHAT ARE THE RISKS OF INVESTING IN FORWARD CONTRACTS?

Depending on the change in the value of the underlying throughout the life of the contract, the risks are as follows:

**Risks related to forward sales** - for forward sales, the investor must deliver the underlying at the price originally agreed even if its market value has since risen above the agreed price. In such a case, the investor risks losing the difference between these two amounts. Theoretically, there is no limit to how far the market value of the underlying can rise. Hence, the potential losses are similarly unlimited and can substantially exceed the margin provided.

**Risks related to forward purchases** - for forward purchases, the investor must take delivery of the underlying at the price originally agreed even if its market value has since fallen below the agreed price. The potential loss corresponds to the difference between these two values. The maximum loss therefore corresponds to the originally agreed price. Potential losses can substantially exceed the margin required.

**Price limit risk** - in order to limit price fluctuations, an exchange may set price limits for certain contracts. The investor should take the necessary steps to determine what price limits are in place before effecting forward or futures transactions. This is important since closing out a contract can be much more difficult or even impossible if a price limit of this type is reached.
Short selling risk - if the investor sells forward an underlying which the investor does not hold at the outset of the contract, this is referred to as a short sale. In this case, the investor runs the additional risk of having to acquire the underlying at an unfavourable market value in order to fulfil the investor's obligation to effect delivery on the contract's maturity date. Furthermore, short sales may be banned or subject to specific restrictions and/or reporting requirements on certain markets. Consequently, before entering into a forward contract, the investor should establish whether any such fluctuation limits exist.

Margin call risk - forward contracts require the investor to provide collateral or "margin" for the entire life of the contract. The margin is determined by the Company and/or exchange in its sole and absolute discretion to protect against a possible default by the investor, and may consist of the underlying asset, cash or other collateral. If margin proves to be insufficient, the investor may be required to provide additional collateral in response to a "margin call". If the investor does not provide the required margin in response to the margin call, then the forward contract may be liquidated at a time which may be disadvantageous to the investor. This may result in loss of all margin and loss of the entire investment even where the investment would otherwise have been profitable had it not been liquidated.

Special risks related to over-the-counter (OTC) contracts - OTC forward contracts are not transacted on a market, since they are a private contract between the buyer and the seller. Consequently, they can only be closed out by agreement with the same contracting party or neutralised by entering into an identical inverse contract with another contracting party (if available) enabling the market risk to be eliminated (but not the credit risk on the counterparties). Early closure of such contract may consequently turn out to be impossible, or only possible under very unfavourable conditions. In both cases, there may be a very significant loss for the investor.

Counterparty risk - the investor is exposed to the potential failure of the counterparty to perform the contract and to the insolvency of the counterparty.

4. RISK DISCLOSURE STATEMENT FOR FOREX TRADING

4.1 GENERAL RISK INFORMATION

Customer must understand and acknowledge that buying and selling securities, options, futures and other financial products that are denominated in foreign currencies or traded on foreign markets is inherently risky and requires substantial knowledge and expertise.

Customers wishing to engage in Forex trading represent that they are aware of and understand the risks involved in trading foreign currencies and that they have sufficient financial resources to bear such risks.

Customer acknowledges that the Company’s representatives do not provide investment, trading or tax advice and therefore will not provide advice or guidance on trading or hedging strategies.

Customers must evaluate carefully whether any particular transaction is appropriate for them in light of their investment experience, financial objectives and needs, financial resources, and other relevant circumstances and whether they have the operational resources in place to monitor the associated risks and contractual obligations over the term of the transaction.

In making these assessments, the Company strongly recommends that customers obtain independent business, legal, and accounting advice before entering into any transactions.
WHAT ARE THE RISKS OF FOREX TRADING

Exchange Rate Risk - Exchange rates between foreign currencies can change rapidly due to a wide range of economic, political and other conditions, exposing the customer to the risk of exchange rate losses in addition to the inherent risk of loss from trading the underlying financial product. If a Customer deposits funds in a currency to trade products denominated in a different currency, the customer's gains or losses on the underlying investment therefore may be affected by changes in the exchange rate between the currencies. If a Customer is trading on margin, the impact of currency fluctuation on the Customer's gains or losses may be even greater.

Currency Fluctuation - When Customer uses the spot foreign exchange facility provided by the Company or service providers of the Company to purchase or sell foreign currencies, fluctuation in currency exchange rates between the foreign currency and the base currency could cause substantial losses to the customer, including losses when the customer converts the foreign currency back into the base currency.

Nature of Foreign Currency Exchange Transactions between a Customer and the Company - When a customer enters into a foreign exchange transaction through the Company, the customer will be entering into a privately negotiated transaction with one of the Company’s service providers. In such transactions, the Company’s service provider (“the Forex Counterparty”) is acting solely in the capacity of an arm's length contractual counterparty in connection with the transaction and not in the capacity of a financial adviser or fiduciary. Customer should be aware that the Forex Counterparty may from time to time have substantial positions in, and may make a market in or otherwise buy or sell instruments similar or economically related to, foreign currency transactions entered into with Customer. The Forex Counterparty may also undertake proprietary trading activities, including hedging transactions related to the initiation or termination of foreign exchange transactions with customer that may adversely affect the market price or other factors underlying the foreign currency transaction entered into with customer and consequently, the value of such transaction.

Trades are Not Executed or Cleared by an Exchange - Foreign exchange transactions executed by a customer through the Company are not executed on an exchange and are not cleared by a central clearing organization. Consequently, any foreign currency transaction contract through the Company will be an obligation of the Forex Counterparty (as opposed to an obligation of a clearing house as in the case of an exchange-traded contract) and the customer will not be afforded the regulatory and financial protections offered by exchange-traded contracts. Moreover, the prices quoted by the Company to customers for foreign exchange transactions will be determined based on Forex counterparty quotes and are not determined by a competitive auction as on an exchange market. Prices quoted by the Company for foreign currency exchange transactions therefore may not be the most competitive prices available. The Company will charge transaction fees as specified by the

Company for foreign currency exchange transactions. The Forex Counterparty will try to earn a spread profit on these transactions (differential between the bid and ask prices quoted for various currencies).
Other Risks – Forex Trading carries potential exposure to all the major risk types referred to in Section 2. Generally, currency transactions involve exposure to a combination of the following risk factors: market risk, credit risk, settlement risk, liquidity risk, operational risk and legal risk. For example, there can be serious market disruptions if economic or political or other unforeseen events locally or overseas affect the market. In addition to these types of risks there may be other factors such as accounting and tax treatment issues that customers should consider.

5. RISK DISCLOSURE STATEMENT FOR TRADING CONTRACTS FOR DIFFERENCES (CFDs)

5.1. GENERAL RISK INFORMATION

A Contract for Differences (‘CFDs’) is an agreement between two contracting parties, a buyer and a seller, with which the seller undertakes the obligation to pay to the buyer the (positive) difference between the current market price of an asset and its price at the time of the agreement (if the difference is negative, then the buyer is obliged to pay this to the seller). This asset could be a share, a bond, a future, an option etc. For example, where applicable to shares, such an agreement allows the investor to speculate on share movement with no actual holding of these shares.

It is emphasised that for many members of the public dealings in CFDs will not be suitable. The Client should not engage in any dealings directly or indirectly in CFDs unless he knows and understands the features risks involved in them.

The high degree of “gearing” or “leverage” is a particular feature of Derivative Financial Instruments such as CFDs. This stems from the margining system applicable to such trades, which generally involves a comparatively modest deposit or margin in terms of the overall contract value, so that a relatively small movement in the underlying market can have a disproportionately dramatic effect on the Client’s trade.

If the underlying market movement is in the Client’s favor, the client may achieve a good profit, but an equally small adverse market movement can not only quickly result in the loss of the Clients’ entire deposit, but may also expose the Client to a large additional loss. The CFDs available for trading with us are non-deliverable spot transactions giving an opportunity to make profit on changes in currency rates, commodity, stock market indices or share prices called the underlying instrument.

If the underlying instrument movement is in the Client’s favor, the Client may achieve a good profit, but an equally small adverse market movement can not only quickly result in the loss of the Clients’ entire deposit but also any additional commissions and other expenses incurred.

So, the Client must not enter into CFDs unless he is willing to undertake the risks of losing entirely all the money which he has invested and also any additional commissions and other expenses incurred.
5.2. WHAT ARE THE RISKS OF CFDs TRADING

Trading of CFDs is risky and you may lose more than you deposit - Trading Contracts for Differences ("CFDs") is highly risky due to the speculative and volatile markets in these products and the leverage (margin) involved. Trading these products may result in loss of funds greater than you deposited in the account. You must carefully consider your financial circumstances and risk tolerance before trading CFDs, and you should not trade CFDs unless you are an experienced investor with a high-risk tolerance and the capability to sustain losses if they occur. Trading shares of stock without using margin is less risky than trading CFDs on margin.

CFDs are not traded on a Regulated Exchange and are not cleared on a Central Clearing House - CFDs are contracts with the Company or a service provider of the Company as your counterparty, and are not traded on a regulated exchange and are not cleared on a central clearinghouse. Thus, exchange and clearinghouse rules and protections do not apply to trading CFDs with or via the Company.

You are subject to Counterparty Credit Risk - On CFD trades since the Company or a service provider of the Company is the counterparty to your CFD trades, you are exposed to the financial and business risks, including credit risk, associated with dealing with or via the Company. That is, should the Company or a service provider of the Company become insolvent, it may be unable to meet its obligations to you. You should note, however, that the Company is a participant in the Investor Compensation Fund ("ICF") and you may be entitled to compensation from the ICF in the event we cannot meet our obligations. Further information about ICF is available on the Cyprus Securities and Exchange Commission’s website at: www.cysec.gov.cy, as well as in the document “Investor Compensation Fund” which can be found on the Company’s website.

CFDs do not give you any rights in the underlying asset - A CFD is to secure a profit or avoid a loss by reference to fluctuations in the price of the underlying asset, rather than by taking delivery of any underlying asset. No CFD transaction shall confer on you any right, voting right, title or interest in any underlying asset or entitle or oblige you to acquire, receive, hold, vote, deliver, dispose of or participate directly in any corporate action of any underlying asset.

CFD Markets are speculative and volatile - Derivative markets such as markets for CFDs can be highly volatile. The prices of CFDs and their underlying assets (shares or indices) may fluctuate rapidly and over wide ranges. The prices of CFDs will be influenced by, among other things, the market price of the underlying asset of the CFD, the earnings and performance of the company or companies whose shares comprise the underlying asset or a related index, the performance of the economy as a whole, the changing supply and demand relationships for the underlying asset or related instruments and indices, governmental, commercial and trade programs and policies, interest rates, national and international political and economic events and the prevailing psychological characteristics of the relevant marketplace.

Example of Margin losses on CFDs - Using margin means that you may lose more than you have actually deposited in your account if the price of the CFD moves significantly against you. For example, if you purchase a CFD position on shares of ABC and the total value of the CFD position is €50,000, and if the margin requirement is 20%, you will be required to deposit €10,000 as margin. If the value of the CFD position in ABC then drops to €35,000, you will have lost your original €10,000 deposit, plus an additional €5,000, which you will be required to pay to (this excludes commissions, spreads and financing costs).
The Company has the right to liquidate your positions without notice in the event of a margin deficiency - You must monitor your account so that at all times the account contains sufficient equity to meet the Company's margin requirements. The Company does not have to notify you of any failure to meet margin requirements prior to the Company exercising its rights under its agreement(s) with you, including but not limited to its right to liquidate positions in your account(s). You cannot assume that the Company's general policy to liquidate positions with a margin deficiency will prevent you from losing more than you have deposited with the Company. Among other things, markets may "gap" down and the Company may not be able to close out a position at a price that would avoid losses greater than your margin deposit. Likewise, the Company may at its sole discretion delay or decide not to liquidate a position with a margin deficit. If you wish to avoid further losses on any CFD position, you must close out the position yourself and not rely on the Company to do so.

The Company has the right to change or increase its margin requirements at any time - In order to protect the firm and all of our customers, the Company may modify margin requirements for any or all customers for any open or new positions at any time, at the Company's sole discretion. If we increase our margin requirements, it may prevent you from adding positions or hedging existing positions if you have insufficient equity. If margin requirements increase on your existing CFDs, you will have to deposit additional equity in advance or your positions may be liquidated. The Client may be called upon to deposit substantial additional margin, at short notice, to maintain his investment. If the Client does not provide such additional funds within the time required, his investment position may be closed at a loss and he will be liable for any resulting deficit. With regards to transactions in CFDs, we have the discretionary right to start closing positions starting from the one with biggest loss when margin decreases to about 10%, and automatically close all positions at market prices if margin level drops below 5%. We will automatically close all positions at market price.

CFDs carry liquidity risk - the Company is not obligated to provide quotes for any CFD at any time, and the Company does not guarantee the continuous availability of quotations or trading for any CFD. The Company may at its sole discretion cease quoting CFDs and/or cease entering new CFD transactions at any time based on lack of market data, halts or suspensions or errors or illiquidity or volatility in the market for the underlying asset, the Company's own risk or profit parameters, technical errors, communication problems, market or political or economic or governmental events, force majeure events, or for other reasons.

You will pay commissions, spreads and financing charges among other costs of trading CFDs - the Company will charge commissions on your CFD trades. In addition, you will pay a spread on your CFD transactions, meaning that the price you pay to buy a CFD generally will be some amount higher than the theoretical market value of the CFD and the price you receive when you sell a CFD generally will be some amount lower than the theoretical market value of the CFD. You will also pay financing charges (interest) on your long CFD positions (you may receive a rebate on your short CFDs or pay interest, depending on interest rates). All of these costs, will lower the total return (or increase the loss) on your investment in the CFD.
Risk of foreign currency fluctuation - When you deal in a CFD that is denominated in a currency other than the base currency or currency you have deposited in your account, all margins, profits, losses and financing credits and debits in relation to that CFD are calculated using the currency in which the CFD is denominated. Thus, your profits or losses will be further affected by fluctuations in the exchange rates between the account currency and the currency in which the CFD is denominated. The Company applies a margin "haircut" to reflect this risk, and so the margin requirement on the CFD will effectively increase.

Risk of interest rate fluctuation - Interest rates fluctuate, which will affect the financing charges (or rebates) you will pay (or may receive) on your long (or short) CFD positions. This will also affect your total profits or losses.

Risk of regulatory and taxation changes - Changes in taxation and other laws, government, fiscal, monetary and regulatory policies may have an adverse effect on the value of your CFDs, the tax you pay on your CFDs, and the total return on your CFDs.

The Company has the right to correct trade errors - the Company can cancel, adjust or close out CFD transactions after confirmation to you to correct errors, including but not limited to CFD transactions executed at a time and price at or near which trades in the market for the underlying asset were cancelled or adjusted by exchanges or market centers, CFD transactions subject to technical errors in the Company's platform, and CFD transactions not reasonably related to the correct market price for the underlying asset or CFD.

You may be unable to short CFDs or may suffer forced closeout of an open short position - Depending on regulations, stock loan and borrowing market conditions, or other factors, short sales of CFDs may or may not be allowed depending on the underlying asset. Further, the Company reserves the right, at any time at its sole discretion, to close out your open short CFD transaction.

Company's rights to adjust, modify and/or close-out CFD Transactions in the event of a Corporate action affecting the underlying asset - In the event of a corporate action affecting the underlying asset of a CFD (e.g. splits, spin-offs, rights offerings, mergers and acquisitions, etc.): i) the Company at its sole discretion will determine the appropriate adjustment or modification or action to take, if any, and when, with respect to the CFD to preserve the economic equivalent of the rights and obligations of the parties; ii) As an addition or alternative to the foregoing, the Company reserves the right at its sole discretion to close out your open CFD position in the underlying asset prior to the corporate action.

Risk of disruption or interruption of access to the Company's electronic systems and services - the Company relies on computer software, hardware and telecommunications infrastructure and networking to provide its services to customers, and without these systems the Company cannot provide the services. These computer-based systems and services such as those used by the Company are inherently vulnerable to disruption, delay or failure, which may cause you to lose access to the Company’s trading platform or may cause the Company not to be able to provide CFD quotations or trading, or may negatively affect any or all aspects of the Company’s services. Under the service agreement(s) you have concluded with the Company, you accept the the Company’s systems and services "as is" and our liability to you is limited.
6. BORROWING AND COLLATERAL/ MARGIN

6.1. LOANS AND TRANSACTIONS REQUIRING MARGIN

As set out in the Terms of Business we may agree to make loans or extend credit facilities to you. Such loans or credit facilities will be subject to such terms and conditions as we may agree with you, including as to interest and duration. The Company offers a variety of different facilities for borrowing including uncommitted/on-demand facilities, committed facilities, mortgage lending and asset finance.

If you borrow, you will be obliged to provide collateral. All of your borrowings from us will be secured in our favour in accordance with the Private Client Terms and any other collateral arrangements agreed between us as shall be specifically referenced in the terms and conditions of the loan.

In addition, if you trade in derivatives including selling options, you may be required to deposit collateral by way of margin.

6.2. WHAT ARE THE RISKS ASSOCIATED WITH BORROWING?

Risk of borrowing to fund investments - investors should always be aware of the risks associated with borrowing to increase their exposure to a particular investment. Borrowing can increase profits if the investment that is purchased using the loan increases in value. However, if the investment decreases in value, the losses caused to the investor as a result of the greater exposure to the investment, the costs of the loan and the obligation to provide more collateral and/or to repay the loan at a time which may be most disadvantageous to the borrower, can increase losses substantially.

Therefore, where a borrower uses an existing investment portfolio with a market value of EUR12 million as collateral and borrows EUR10 million under a facility agreement with the Firm to purchase an additional EUR10 million of the same investments and the investments lose 10% of their value, a loss of EUR1.2 million will occur on the original investment portfolio but a loss of EUR2.2 million will occur with respect to the total portfolio of investments that the borrower has. Notwithstanding this loss, the borrower continues to be liable for all outstanding amounts in respect of the facility agreement of EUR10 million together with all fees and interest owing on that facility agreement. The borrower's liability to the Firm remains even if the investments lose all of its value.

A borrower must therefore be prepared to sustain the loss of some or all of the investment portfolio and have the necessary additional assets to finance the repayment of the facility agreement.

Margin call risk - The value ascribed to your collateral may vary from time to time but should always be at least equal to your liabilities. If insufficient collateral is maintained, you will be required to deposit additional collateral with us or to pay or prepay, in whole or in part, such liabilities (a "margin call"). If you fail promptly to respond to the margin call your collateral may be liquidated at a time which may be disadvantageous to you. Accordingly, you may lose the whole of any investments held as collateral in support of your liabilities. The Firm may make a margin call in the circumstances below:
Changes in Collateral Value

**Investments decrease in market value**

**Currency Risk** - If the currency that the borrower's liability is denominated in and the currency of the collateral provided by the borrower are not the same, fluctuations in currency exchange rates may mean that the value of the collateral provided by the borrower may no longer be sufficient to support the borrower's liabilities under the facility agreement and in such circumstances a margin call may be made.

**Risk of increased interest rates** - Changing interest rates can impact the borrower's cost to borrow money. Where the borrower selects a variable interest rate and interest rates rise, the borrower will be liable for these increased costs. Where the borrower has borrowed to fund investments and interest rates rise, this could negatively impact the profit made on the investments. Changing interest rates should be considered when deciding the maturity of the loan. Time to maturity can magnify the impact of changing interest rates and have a large impact on the borrower's returns. expressed, the final redemption amount payable on the product may be affected by any unfavourable change in the exchange rate between these two currencies. Where the securities are denominated in a currency other than the investor's reference currency, changes in rates of exchange may have an adverse effect on the value of the investment in the reference currency.