

## TERMS OF BUSINESS NATIXIS

### Introduction

These terms and conditions are sent to you by Natixis (hereafter “we”, “us” or the “Service Provider”). They are available on the Service Provider’s website.

NATIXIS is a company (*société anonyme*) established under French law, incorporated and registered in France, with registered number 542 044 524 whose registered office is at 30 avenue Pierre Mendès France, 75013 Paris, France.

Natixis is:

- authorised in France by the Autorité de contrôle prudentiel et de résolution (ACPR) as a Bank – Investment Services Provider and subject to its supervision. Natixis, located in 30, avenue Pierre Mendès France, 75013 Paris, France, is regulated by the Autorité des marchés financiers (AMF) in respect of its investment services activities.
- subject to limited regulation by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA) in the United Kingdom for the conduct of its business in the United Kingdom through its branch located in Cannon Bridge House, 25 Dowgate Hill, London EC4R 2YA. Details on the extent of our regulation by the FCA and the PRA are available from us on request.
- subject to limited regulation by the BaFin (Bundesanstalt für Finanzdienstleistungsaufsicht) for the conduct of its business in Germany through its branch (*Zweigniederlassung*). The transfer / distribution of this document in Germany is done by NATIXIS Zweigniederlassung Deutschland located in Im Trutz Frankfurt 55, 60322 Frankfurt am Main, Germany and registered in Germany with the commercial register (Handelsregister) at the local court (Amtsgericht) Frankfurt am Main with number HRB 81938.
- regulated by Bank of Spain and the *Comisión Nacional del Mercado de Valores* (CNMV) for the conduct of its business in Spain through its branch. “Natixis, Sucursal en España” is located in - and registered with the Registry of the Bank of Spain as a branch of a European Union Credit Entity with number 1479.
- subject to limited regulation by the Bank of Italy and the Commissione Nazionale per le Società e la Borsa (CONSOB) for the conduct of its business in Italy, through its branch located in Via Borgogna, 8 – 20122 Milan.

These terms of business (hereafter, the “Terms”) contain the terms upon which the Service Provider will conduct investment services with you (hereafter, “you” or the “Customer”), save anything to the contrary expressly and later agreed in writing between us, pursuant to the provisions of paragraph 1 of these Terms.

### 1. Application and scope of the Terms

The Terms set out the conditions upon which the Service Provider agrees to provide you the services defined in paragraph 1.1.

#### 1.1 Product Services / Scope

These Terms are entered into pursuant to the applicable statutory and regulatory provisions in force and applicable to us, and in particular to the General Regulation issued by the AMF.

Those Terms will only apply to the following investment services:

- a) Reception and transmission of orders;
- b) Execution of orders on behalf of clients;
- c) Dealing on own account;
- d) Portfolio management;
- e) Investment advice;
- f) Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis; and
- g) Placing of financial instruments without a firm commitment basis.

in relation to one or more of the following financial instruments:

- a) shares and other securities that may grant access, either directly or indirectly, to share capital or voting rights, which may be transferred if registered in an account or by delivery;
- b) debt securities which each correspond to a claim on the issuer, which may be transferred if registered in an account or by delivery, to the exclusion of commercial papers and certificates of deposit;
- c) units or shares of collective investment undertakings; and
- d) forward financial instruments as defined under French law by article D.211-1 A of the French Monetary and Financial Code and, most notably: interest rate futures contracts, put or call options, futures contracts on notes, securities, indexes or currencies, goods, issue authorisations or equivalent instruments leading to cash payments.

## **1.2 Conflicts and interpretation**

These Terms supersede any other terms of business or general services agreement that may have previously been sent to you or by you, or that may be sent by you in the future, or executed between us, and/or governing our relationships. These terms will apply to any investment business which we may conduct with you from now on, including outstanding ones.

Having said so:

- these Terms are subject to applicable laws and regulations so that: (x) in case of conflict between these Terms and any applicable law or regulations, the latter will prevail, (y) nothing in these Terms should be read as excluding or restricting any obligation with any applicable law, (z) any action that we take or fail to take for the purpose of compliance with any applicable law or regulation shall not render us liable;
- in case of conflict (i) between these Terms and the terms of business (either specific or general) sent by you, these Terms shall prevail, (ii) between these Terms and the more specific terms applicable to a given service or a given type of activity provided by us to you, the specific terms will prevail, (iii) between these Terms and any specific agreement entered between us for a transaction, the specific agreement will prevail; and

- specific terms of business, if any, may govern any investment business between you and any of our branches located outside France and, in this case, the Terms could apply cumulatively to the terms of business sent to you by the branch as long as they do not conflict.

### **1.3 Agreement and Non reliance**

Your acceptance of these Terms shall be deemed given by your request for quotes or the conclusion of a transaction with us or by us performing any services to you following receipt of these Terms, whether or not you have expressly acknowledged in writing your acceptance of these Terms.

You acknowledge and agree that you have not relied upon or been induced to accept those Terms by any representation or advice made or given by us other than those expressly set out herein.

In these Terms:

- a reference to a statute or a statutory provision includes a reference to the statute or statutory provision as modified or re-enacted (or both) from time to time and any subordinate legislation or other thing done under the statutory provision; and
- a reference to a document is a reference to that document as modified or replaced from time to time.

### **1.4 Miscellaneous**

In the event that no specific agreement governs our investment business relations, any transaction entered into between you and us by phone, exchange of mails or e-mails, Telex, SWIFT or any other means of communication or through trading pages and order-routing system available on electronic systems provided by us or a third party provider is subject to these Terms.

## **2. Customer's authority and duties – Capacity**

You will find in Appendix 1 a note concerning the risks associated with certain financial instruments. Whilst the Service Provider would expect you as a professional client or an eligible counterparty to be aware of the risks involved in financial instruments, the Service Provider nevertheless recommends that you should carefully read and consider Appendix 1.

### **2.1 Identification of the Client**

The Customer shall provide to the Service Provider, forthwith upon demand, reasonable evidence that is satisfactory to the Service Provider of the identity of the Customer, its owners or anyone with an interest in the Customer, its directors, officers, employees and agents and such other matters as the Service Provider may require in order to comply with applicable law or any of the Service Provider policies, including (but not limited to) applicable law concerning money laundering and terrorist financing. If the Customer fails to do so, the Service Provider may without prior notice and with immediate effect terminate the relationship governed by these Terms together with any outstanding transaction between us in direct or indirect relation with one of the services listed in paragraph 2 above, in any case at the sole and exclusive expense of the Customer.

### **2.2 Categorisation of the Customer as a professional client or as an eligible counterparty**

Pursuant to applicable laws and regulations, the Service Provider has categorised you either as a professional client or as an eligible counterparty. The categorisation has been made by the Service Provider in accordance with its execution policy. We inform you that this categorisation entails important consequences on the level of information provided to you. Most notably, we are entitled to assume that you have the necessary experience and knowledge to understand the risks involved by the services referred to in paragraph 2 above and any Transaction entered into in relation therewith.

For the purpose of this categorisation, we have relied on the information supplied by you. The information provided by you for this purpose should be complete, accurate, and not be misleading. Pursuant to applicable laws and regulations, the Service Provider is authorized to rely on the information supplied by the Customer, unless the Service Provider knows, or should have known that such information is manifestly outdated, erroneous or incomplete. The Customer undertakes to immediately inform the Service Provider of any modification of the information provided for this purpose and of any change in circumstances which could affect its experience, knowledge and expertise to make its own investment decisions and properly assess the risks inherent to the investment services.

If we become aware for a particular type of service or financial instrument, that you no longer fulfil the conditions for your category (professional client or eligible counterparty), we will treat you for this specific service or financial instrument, as the case may be, in accordance with your new category.

If we have classified you as an eligible counterparty we will treat you as such and you will not benefit from the protections given to professional clients under applicable laws or regulations. Where we have classified you as an eligible counterparty you may at any time and from time to time, request to be treated as a professional client (and benefit from the higher level of protection provided to such clients).

Where we have categorised you as a professional client, in certain circumstances you may request to be treated as an eligible counterparty. In this case, you understand that you will lose part of the legal protection offered to professional clients.

### **2.3 No Agency**

You alone are our Customer and you will be responsible for the fulfilment of all obligations to us, and no other person shall be an indirect customer by virtue of these Terms or shall have any rights hereunder. The only exception is in the event you are a management company, operating on behalf of collective investment schemes, such as (but not limited to) OPCVM [mutual funds] managed by you in relation to which you have an agency agreement authorizing you to act with us on behalf of the collective investment scheme.

You agree that we do not accept any responsibility towards any person on whose behalf you are acting even where that person has been identified to us, except when by appropriate disclosure we have accepted to deal with you as agent of your fully disclosed client.

### **2.4 Undertakings**

You undertake to us that: (i) you have the full power and authority under any applicable laws and regulations and under your constitutional documents to enter into all of the transactions that you enter into with or through us and you will notify the Service Provider of any changes relating to this full power and authority; (ii) in respect of each transaction, and any instruction, notification or information given, or course of action taken, by you with respect to each transaction, all applicable law has been and will be complied with by you, your employees, agents and affiliates, (iii) the information you have provided to the Service Provider is complete accurate and not misleading in any material respect, and (iv) you have the necessary expertise, experience and knowledge to make your own investment decisions and to understand the risks involved.

You agree to notify the Service Provider (x) should such information change in any material respect, (y) should a change in the information provided have an impact on your categorisation, or (z) should a change in circumstances occur which could affect your experience, knowledge and expertise to make your own investment decisions and properly assess the risks inherent to the investment services provided.

You undertake also that all your securities in relation to which the investment services are provided are and will remain, so long as they may be held for any reason by the Service Provider or where payment has not at the relevant time been made by you in relation thereto, free from any charge, lien, pledge, encumbrance or other security interest and either beneficially owned by you or the person or ultimate beneficiary on whose behalf you are acting directly or indirectly.

The Customer will be responsible for obtaining any translations of documents provided by the Service Provider for the Customer's understanding of such documents.

### **3. Investment Advice**

#### **3.1 Adequacy of the Service - Portfolio management and Investment advice**

Pursuant to applicable laws and regulations, when providing investment advice or portfolio management services to the Customer when you are classified as a professional client, we will ensure that the service proposed is suitable for you. For this purpose, the Service Provider will ask the Customer to provide such information as is necessary for the Service Provider to understand the essential facts about the Customer and to consider, taking into account the nature and extent of the service provided, that the specific transaction that we intend to recommend, or the portfolio management service that we intend to provide, satisfies the following criteria:

- the service meets the Customer's investment objectives;
- the Customer is financially able to bear any risks related to the recommended transaction or to the portfolio management service provided and consistent with his investment objectives; and
- the Customer has the necessary experience and knowledge to understand the risks involved in the recommended transaction or in the portfolio management service provided.
- The Customer acknowledges that it has indicated to the Service Provider, upon request, his investment objectives, investment experience and knowledge, and any specific information and restrictions that may be relevant, in order to enable the Service Provider to prepare recommendations or make appropriate decisions.

The Service Provider agrees to implement, and comply with, management methods in conformance with the management objectives and constraints so determined by the Customer in accordance herewith. Moreover, when providing the service of portfolio management, the Service Provider shall establish an appropriate method of evaluation and comparison so as to enable the Customer for whom the service is provided to assess the Services Provider's performance.

When you have been classified as an eligible counterparty by the Service Provider, the above provisions will not be applicable to you.

#### **3.2 Non reliance for other investment services**

For all investment services other than portfolio management and investment advice, you take all trading decisions in reliance on your own judgement and the Service Provider does not owe you any duty to advise on the merits or suitability of a transaction. Any trading recommendations or market or other information communicated to you is incidental to the provision of Services by us to you.

Unless we give you a personalised recommendation, the Service Provider shall assume that all transactions are within your investment objectives. The Service Provider shall assume that all transactions are otherwise suitable for you. Save as indicated above, the Service Provider expects you to exercise your own judgement concerning the ultimate suitability of any proposed investment.

Where the Service Provider provides you with trading ideas, market commentaries or other information this is incidental to your dealing relationship with us and is provided only to enable you to make your own investment decisions and does not amount to investment advice. Such information will not be tailored to your specific investments objectives and may not be suitable for you.

#### **4. The Service Provider's authority and duties**

The Service Provider may rely on any instructions, commitments, notices or requests of any person who is or is believed in good faith to be a person designated or authorised by the Customer to give such instructions, commitments, notices or requests. The Service Provider may accept and act without further enquiry upon any instruction, commitment, notice or request given or which purports or is believed in good faith to be given by or on behalf of the Customer whether such instructions are oral, in writing (which includes facsimile transmission or electronic mail) or by telex or SWIFT.

Instructions, whether confirming or revoking an instruction, commitment, notice or request, given to the Service Provider shall not take effect unless actually received by it.

The Service Provider may delegate the performance of any or all of the investment services to any associated company and/or such other person or persons as it may think fit. However, in accordance with applicable laws and regulations, the Service Provider will outsource such service only to persons approved or authorized to carry the investment services in accordance with the prevailing standards in their country. The Service Provider shall (i) ensure that its control system includes its outsourced activities, and (ii) set-up arrangements to control its outsourced activities.

It may also employ such agents as it shall select on such terms as it considers appropriate. Pursuant to applicable laws and regulations, when such agents are tied agents within the meaning given to that term under French law, the Service Provider will ensure that these agents have the necessary good repute and professional experience to perform this activity and are listed on the registry of tied agents in the jurisdiction. They supervise the activity of these tied agents in order to make sure that they comply at any time with applicable laws and regulations. When the agents are not tied agents, these obligations will not apply to the Service Provider.

The Service Provider shall be entitled, but not bound, to act upon a request from a Customer to carry out a transaction or give effect to an instruction, commitment, notice or request with respect to a transaction, but may, without limitation to the foregoing, in its absolute discretion and at any time refuse to accept an order for a transaction, or refuse to provide a quote in respect of and/or to enter into any transaction.

If the Service Provider declines to carry out a transaction it shall, subject to applicable law or regulation, promptly notify the Customer but shall have no liability for any expense, loss or damage incurred by the Customer by reason of any omission so to do.

The Service Provider may advise you or arrange for you to enter into a transaction with a third party, who may or may not be one of its affiliate as defined in paragraph 16. In each such case, and to the extent it is acting on your behalf, the Terms apply to such advice or arranging, but not to the actual transaction, which will be governed by the terms of any agreement that you may have with the other firm with which you will be dealing, including the terms set out in any confirmation or contract note delivered by the other firm.

The Service Provider may in its absolute discretion and without prior disclosure to the Customer arrange for any transaction for which an instruction is received from the Customer to be effected with the Service Provider or an affiliate, as defined in paragraph 16, as the Service Provider shall decide.

Within the scope of the services it provides to the Customer, the Service Provider may have to pay to or collect from third parties fees or commissions or to provide or receive non- monetary benefits. The Service Provider shall provide the Customer, where applicable, with all information regarding such inducements on the Customer's request.

The Customer acknowledges the following:

- the Service Provider has not made, and the Customer is not relying upon, any statements, representations, promises or undertakings whatsoever except to the extent expressly set out herein.
- Any advice (which may be given either orally or in writing) by any director, officer, employee or agent of the Service Provider or any of its affiliates to the Customer in relation to any transaction shall be given in good faith without any obligation to communicate to the Customer the basis on which he or it has made the judgment leading to such advice.
- In all cases, the Customer should conduct its own investigation and analysis of such information before taking any course of action, including as to the legal, tax or accounting consequences thereof. The Customer shall be solely responsible for the tax management and the accounting treatment of his own affairs. As the Service Provider's role does not include any action related to the selection of the Customer's tax options, the Service Provider shall not be held liable for the tax consequences of such management, in particular as regards capital gains. The Customer shall be solely liable for his own tax options and for the resulting obligations.
- Every transaction shall be entered into, maintained and terminated by the Customer in sole reliance upon the Customer's own judgment and determination.
- Neither the Service Provider nor its affiliates will have any duty to advise on or exercise judgement on the Customer's behalf as to the merits of any transaction which the Service Provider or its affiliate proposes.

## 5. Best Execution

For the provision of the execution of orders services, the Service Provider shall take all reasonable measures in order to provide best execution of the order in accordance with applicable laws and regulations and in accordance with our execution policy as amended from time to time.

If you place an order for the execution of a transaction which is capable of being executed on a regulated market or a multilateral trading facility, we will only execute that order outside of a regulated market or multilateral trading facility if we have your prior express consent.

The Service Provider shall be deemed to fulfil the obligation to provide best execution of the order if they execute an order or a specific aspect of an order following specific instructions given by the Customer with regard to the order or the specific aspect of the order.

In certain circumstances, the Service Provider does not execute an order "on behalf of client" when it enters into a Transaction with a Customer and it does not owe an obligation of best execution. This will be the case most notably in the following circumstances:

- when an order is executed by the Service Provider where we engage in a proprietary trading by quoting on a "request for quote" basis;
- when the Service Provider proposes to perform over-the-counter transactions for the Customer, for which the Service Provider shall act as counterparty.
- Every time the contractual documentation used between the parties is a master agreement relating to transactions on forward financial instrument transactions (most notably ISDA master agreement, FBF master agreement, EFET master agreement), this will be considered as indicative of the intent of the parties that the Service Provider is not rendering an investment service to the Customer.

Within this context, these transactions shall be performed based on prices proposed by the Service Provider and accepted by the Customer. The Service Provider shall under no circumstance decide on how a transaction should be effected in the place of the Customer. As a result, the Service Provider is not obliged to

take all reasonable measures in order to provide best execution to the Customer. The Service Provider nevertheless undertakes to act in the Customer's best interest.

For reception-transmission of order services and management of collective investment schemes, the Service Provider selects the entities to which the orders of the Customer for each class of instruments are transmitted for execution that provide best execution.

Information on the Execution Policy has been provided to you and which is posted on the Service Provider website.

The Customer confirms its approval of the Service Provider's execution policy when submitting an Order to the Service Provider.

When you have been classified as an eligible counterparty by the Service Provider, you should note that the provisions of this paragraph will not be applicable to you. You understand that, by accepting to be classified as an eligible counterparty, you have accepted a lower degree of protection.

## **6. Margins**

It may be that a transaction you enter into with the Service Provider may be subject to a liability on your part to make a payment and a contingent liability on your part to make further payments, as may be agreed from time to time with you. These payments are known as "Margin" and you should refer to paragraph 13 of Appendix 1 with regard to certain risks associated with "Margined" transactions.

## **7. Confirmation – Settlement**

We shall, subject to the applicable rules, send you confirmations for any transactions effected for you or on your behalf, by electronic mail to the address notified by you or by any other means agreed between us. It is your responsibility to inform the Service Provider of any changes to your email address, non receipt of a confirmation, or inaccuracy of any confirmation details before settlement. Confirmations shall, in the absence of manifest error, be conclusive and binding on you if not objected to in writing by you by the business day prior to settlement day for the transaction(s), or we have not notified you of an error therein within the same time frame.

The conclusion of any transaction effected on electronic trading systems will be evidenced by the registration of such transaction on the recapitulative page of such system which will be the sole proof of conclusion of the transaction, whether or not a confirmation has been issued by your back-office or ours.

All transactions shall be settled directly by you with the Service Provider.

## **8. Conflicts of Interest**

The Service Provider takes all reasonable measures to detect conflicts of interest that arise in the course of providing investment and ancillary services. It has a written conflicts of interest policy in order to anticipate, identify and, where necessary, equitably manage any conflict that arises during the performance by the Service Provider or persons or entities connected thereto of investment services, related services, services that are supplementary to investment services, banking or insurance services or services related to the management of UCITS, between the interests of the Service Provider and persons or entities connected thereto and their customers or between the interests of two or more customers.

This policy is based, *inter alia*, on the identification and oversight of:

- the preparation and circulation of financial analyses,



- fees paid or received in connection with services or activities performed by or for the Service Provider,
- benefits or gifts received by the Service Provider's employees within the scope of their professional activity,
- corporate offices held by the Service Provider's employees on a private basis or within the scope of their professional activity,
- the circulation within the group of confidential or privileged information,
- the separate performance of activities that are likely to give rise to a conflict of interest (for example, dealing on own account and trading for a third party),
- employee remuneration procedures with regard to the distribution of financial products (the elimination of any direct links between the remuneration of persons principally engaged in one activity and the remuneration of, or revenues generated by, other relevant persons principally engaged in another activity),
- the simultaneous or subsequent participation by an employee in one or more investment services or related services,

The conflicts of interest policy aimed at identifying and preventing the occurrence of conflicts of interest, does not make it possible to guarantee, with reasonable certainty, that any risk of harming the Customer's interests may be excluded, then the Service Provider agrees to clearly inform the Customer concerning the nature and source of the relevant conflicts before taking any action on the Customer's behalf. In exceptional cases, the Service Provider may decline to act.

Additionally, the Service Provider may be incited to offer products oriented around trading strategies which may decrease Natixis' risk exposure given these products may be more beneficial to the client's interests.

The Customer acknowledges that there is a risk of conflict of interests but nevertheless authorizes the Service Provider:

- to act on behalf of any third party;
- to negotiate for its own account or for the account of one of its affiliates all financial instruments, notwithstanding the fact that transactions on the same financial instruments may be entered into following instructions of the Customer;
- to buy financial instruments held by the Service Provider on its own account;
- to negotiate financial instruments notwithstanding the participation of the Customer in a transaction on these financial instruments;
- to publish a research note for clients (including the Customer), notwithstanding the fact that the Service Provider or one of its affiliates may have relied on these information to take a decision or used this recommendation to take a decision; and
- to establish or pursue business relations with other customers, either professional or non professional clients, which may be competitors, clients or counterparties of the Customer and, more generally, to enter into any transactions within the normal course of its business activity.

## 9. Research

We may provide you with research and valuation services that will be subject to the terms of the applicable laws and regulations.

Under no circumstances, can such information be construed as an offer nor as a solicitation or a basis to enter into any transaction with any person or entity and no guarantee is given on the fact that a transaction could be entered into on the basis of the information displayed. Although the information provided by us has been obtained from sources that the Service Provider believes to be reliable, the Service Provider provides it "as is", without any express or implied warranty, and does not guarantee its accuracy, completeness or fairness; the Service Provider may alter or withdraw such information without notice.

Information relating to prices is indicative and provided for information purposes only and is subject to fluctuations at any time, depending *inter alia* on market conditions. Past performance and simulations are not representative of future performance.

Neither the Service Provider nor any director, employee, agent or representative shall be held liable for any decision taken on the basis of the information disclosed herein and does not seek to provide any investment advice by allowing access to such information.

It is your responsibility to contact internal and/or external advisors that you consider necessary or prudent, including but not limited to financial analysts, in order to examine the compliance of the planned transaction with your objectives and constraints and obtain an independent evaluation of the transaction, its benefits and risks factors.

## 10. Valuations

By providing valuations, the Service Provider is not offering any investment advice and the information disclosed cannot be considered as an offer for subscription, purchase or sale of any financial instrument. As mentioned in paragraph 6, the Service Provider will not apply its execution policy to transactions where the Customer is merely requesting a quote in relation to a financial instrument. In the case of a quote published by the Service Provider for a transaction related to a financial instrument and the Customer agrees on the published quote, the Service Provider will not apply the execution policy to the Customer.

The Service Provider has prepared the valuations on the basis of valuation models used for its own needs but based on objective criteria and accepted methods accross the market. These models do not take into account any specific accounting or tax rules that may be applicable to other users.

The Service Provider cannot be liable for differences, if any, between its own valuations and the valuations provided by third parties.

Moreover, the Service Provider cannot be held responsible by its clients, counterparties or third parties for any decision taken by them on the basis of the information or valuations disclosed.

## 11. Charges & Costs

Any fees or charges will be the subject of negotiation. We may share fees and charges with other companies in the Service Provider group of companies. Any payment due from the Customer shall be made promptly in freely transferable, cleared and immediately available funds without deduction (whether in respect of set off, counter-claim, taxation or otherwise).

Underwriting fees collected by Natixis are in line with the customary practices of market and are ranged from 0% to 4%, except exceptional cases.

## **12. Telephone and e-mail Recording – Evidence - Communication**

The Service Provider may in its absolute discretion record telephone conversations with the Customer or the Customer's agents, which may include recording telephone conversations between the Customer or Customer's employees or agents and employees of the Service Provider who act in a trading, sales or settlements capacity. Such recordings may commence without the provision of a warning tone. The Customer hereby agrees to have these phone conversations recorded and retained by the Service Provider for the minimum legal time period required by applicable laws and regulations. The Service Provider's records of telephone conversations with the Customer or its agents may be used as evidence in the case of dispute, including any judicial proceeding and shall be conclusive evidence of all instructions, commitments, notices or requests and such records shall be the sole property of the Service Provider.

The Service Provider may in its absolute discretion record any e-mail sent or received, including any e-mail exchanged between the Customer or Customer's employees or agents and employees of the Service Provider acting or not in the course of an investment business. Such e-mail will be considered as exchanged in the course of the business between the Service Provider and the Customer irrespective of their contents and could be subject to disclosure in accordance with any relevant regulation.

In addition to receiving communications from the Service Provider by paper, you agree to the Service Provider communicating information or any change thereto to you by electronic means, including email and the internet through its website.

## **13. Compensation**

As the Service Provider is a French company, it is not a member of the Financial Services Compensation Scheme in the UK, so you will not have the right to claim compensation through a UK Compensation Scheme. Neither is there any special interbank indemnification fund for any transactions carried on between you and us under French rules (article L.533-23 of the French Monetary and Financial Code).

If you have any complaint about our services or conduct under these Terms you should raise it with your usual Service Provider's contact.

## **14. Fiduciary Duties**

None of the investment services to be provided hereunder nor any other matter shall give rise to any fiduciary or equitable duties which would prevent or hinder the Service Provider from performing them. The Customer consents in advance that the Service Provider, or one of its affiliates may execute one of the following:

- transactions with or for the Customer acting as both market-maker and broker, principal or agent;
- dealing with other customers; and generally
- rendering investment services or entering into transactions as provided above,.

## **15. Indemnities – Liabilities**

### **15.1 Indemnities**

The Customer shall indemnify and hold harmless the Service Provider and its affiliates and the directors, officers, employees or agents of the Service Provider or its affiliates, on a full indemnity basis from and against all actions, claims, liabilities, losses, damages and expenses of any nature (including those incurred to any dealer, exchange or clearing house and costs of enforcement) arising from any action taken or omitted to be taken in good faith by the Service Provider pursuant to any such instruction, commitment, notice or request of the Customer. Such indemnity is given to the Service Provider for itself and as trustee for its directors, officers, employees, nominees, correspondents, contractors and other agents, on terms that each such person shall have an

independent right of action against the Customer. This shall not restrict the Service Provider's right to recover from the Customer any amount payable or paid to such persons in respect of any transaction, actions, claims, liabilities, losses, damages or expenses arising in connection with these Terms.

### **15.2 Limitation of Liability**

No provisions of these Terms shall apply so as to exclude any liability of the Service Provider, which by applicable law or rules cannot be excluded by agreement with the Customer.

The Service Provider shall not be liable to the Customer for any partial or non-performance of its obligations hereunder by reason of any cause beyond the Service Provider's control, including without limitation any breakdown or failure of transmission, communication or computer facilities, industrial action, acts or regulations of any governmental or supranational bodies and the failure of any relevant correspondent or other agent of the Service Provider for any reason to perform its obligations.

Save to the extent caused by willful default of the Service Provider or its directors, officers, employees or agents, the Service Provider shall have no responsibility or liability whatsoever in respect of :

- any acts or omissions of the Service Provider either (i) pursuant to any instruction, commitment, notice or request of the Customer ; or (ii) otherwise as permitted by or under these Terms including, without limitation, any execution, failure to execute, or mistakes in the execution of, any such instruction, commitment, notice or request ;
- any advice or opinion which may be given to the Customer pursuant to these Terms or in respect of any transaction or proposed transaction.

The Customer agrees that all exclusions and limitations of liability herein are fair and reasonable.

If any action or proceeding is brought by or against us in relation to this Agreement or arising out of any act or omission by us required or permitted under this Agreement, you agree to co-operate with us to the fullest extent possible in the defence or prosecution of such action or proceeding.

A person who is not a party to these Terms has no right to enforce any provision of these Terms, nor to hold the Service Provider liable for the non performance of any of the obligations contained in the Terms.

### **15.3 Duty to mitigate damages**

Should you suffer any damages linked to a transaction or to an investment service provided by the Service Provider, you have a duty to mitigate any damage suffered and use reasonable care and diligence to minimize the damages.

You have a duty to make a reasonable effort and expend reasonable costs to prevent the amount of loss or harm from increasing. When the Customer considers it to be necessary, it may consult the Service Provider before taking any action aimed at mitigating the damages.

## **16. Confidentiality – Banking Secrecy**

The Customer undertakes to keep confidential and not to disclose to third parties any information relating to the transactions, including technical data, regardless of the nature thereof and the media involved, without the prior written consent of the Service Provider, except in the cases provided for in applicable laws and regulations or for the purposes of its internal policies.

The Customer also undertakes to keep to a strict minimum the number of officers and employees to whom it discloses any confidential information, and only to disclose confidential information to its officers, employees, directors, members of its compliance, audit and internal control departments and its internal advisers when

strictly necessary. If confidential information is disclosed, the Customer undertakes to prohibit the said persons from disclosing some or all of the information provided to them.

This confidentiality obligation shall remain in effect throughout the term of the contractual relationship between the Service Provider and the Customer and for two years after such relationship ends.

In accordance with applicable laws and regulations, the Service Provider is bound by the banking secrecy. However, such obligation may be lifted in accordance with the law, in particular at the request of the supervisory authorities (most notably *Banque de France* and the *Autorité de contrôle prudentiel*), tax or customs authorities or a criminal court. By way of exception to banking secrecy, the Customer hereby authorises the Service Provider to provide any useful information concerning any individual or legal entity whose services is required in order to perform its assignment. If any action or proceeding is brought by or against us in relation to these Terms or arising out of any act or omission by us required or permitted under these Terms, you agree to co-operate with us to the fullest extent possible in the defence or prosecution of such action or proceeding.

The Service Provider may transfer information covered by the professional secrecy to the rating agencies for the rating of financial products and to persons with which it negotiates, enters into or performs one of the transaction as long as the transfer of this information is necessary for their performance pursuant to article L.511-33 of the French Monetary and Financial Code.

Persons who receive such information are bound by professional secrecy under the terms and subject to the same penalties in respect of all information or documents which they might receive or hold.

However, notwithstanding the above, within the scope of applicable laws and regulations regarding measures for combating money laundering and terrorist financing, the Service Provider may report to the competent authorities any amounts and transactions arising in connection with criminal activities (see paragraph 18 below).

Moreover, the Customer may at any time discharge the Service Provider from the obligation to comply with the rules of banking secrecy in a specific agreement or by notifying the latter in writing of the third parties to whom it is authorised to provide information on the Customer, on the one hand, and of the type of information that may be disclosed, on the other.

The Service Provider may also retain, exchange, analyse and use any relevant information concerning the Customer and its relations with an affiliate of the Service Provider (including information concerning the type of operations it performs) or transfer any relevant information concerning the Customer to one of its affiliates for one of the following purposes:

- combating money laundering and terrorist financing;
- credit assessments, analysis and research, insurance, audit or compliance programmes;
- identification of insider dealing or insider trading; and
- identification of conflicts of interests.

For the purpose of the above paragraph, “affiliate” means companies which control or are controlled by the Service Provider within the meaning of applicable laws and regulations and are located within one of the Member State of the European Union.

Such information may be disclosed by the Customer or by any other person or entity acting in the name of the Customer.

## **17. Reporting Obligations of the Service Provider linked to criminal activities**

The Service Provider has the authority (i) to report any amounts and transactions that may be arising in connection with drug trafficking, defrauding of the interests of the European Union, corruption or organised criminal activities or that may contribute to terrorist financing, or where there is a doubt as to the identity of the principal or the beneficiary or proprietary operations or operations carried out for a third party with natural persons or legal entities, including the latter' subsidiaries or establishments, acting in the form or on behalf of trusts or any other special purpose funds where the identity of the principals or beneficiaries is unknown; and (ii) to ask the Customer to provide information and supporting documents in relation to the purpose of the operation and the actual beneficiary thereof, as well as the origin and destination of the funds. The Service Provider has at its disposal a monitoring system in order to comply with its statutory obligations.

The Customer has a duty to put in place organizational structures and procedures that enable it to comply with the vigilance and disclosure requirements provided under applicable laws and regulations relating to the fight against money laundering and terrorist financing. The Customer should, before entering into any financial arrangement with a client, verify that person's identity as well as, if applicable, the identity of the person on whose behalf the client is acting.

## **18. Personal Data Protection**

Personal Information may be gathered by the Service Provider if they are necessary to fulfil the statutory and regulatory obligations of the parties and will be used solely for their internal management purposes; they may to this effect be transmitted to other companies within their group as well as any successors in their activities, agents and any other third parties and sub-contractors for management reasons. This communication may, in certain cases, involve a transfer of data from French territory and in particular to countries not insuring an adequate or sufficient level of protection of privacy, as the Service Provider may operate in the said countries. In such event, the Service Provider will make its best efforts in order for such transfer of personal data to be covered by an agreement ensuring sufficient and appropriate data protection. Upon request, the Service Provider shall provide the Customer with detailed information concerning the entities from the Service Provider's group and the countries in which the said entities maintain operations and to which personal data may be transferred.

Any mandatory information to be collected by the Service Provider from the Customer shall be considered as part of the data collection process. If such information is not provided, the contemplated agreement shall not be executed or the contemplated transaction shall not be performed.

Personal Information may give rise to the exercise of the right to access, modify, correct or delete the data concerning it and kept by the Service Provider, as well as a right of opposition under the terms and conditions laid down by Law no. 78-17 of 6 January 1978 relating to data protection as modified. These rights may be exercised at the Service Provider.

The Customer acknowledges that the Service Provider may send to the Customer information and other advertising documentation in relation to the products and services offered by the Service Provider where such services are likely to be of interest to the Customer.

The Customer may indicate, at any time, that he no longer wishes to receive any advertising documents.

## **19. Assignability**

The Customers rights under these Terms and/or any transaction effected hereunder are not capable of assignment or otherwise transfer, in all or in part, and its obligations shall not without the consent of the Service Provider be capable of performance other than by the Customer. Any purported assignment thereof shall be in breach of the Customer's obligations hereunder and shall be invalid. Following the consent of the Service Provider, these Terms shall extend to, and be binding upon, your successors and assignees as they are constituted from time to time.

If the Service Provider is consolidated or amalgamated with, or merged into, or all or substantially all its assets are transferred to, another entity of its group, the Service Provider may assign or transfer its rights and may subcontract its obligations under these Terms to that entity, which will become the Service Provider. Any reference in these Terms to us shall be construed accordingly and any such assignee or transferee shall be entitled to the full benefit of these Terms as if they were originally a party in respect of the rights and obligations assigned or transferred to it.

## 20. Changes

We may amend our Terms, typically to:

- comply with legal, fiscal or regulatory changes or evolutions in the interpretation of such rules;
- rectify errors, omissions, inaccuracies or ambiguities; and/or
- take account of any corporate reorganisation within the Service Provider's group, and reflect alterations in the scope and nature of the service which we are able to provide to you in accordance with our systems' capabilities and having regard to market practice and overall customer demand.

Except as required by applicable laws or regulations, we may change these Terms by sending you a written notice, which shall be deemed to have been accepted by you unless written notice of objection is received by us within fourteen days of the date on which our notice is deemed to have been received by you. We may amend these Terms by issuing to you revised Terms which shall take effect on the date stated in the letter accompanying such revised Terms.

Each provision of these Terms is severable from the Terms as a whole, and if any provision is declared invalid, the remaining provisions shall remain in effect. If at any time any provision of these Terms is or becomes illegal, invalid or unenforceable in any way under the law of any jurisdiction, neither the legality, validity, or enforceability of the remaining provisions of these Terms, nor the legality, validity, or enforceability of such provision under the laws of any other jurisdiction shall in any way be affected or impaired thereby.

Copies of these Terms and all other material referred to herein are available to you on request by the Customer and at the Service Provider's website.

## 21. Communications and unsolicited financial promotions

The Service Provider, and/or its affiliates, and/or its or their representatives or employees may communicate an unsolicited real-time communication to the Customer (oral by visiting or telephoning the Customer, written, or by electronic means) in such circumstances as we reasonably believe to be appropriate. You therefore envisage and accept that we may make such communications.

When disclosure of information is required by applicable laws or regulations to be made in a durable medium, it shall include sufficient details, taking into account the nature of the client, to enable that client to take an informed decision. The durable medium may be other than paper as long as (i) the communication of this information on this medium is adapted in light of the context in which the business of the Customer is performed, and (ii) the person to which the information has to be provided, after the choice between paper and another durable mean was presented, opted for the communication of the information on another medium.

The communication of information by electronic means is considered as appropriate under the circumstances as long as it is evidenced that the Customer has a regular access to the internet. The provision by the Customer of an email address for the conduct of its business is sufficient proof that it has a regular access to the internet.

## 22. Notices

Unless otherwise stipulated in these Terms or in an agreement between the Service Provider and the Customer, all notifications, information, notices, requests, claims, communications and correspondence made in application of these Terms shall be drawn up in writing in a language commonly used in the financial field, and sent by letter, fax or e-mail to the addresses provided by the Customer to the Service Provider from time to time.

- Any notice shall be deemed to take effect in the case of delivery in person or by courier, on the date it is delivered, in the case of fax, on receipt, in the case of e-mail when it is received, and, in the case of airmail or first class pre-paid post, when it is received.
- Each notice to you (except confirmations of trade, statements of account, and margin calls) shall be conclusive unless written notice of objection is received by us within five days of the date on which such document was deemed to have been received.

You will notify us of any change of your address or other contact details in accordance with this clause.

## 23. Termination

These Terms may be terminated at any time by either party upon not less than seven days' written notice in advance to the other party or may do so with immediate effect by written notice to the other party if so required by any competent authority. Termination will not prejudice any transactions that have already been initiated. Such termination shall:

- (a) be without prejudice to all outstanding obligations which may have been incurred by or on behalf of the Customer, including any fees, expenses and other charges of the Service Provider accrued or incurred to the effective date of termination; and
- (b) not affect any accrued rights, representations, warranties, existing commitments or indemnities given by the Customer, or any confidentiality obligation of the parties, which shall survive such termination;
- (c) be without prejudice to the completion of transactions initiated which will be completed expeditiously.

Service of notice of termination on the Service Provider shall be effective only upon actual receipt thereof by the Service Provider.

## 24. Governing Law and Jurisdiction

These Terms shall be governed by and construed in accordance with French laws, and any dispute arising out of or in connection with these Terms shall be referred to the jurisdiction of the courts within the judicial district of the Paris Court of Appeal.

The Customer irrevocably:

- agrees for our benefit that the courts within the judicial district of the Paris Court of Appeal shall have jurisdiction to determine any suit, action or other proceedings relating to this Agreement and irrevocably submits to the jurisdiction of such courts (provided that this shall not prevent us from bringing an action in the courts of any other jurisdiction); and
- waives any objection which it may have at any time to the laying of venue of any proceedings brought in any such court and agrees not to claim that such proceedings have been brought in an inconvenient forum or that such court does not have jurisdiction over it.



- waives to the fullest extent permitted by applicable laws, with respect to yourself and your revenue and assets (irrespective of their use or intended use) all immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any courts, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which you or your revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably agree that you will not claim any immunity in any proceedings.

\* \*  
\*

## APPENDIX 1

### RISK WARNINGS

This information is provided to you, as a professional client and/or eligible counterparty, in compliance with applicable regulations and must not be relied on by anyone else.

This notice contains information about certain financial instruments, including guidance on and warnings of the risks associated with those financial instruments. It has been provided to you so that you are able to understand the nature and risks of the service and of the specific type of financial instruments being offered and consequently, take investment decisions on an informed basis.

This information cannot disclose all the risks and other significant aspects of each financial instrument you may purchase, sell or subscribe for from or through us. It is only intended to give you a warning on the risks associated with such financial instruments. You should not deal in these products unless you understand their nature and the extent of your exposure to risk and potential loss. You should also be satisfied that the financial instrument is suitable for you in the light of your personal circumstances and financial position. Unless we provide you with a personalised recommendation, you should also be satisfied that the product meets your investment objectives and, where necessary, seek appropriate independent advice.

This notice does not purport to disclose all the risks or other relevant considerations of entering into OTC derivatives, structured notes, or warrant transactions. The specific risks of a particular product or transaction will depend upon the terms of such product or transaction. Certain strategies, such as a 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position. In other words, all financial products contain a certain degree of risk and even "low-risk" investment strategies may contain a degree of uncertainty. The relevant risks depend on diverse factors including how the financial instruments was issued or structured.

Part I is an outline of the type of risks that may be associated with certain financial instruments; this should be read in conjunction with part II which covers more generic risks.

Before the commencement of any deal or transaction, the Service Provider expects the Customer to acquaint itself with the relevant risks.

#### **I - Risks by Product/ Financial Instrument Type**

##### 1. Shares

A share is an instrument representing a shareholder's rights in a company. Shares may be issued in bearer or registered form and may be certificated or non-certificated. One share represents a fraction of a corporation's share capital. Dividend payments and an increase in the value of the security are both possible, although not guaranteed. The shareholder receives a dividend only if the company allows it. Dividends are therefore not guaranteed and company may decide not to pay a dividend although it would be possible to do so. The shareholder has financial and ownership rights which are determined by law and the issuing company's articles of association. Unless otherwise provided, transfers of bearer shares do not entail any formalities. However, transfers of registered shares are often subject to limitations.

Dealing in shares may involve risks including but not limited to the following:

*Company risk:* a share purchaser does not lend funds to the company, but becomes a co-owner of the corporation. He or she thus participates in its development as well as in chances for profits and losses, which makes it difficult to forecast the precise yield on such an investment. An extreme case would be if the company went bankrupt, thereby wiping out possibly the total sum invested.

*Price risk:* share prices may undergo unforeseeable price fluctuations causing risks of loss. Price increases and decreases in the short-, medium- and long-term alternate without it being possible to determine the duration of those cycles. General market risk must be distinguished from the specific risk attached to the company itself. Both risks, jointly or in aggregate, influence share prices.

*Dividend risk:* the dividend per share mainly depends on the issuing company's earnings and on its dividend policy. Dividends are generally determined by the company's management. There is normally no right to a dividend.

*Liquidity Risk:* 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.

## 2. Debt securities and composite debt securities

### 2.1 Bonds

Bonds are negotiable debt securities issued in bearer or registered form by a company or government to creditors and whose value at issuance represents a fraction of the total amount of the debt in accordance with the relevant issuing documentation. The duration of the debt, as well as the terms and conditions of repayment, are determined in advance. Unless otherwise stipulated, the bond is repaid either at the maturity date, or by means of annual payments, or at different rate determined by drawing lots. The interest payments on bonds may be either (i) fixed for the entire duration or (ii) variable and often linked to reference rates (e.g. FIBOR or LIBOR). The purchaser of the bond has a claim against the issuer.

Dealing in bonds may involve risks including but not limited to the following:

*Insolvency risk:* the issuer may become temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change due to one or more factors including the issuing company, the issuer's economic sector and/ or the political and economic status of the countries concerned. The deterioration of the issuer's solvency will influence the price of the securities that it issues. You should note that certain bonds known as "zero coupon bonds" do not pay interest during the life of the security. The yield is determined by the difference between the capital effectively paid on the bond issue date and that which is redeemed on maturity. The insolvency risk will have an even greater impact in this case.

*Interest rate risk:* uncertainty concerning interest rate movements means that purchasers of fixed rate securities carry the risk of the fall in the price of the securities if interest rates rise. The longer the duration of the loan and the lower the interest rate, the higher a bond's sensitivity to a rise in interest rates. Interest rates can rise as well as fall.

*Credit risk:* the value of a bond will fall in the event of a default or reduced credit rating of the issuer. Generally, the higher the relative rate of interest, the higher the perceived credit risk of the issuer.

*Early redemption risk:* the issuer of a bond may include a provision allowing early redemption of the bond if market interests rates fall. This early redemption may result in a change to the expected yield. Bonds redeemable by drawing have a maturity that is difficult to establish so unexpected changes in the yield may occur.

*Liquidity Risk:* to a lower extent, there is a liquidity risk on bonds when the secondary market for the bonds is small or does not have an important volume.

Additional risks may exist for certain types of bonds. You are therefore advised to make enquiries about the risks referred to in the issuance prospectus prior to investing.

## 2.2 Composite debt securities

Composite debt securities allow an investor to have access to other securities, most notably to shares through an initial subscription of bonds.

Dealing in composite debt securities involve the same risks as those mentioned in paragraph 2.1 of this Appendix but also involve additional risks linked to their composite nature: as bondholders they are subject to the risks mentioned in paragraph 2.1 of this Appendix, as stockholders they are subject to risks mentioned in paragraph 1 of this Appendix. Composite debt securities may be of different types. However the three most common types of composite debt instruments are bonds convertible into shares, bonds redeemable into shares, bonds exchangeable for shares.

*Bonds convertible into shares:* they can be converted at the request of the bondholder into shares of the same company at conversion dates specified in the issuing documentation. The bondholder will have choice to convert his bonds into shares (at the parity determined in the issuing documentation) or to stay a bondholder.

*Bonds exchangeable into shares:* they can be exchanged at the request of the bondholder into shares of another company at dates specified in the issuing documentation. The bondholder will have choice to exchange his bonds into shares (at the parity determined in the issuing documentation) or to stay a bondholder.

*Bonds redeemable into shares:* they can be converted at the request of the bondholder into shares of the same company at conversion dates specified in the issuing documentation. The bondholder will have choice to convert his bonds into shares (at the parity determined in the issuing documentation) or to stay a bondholder.

## 3. Warrants

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, favourable or unfavourable, in the price of the warrant. The prices of warrants can therefore be volatile.

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 predetermined timescale then the investment becomes worthless.

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.

Some other instruments are also called warrants but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a 'covered warrant').

The price of warrants is correlated to price of the underlying securities, the maturity date, the interest rate, the dividend yield, and the implicit volatility level.

Only experienced investors should invest in warrants.

## 4. Off-Exchange Warrant Transactions

An Off-Exchange Warrant Transaction involves the trading of warrants that are not listed on any exchange. These “over-the-counter” transactions may occur electronically or over the telephone. Transactions in off-exchange warrants may entail greater risk than dealing in exchange traded warrants because there is no exchange 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 a fair price is.

## 5. Futures/ Forwards/ Forwards Rate Agreements

Transactions in futures 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 trading means that entering into such transactions 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. Futures transactions have a contingent liability, and you should be aware of the implications of this, in particular the margining requirements set out in paragraph 15 of this Appendix below.

Futures are standardized instruments traded on a regulated market or on a multilateral traded facility. They are therefore standardized as regards the quantity of the underlying instrument and the due dates for delivery or payment.

Forwards are traded over-the-counter under a master agreement. In a forward sale, the seller must deliver the underlying at the price and at the time agreed. In a forward purchase, the buyer must buy the underlying at the price and at the time agreed.

A forward rate agreement or FRA is financial product is the exchange of a difference in interest rates in the same currency at a predetermined date. A forward rate agreement allows an interest rate to be locked in. When an investor purchases a FRA, it allows him to speculate on the increase of a reference rate, when an investor purchases a FRA, it allows him to speculate on the decrease of a reference rate.

## 6. Options

An option is a derivative which represents a contract sold by one party (the one writing the option) to another (the one buying the option). The option buyer has the right, but not the obligation, to buy (call) or sell (put) a commodity, a financial instrument, or other asset at an agreed-upon price (the strike price) during a certain period of time or on a specific date (the exercise date or exercise period). The price paid for this right is called the premium.

There are many different types of options with different characteristics and risks.

*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 in this document under 'futures' and 'contingent liability investment transactions'.

*Writing options:* If you write an option, the risk involved is considerably greater than buying options. You may be liable for margin to maintain your position (see paragraph 15 of this Appendix below) 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.

Certain options markets operate on a margined basis (see paragraph 15 of this Appendix below), 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.

## 7. Swap

A swap is an exchange contract by which the parties exchange interest flows or currencies. In a currency swap, one party sells to the other party at the spot price, an amount of currency and buys an amount in another currency and agrees to buy it back at maturity. Currency swaps involve risks including but not limited to interest rate risk, foreign exchange risk, liquidity risk and counterparty risk. In an interest rate swap, one party agrees to pay to the other on a regular basis the differential between two interest rates.

## 8. Contracts for Differences

Contract for Differences are transactions in which it is not necessary to hold the underlying as they are exclusively cash settled. One of the parties pays the difference but does not deliver the underlying. These can be options and futures on a commodity index, other commodity, FTSE 100 or any other products. 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 and you should be aware of these as set out in paragraphs 5 and 6 of this Appendix respectively. Transactions in contracts for differences may also have a contingent liability and you should be aware of the implications of this as set out in paragraph 15 of this Appendix below.

## 9. Credit Derivatives

In a credit derivative, one party, the buyer of credit risk (or seller of protection) transfers the risks lined to an underlying or a portfolio of receivables or loans to another party, is the seller of credit risk (or buyer of protection).

There are many different types of options with different characteristics and risks.

*Credit Default Swaps:* in a credit default swap (or CDS), the buyer of protection commits to pay, according to a set of frequency, and until debt matures or until the occurrence of a credit event, a fixed premium. On the other, in case of occurrence of a credit Event (bankruptcy, failure to pay, restructuring) the underlying obligation.

*Total Return Swaps:* in a total return swap (or TRS), an investor hedges its positions by exchanging with its counterparty the performance of an asset (together with the related market risk, the related credit risk) for a variable reference rate.

*Credit Spread Derivatives:* in a credit spread derivatives (or CSD), the seller guarantees to the buyer the future spread between the yield of the underlying instrument and the yield of a benchmark instrument. The buyer of protection pays a premium to the seller.

## 10. Structured Products

These products are structured to fulfill a particular trading or investment objective and may combine the featured of two or more financial instruments (for instance a share or bond and a derivative). Derivatives often constitute an integral part of such products.

Dealing in structured products may involve risks including but not limited to the following:

*Leverage:* these products may involve an element of leverage which means that a small movement in the value of the relevant underlying asset or index may have a significant effect on the value of the structured product.

*Liquidity/ Hedging:* It may be difficult for you to sell or hedge a structured product or to obtain reliable information about its value or the extent of the risks to which such investment is exposed.

*Capital protection:* Certain structured products include an element of capital protection, this does not guarantee however that the amount you invested will be returned in all circumstances. This is typically subject to the investment being held until maturity and to the creditworthiness of the issuer.

*Losses:* structured products are often high risk products and you may lose all the money that you invested in them or sometimes even more.

Structured products often combine several risks elements, including credit risk, market risk and price or index risk. You are therefore advised to make enquiries about the specific risks associated with the product that you are considering prior to investing in it.

#### 11. Commodities

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

#### 12. Emerging Markets

You should be aware that special risks may be associated with transactions and investments in securities and other financial products of, or related or linked to, issuers and obligors based in emerging markets. These risks may arise because, among other things, of the volatile political, commercial and legal conditions in such markets. Many emerging market countries do not have fully developed or clear legal, judicial, regulatory or settlement infrastructures and the reliability and quality of official data published may not be equivalent to that available in developed markets. These may affect the value of or result in the loss of your investments. Consequently making investments in or with respect to these markets and products involves additional risks that may not be present in or with respect to more developed markets.

#### 13. Units in Collective Investments Schemes (CIS) and Hedge Funds

CIS enable investors to “pool” their assets and have these professionally managed by an independent manager. Investments may typically include bonds, equity, but depending on the scope of the investment mandate may go into derivatives, fund of funds, real estate or any other asset. The value of such portfolio may fall as well as rise and, depending on the investment decision made, be exposed to many different types of risk. You should be aware that the valuation of a CIS is usually performed by the manager or adviser of the scheme and such valuations may be based on unaudited accounts. Whilst returns may be higher than with other traditional CIS, investments in hedge funds involve a high degree of risk and are only suitable for investors who fully understand the risks and are willing to assume the risks involved. In particular such investors are exposed to potential losses which could involve the complete loss of their investment.

## II – Generic Risks

#### 14. Off-Exchange Derivative Transactions

It may not always be apparent whether or not a particular derivative transaction is effected on exchange or off-exchange (over-the-counter). While some off-exchange markets are highly liquid, transactions in off-exchange or 'non-transferable' derivatives may involve greater risk than investing in on-exchange derivatives

because there is no exchange market on which to close out an open position. It may be impossible to liquidate an existing position, to assess the value of the position arising from an off-exchange transaction or to assess 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. The Service Provider will make it clear to you if you are entering into an off-exchange derivative transaction.

#### 15. Contingent Liability Transactions

A contingent liability transaction is a transaction under the terms of which you will or may be liable to make further payments (other than charges) when the transaction fails to be completed or upon the earlier closing out of your position. These payments may or may not be secured by an amount in money (or represented by securities) deposited with a counterparty or a broker as a provision against loss on transactions made on account (**Margin**).

Contingent liability investment transactions for which Margin is deposited (in other words, which are **Margined**) require you to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If you trade in futures, contracts for differences or sell options you may sustain a total loss of the Margin you deposit with the Service Provider 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 this may constitute a Default on your part and/or your position may be liquidated at a loss and you will be responsible for the resulting deficit.

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. Contingent liability transactions which are not traded on-exchange may expose you to substantially greater risk.

#### 16. Securities which may be subject to stabilisation

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.

Stabilisation may be allowed in order to help counter the fact that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found.

Stabilisation is carried out by a "stabilisation manager" (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilisation 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. The stabilisation rules:

- (1) Limit the period when a stabilisation manager may stabilise a new issue;
- (2) Fix the price at which it may stabilise (in the case of shares and warrants but not bonds); and
- (3) Require it to disclose that it may stabilise but not that it is actually doing so.

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.

#### 17. Suspensions of Trading

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.

#### 18. Liquidity Risk

The liquidity of a financial instrument is directly affected by the supply and demand for that product. As the supply of potential sellers increases or demand by potential buyers decreases, or both, liquidity of the product will decrease and bid/offer spreads will generally widen. On some investments, because of their structure, liquidity is affected by the costs of unwinding an imbedded transaction. Economic, political, or social developments in a country can cause a decrease in the liquidity of investments related to that country, thereby making it difficult to sell promptly at an acceptable price. This can also arise as a result of natural disasters. In addition, the failure or financial difficulties of any entity holding significant positions in certain types of products may trigger a decrease in the liquidity and value of the same or similar type of products.

#### 19. Credit Risk

Credit risk is the risk of loss caused by the borrowers, bond obligators, guarantors, or counterparties failing to fulfil their obligations or the risk of such parties' credit quality deteriorating. Exposure to the credit risk of one or more reference entities is particularly relevant to any credit linked product such as credit linked notes, and the potential losses which may be sustained, and the frequency and likelihood of such losses occurring, when investing in credit linked products may be substantially greater than when investing in an obligation of the reference entity itself.

#### 20. Market Risk

The equity and debt markets of many emerging markets countries, like their economies, are in the early stages of development. These financial markets generally lack the level of transparency, liquidity, efficiency and regulation found in more developed markets. It is therefore important to be familiar with secondary market trading in emerging markets instruments and the terminology and conventions applicable to transactions in these markets. Price volatility in many of these markets can be extreme. Price discrepancies can be common and market dislocation is not uncommon. These markets may also not have regulations governing market manipulation or insider dealing with respect to the availability of information and the use or misuse thereof in such markets.

#### 21. Settlement Risk

Many emerging markets have different clearance and settlement procedures from those in place in more developed countries. For many emerging market products, there is no central clearing mechanism for settling trades and no central depository or custodian for the safe keeping of securities. The registration, recordkeeping and transfer of products or investments may be carried manually, which may cause delays on the recording of ownership among other risks.

#### 22. Leverage Risk

The leverage risk is a risk linked to forward financial instruments which propose a leverage effect. It will be the case when the notional amount is higher than the invested capital. In this case, the risk of loss is greater than the initial investment. This will be case most notably for options, forwards, credit default swaps.

#### 23. Basis Risk

In the case of a hedge transaction, the basis risk is the risk that the cost of a hedge does not move in line with that of the asset which it intended to cover, thereby rendering it an imperfect hedge.

#### 24. Correlation risk

Correlation risk is an indication of the degree according to which the variations in two variables are linked. This is important to have an idea of the correlation of the components of a portfolio in order to determine the global risk linked to a portfolio of assets or the global risk linked to a portfolio of financial instruments.

## 25. Currency and Exchange Rate Risk

Investments in foreign currency or securities may expose you to the risk of exchange rate fluctuation and investors who deposit collateral in one currency may be subject to margin calls in circumstances where the obligation secured by such collateral are denominated in another currency. You therefore carry additional risks, which are not found in transactions in your domestic currency, essentially due to the fact that you are invested in a currency that is not your domestic currency and the value of your investment as calculated by reference to your domestic currency will be subject to fluctuations in the currency markets. Please note that some currencies are not freely convertible.

## 26. Option Risk

When an option is embedded in a financial product, the value of the asset will be affected by variations of various factors linked to such option, most notably volatility, time value, intrinsic value, interest rates.

## 27. Clearing House Protections

On many exchanges, the performance of a transaction by the Service Provider (or third party with whom it is dealing on your behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee covers the clearing member of the clearing house and in most circumstances it will not be a total protection for you, the Customer, and may only partially protect you if the Service Provider, the clearing member of the Service Provider (if the latter is not clearing member) or another party defaults on its obligations to you. Clearing with clearing houses may be compulsory for certain products and only optional for other financial products. You should note that clearing by a clearing house only applies to some off-exchange products and only to some forward financial instruments for which clearing houses offers clearing services.

## 28. Custody Risk

When assets or financial instruments are held by a subcustodian, rules relating to custody systems may be less developed in terms of investor protection in comparison to markets that have strict custody rules. Assets or financial instruments can therefore be exposed to risks linked to the failure of the sub-custodian to adequately segregate the assets or financial instruments of the sub-custodian from its own or to adequately discharge its duties should it file for bankruptcy.

## 29. Insolvency

In the event of the Service Provider' insolvency or default, or that of any other brokers involved with your transaction, it 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.

## 30. Non-Readily Realisable Investments

Where the financial instruments include any investments which are (i) government or public securities, or (ii) securities other than those which are or will be admitted to official listing in an EEA state or which are or will be regularly traded on or under the rules of a regulated market or other exchange, there is no certainty that market makers will be prepared to deal in such investments and adequate information for determining the current value of such investments may be unavailable.

## 31. Collateral

If you deposit collateral as security with the Service Provider, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of your collateral, depending on whether you are trading on a regulated market, a multilateral trading facility, or over-the-counter, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. Deposited collateral may lose its identity as your property once dealings

on your behalf are undertaken. Even if your dealings should ultimately prove profitable, you may not get back the same assets which you deposited, and may have to accept payment in cash. You should ascertain from the Service Provider how your collateral will be dealt with.

### 32. Stock Lending

The borrower's (or repo purchaser) obligation to transfer equivalent securities is secured against collateral which is usually transferred by a title transfer mechanism pursuant to market standard agreements. There is accordingly a credit risk. In addition, lending or "repo'ing" securities may affect your tax position.

### 33. Legal/ Regulatory Risk

All financial instruments are potentially exposed to regulatory or legal risk. Such risks are unpredictable and can depend on numerous factors. In emerging markets there is generally less government supervision and regulation of business activities and the type of laws and regulations with which investors are familiar in the EEA may not exist. In certain areas, the laws and regulations governing securities may not exist or, 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 or political pressure remains largely untested in many countries. There is no guarantee that an overseas investor would obtain satisfactory remedy in local courts in case of a breach of local laws or regulations or a dispute over the ownership of assets. Investors may also encounter difficulties in pursuing legal remedies or in obtaining and enforcing judgments in foreign courts.