# Investments Risk Disclosure Statement of RCB Bank Ltd (the "Bank")

The Bank is required to provide customers with the Investments Risk Disclosure Statement. This notice cannot disclose all the risks and other significant aspects of designated investments, nor does this notice impose any obligation on the Bank to deal or accept instructions relating to any of the designated investments in any instance. It represents a general description of the financial instruments as well as the associated risks associated with such instruments.

Customers are advised not to deal in a financial instrument unless they understand its nature and the extent of their exposure to risk. Customers should also be satisfied that the instrument is suitable for them in light of their particular circumstances and financial position. Different financial instruments involve different levels of exposure, and in deciding whether to trade in such instruments or not, customers should be aware of the information provided in this document.

## 1. Shares

A share is a certificate representing a shareholder's right in a company. Shares may be issued in bearer or registered form. One share represents a fraction of a corporation's share capital. Dividend payments and an increase or decrease in the value of the security are both possible. 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 transfer of registered shares are often subject to limitations.

### Depositary Receipts

Depositary Receipts (ADRs, GDRs, etc.) are negotiable certificates, typically issued by a bank, which represent a specific number of shares in a company, traded on a stock exchange which is local or overseas to the issuer of the receipt. They may facilitate investment in the companies due to the widespread availability of price information, lower transaction costs and timely dividend distributions. The risks involved relate both to the underlying share and to the bank issuing the receipt. In addition, there are important differences between the rights of holders of ADRs and GDRs, (together, "Depositary Receipts") and the rights of holders of the shares of the underlying share issuer represented by such Depositary Receipts. The relevant deposit agreement for the Depositary Receipt sets out the rights and responsibilities of the depositary (being the issuer of the Depositary Receipt), the underlying share issuer and holders of the Depositary Receipt which may be different from the rights of holders of the underlying shares. For example, the underlying share issuer may make distributions in respect of its underlying shares that are not passed on to the holders of its Depositary Receipts. Any such differences between the rights of holders of the Depositary Receipts and holders of the underlying shares of the underlying share issuer may be significant and may materially and adversely affect the value of the relevant instruments. Depositary Receipts representing underlying shares in a foreign jurisdiction (in particular an emerging market jurisdiction) also involve risks associated with the securities markets in such jurisdictions. For more details in relation to emerging markets, please refer to paragraph 13, "Emerging Markets".

In general, dealing in shares may involve the following risks:

a. Company risk: a share purchaser does not lend funds to the company, but makes a special contribution and, as such, becomes a co-owner of the corporation. He 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 the total sums invested.
b. 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 the evolution of share prices.
c. Dividend risk: the dividend risk per share mainly depends on the issuing company's earnings and on its dividend policy. In case of low profits or even losses, dividend payments may be reduced or not made at all.

## 2. Bonds

Bonds are negotiable debt instruments issued in bearer or registered form by a company or a government body to creditors and whose par value at issuance represents a fraction of the total amount of debt. The duration of the debt as well as the terms and conditions of repayment are determined in advance. Unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of annual payments, or at different dates 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 (eg. FIBOR or LIBOR). The purchaser of a bond (the creditor) has a claim against the issuer (the debtor). Bonds may carry the following specific risks:

a. Insolvency risk: the issuer risks becoming temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change according to changes specific to the issuing company, the issuer's economic sector and/or the countries concerned, as well as political developments with economic consequences. The deterioration of the issuer's solvency will influence the price of the securities that it issues.
b. Interest rate risk: uncertainty concerning interest rate movements means that purchasers of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. The longer the duration of the loan and the lower the interest rate, the higher is a bond's sensitivity to a rise in the market rates.
c. 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 rate of interest, the higher the perceived credit risk of the issuer.
d. Sovereign risk: the risk that the issuer is unwilling or unable to make coupon and principal payments when due.
e. Early redemption risk: the issuer of a bond may include a provision allowing early redemption of the bond if market interest rates fall. Such early redemption may result in a change to the extended yield.
f. Reinvestment risk: the risk that interest received from the issuer may not be possible to be reinvested in such a way that it generates the same rate of return as the invested funds.
g. Inflation risk: the risk that the purchasing power of the cash flows received from a bond (coupon and principal) might decline over time as a result of inflation.
h. Currency risk: for bonds denominated in a different currency than the investor's home currency, the risk that the exchange rate between the two currencies moves.
i. Event risk: the risk that some unusual events (e.g. terrorist attacks, natural disasters) could impair the issuer's ability to make payments (coupon and principal) when due.
j. Risks specific to bonds redeemable by drawing: bonds redeemable by drawing have a maturity which is difficult to determine, so unexpected changes in the yield on these bonds may occur.
k. Risks specific to certain types of bond: additional risks may be associated with certain types of bond, for example, floating rate notes, reverse floating rate notes, zero bonds, foreign currency bonds, indexed bonds, convertible bonds and subordinated bonds. For such bonds, customers are advised to make inquiries about the risks referred to in the issuance prospectus and not to purchase such securities before being certain that all risks are fully understood. In the case of subordinated bonds, customers are advised to enquire about the ranking of the debenture compared to the issuer's other debentures. Indeed, if the issuer becomes bankrupt, those bonds will only be redeemed after payment of all higher ranked creditors. In the case of reverse convertible notes, there is a risk that customers will not be entirely reimbursed, but will receive only an amount equivalent to the underlying securities at maturity.

## 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. Customers should be advised not to purchase a warrant unless they are prepared to sustain a total loss of the money 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, often called a "covered warrant").

Dealing in warrants may involve risks, including but not limited to:

a. Market risk: A relatively small movement in the price of underlying securities can lead to a disproportionately large movement, unfavourable or favourable, in the price of the warrant. The prices of warrants can be volatile.
b. Time limitation: It is essential for anyone who is considering of purchasing warrants to understand that the right to subscribe is invariably limited in time with the consequence that if the investor fails to exercise this right within the predetermined time scale then the investment becomes worthless.

## 4. Off-exchange warrant transactions

Transactions in off-exchange warrants may involve greater risk than exchange-traded warrants because there is no exchange market through which customers may liquidate their position, or assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even when they are, they will be established by dealers and thus it may be difficult to establish what is a fair price.

## 5. Derivatives

Derivatives are financial instruments whose characteristics and value derive from the characteristics and value of an underlying asset (typically a commodity, bond, equity, currency) or index (e.g. interest rate or foreign currency). There are many different types of derivatives, such as forwards, futures, options and swaps, which are considered below. The objective of investors in derivatives varies and can sometimes be used to manage the risk associated with the underlying security, to protect against fluctuations in value or, to profit from periods of inactivity or decline. These instruments often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile.

### 5.1. Forwards and Futures:

Transactions in forwards and 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 a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement in the value of the underlying asset can lead to a proportionately much larger movement in the value of the investment, which may be either favourable or unfavourable for the customer.

### 5.2. Options

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

**Put option:** a put option is an option contract that gives the holder (buyer) of the option the right to sell a certain quantity of an underlying security to the writer of the option at a specified price (the strike price) up to a specified date (the expiration date).

**Call option:** a call option is an option contract that gives the holder (buyer) the right to buy a certain quantity of an underlying security from the writer of the option, at a specified price (the strike price) up to a specified date (the expiration date).

**Buying options:** Buying options involves less risk that selling options because if the price of the underlying asset moves against the customer, the customer can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if a customer buys a call option on a futures contract and he later exercises the option, he will acquire the future. This will expose the customer to the risks described in subparagraph 5.1. "Forwards and Futures".

**Writing options:** Writing options involve considerably greater risk that buying options. Customers may be liable for margin to maintain their position and any loss may be well in excess of the premium received. By writing an option, the customer accepts a legal obligation to purchase or sell the underlying asset if the option is exercised against him, irrespective of how far the market price has moved from the exercise price. If the customer already owns the underlying asset which he has contracted to sell (when the options will be known as "covered call options") the risk is reduced. If the customer does 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.

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

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

### 5.3. Swaps

Transactions in swaps involve an exchange of different cash or payment flows between the parties relating to an underlying financial instrument or asset over a certain period. For example, an interest rate swap will involve one party paying the other a variable rate of interest in exchange for payment by the other party of a fixed rate of interest, each calculated on the same notional amount. The party that pays the variable rate of interest will be exposed to the risk of a rise in the variable interest rate but will benefit from a fall in that interest rate. The receiver of the variable rate of interest will be exposed to the risk of a fall in the variable interest rate but will benefit from a rise in that interest rate. The risks involved will be similar those set out in paragraph 6 "Contingent Liability Investment Transactions".

Whilst derivative instruments can be utilised for the management of investment risk, some investments are unsuitable for many investors. Different instruments involve different levels of exposure to risk, and in deciding whether to trade in such instruments you should be aware that derivatives transactions involve risks, including but not limited to the following:

a. **Market risk:** Market risk is the risk of loss arising from adverse changes in the value of a derivative instrument as a result of movements in the underlying market rate.
b. **Credit Risk:** Credit risk is the risk that a counterparty may fail to meet its contractual payment obligations through insolvency or default. For derivatives, the amount at risk is not the face value of the transaction but the positive fair value or replacement value of the transaction.
c. **Liquidity risk:** Liquidity risk is the risk of losses attributable to a lack of liquidity (i.e. very few market participants) in a particular market. This is usually indicated by wide bid/offer spreads and very few transactions being done in a particular product or market. The risk is that changes in the underlying market price may be infrequent but very large, and that an open position in the market is not able to be effectively hedged.
d. **Pricing risk:** For complex derivative transactions, pricing is completed using various assumptions and mathematical models. Pricing risk is the risk that these models do not accurately reflect conditions.

e. **Operational risk:** Operational risk is a wide-ranging area of risk. It can cover risks such as, but not limited to, the following:

- transactional details are not accurately input into computer systems;
- computer systems break down;
- computer files are lost;
- experienced staff leave the organisation;
- documentation relating to a transaction is incorrect; and
- relying on a third party for the performance of any operational functions which are critical for the provision of continuous and satisfactory service to clients.

## 6. Securitised derivatives

These instruments may give customers a time-limited right (i.e. where customers must give a form of notice to exercise that right) or an absolute right (where no such notice of exercise is needed) to acquire or sell one or more types of investment which is normally exercisable against someone other than the issuer of that investment. Or they may give customers rights under a contract for differences which allow for speculation on fluctuations in the value of the property of any description or an index, such as the FTSE 100 index. In both cases the investment or property may be referred to as the "underlying instrument".

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

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

Customers should only buy this product if they are prepared to sustain a total loss (where the terms of the securitized derivative provide that return is totally dependent on the performance of the underlying instrument(s) to which the product is linked), a substantial loss (where terms of the securitized derivative provide for some form of return irrespective of the performance of the underlying instrument(s) to which the product is linked but where that return is low) or loss (where terms of the securitized derivative provide for some form of return irrespective of the performance of the underlying instrument(s) to which the product is linked but where that return is high but less than 100% of the amount paid for the product) or the money invested plus any commission or other transaction charges.

## 7. Off exchange transactions in derivatives

It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction.

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 prices and offer prices need not be quoted and even when they are, they will be established by dealers and thus it may be difficult to establish what is a fair price.

## 8. Liquidity

Certain investment positions may be illiquid. Futures positions may be illiquid because, for example, some exchanges limit fluctuations in certain futures contract prices during a single day (by regulations referred to as "daily price fluctuation limits" or "daily limits"). Once the price of a contract for a particular future has increased or decreased by an amount equal to the daily limit, positions in the future can neither be taken nor liquidated unless traders are willing to effect trades at or within the limit. Similar occurrences could prohibit an investor from promptly liquidating unfavourable positions and subject such investor to substantial losses. In addition, the investor may not be able to execute futures contract trades at favourable prices if little trading in the contracts involved is taking place. It is also possible that an exchange may suspend trading in a particular contract, order immediate liquidation and settlement of a particular contract, or order that trading in a particular contract be conducted for liquidation only. Further, the factors relating to illiquidity of investment positions may also be applicable to an investor whose assets are used in any in specie redemption or withdrawal.

## 9. Funds

A fund is an investment vehicle into which investors can make an investment by purchasing a unit, share or interest ("unit") in the fund. The fund is usually managed by a third party which invests the fund's cash and assets. The units represent the investor's interest in the fund and the value of the units purchased is often determined by the value of the underlying investments made by the fund (although where the units in the fund are listed or traded on a market, the units may trade or be sold at a discount to net asset value).

There are many different types of fund available including hedge funds, private equity funds, mutual funds and unit trusts. Depending on the legal structure of the fund units in the fund may be listed on a stock exchange and the fund may be either open-ended (being generally a fund that confers on investors a right to redeem their interests in the fund) or closed-end. Some fund structures are more exposed to risk than other due to, amongst other things, the markets they invest in, the nature of their assets and the extend of their leverage.

Dealing in any fund may involve the following risks and customers should carefully read any prospectus, offering memorandum of other fund literature in advance:

a. Transferability and withdrawal: units in funds may not be readily redeemable or transferable or there may not be a market for such units. In such cases, an investor may have to hold his interest until such time as the fund is wound up or a secondary market develops for those units - this may involve the investor holding his interest for a substantial period of time. If the fund is an open-ended fund restrictions may apply to the redemption of the units that may result in an investor being unable to liquidate his investment in the fund at the time of his choosing. There may also be fees payable on redemption of units.
b. Regulation: some funds may not be regulated in the jurisdiction of their establishment or elsewhere, meaning that certain investor protections or restrictions on activity applicable in a given jurisdiction to a regulated fund may not apply to such funds.
c. Leverage: some funds may borrow funds under credit facilities in order to satisfy redemption requests, pay certain organizational expenses and finance the acquisition of investments. As such, leverage exposes the fund to capital risk and interest costs that may reduce the value of an investor's investment therein.
d. Rights of participation: investors in funds generally have very limited rights of participation in respect of their units and the absolute power to make all decisions is usually delegated to the investment manager of the fund.
e. Strategy: some funds specialize in particular asset classes or geographical sectors, meaning that risk may as such be concentrated. Some funds choose strategies which the market would regard as high risk. The investment strategy of a fund may be such that the fund faces strong competition for the purchase of assets from other investors, thereby reducing its investment opportunities.
f. Valuations: it may be difficult to determine the net asset value of a fund which has invested in illiquid underlying assets and therefore it may be difficult to value the underlying units of the fund.
g. Underlying assets: the underlying assets of a fund can be diverse and cover both long and short positions and a full range of assets including derivatives. A fund may be exposed to market risks and risks associated with particular trading activities which may result in losses for the fund or periods of underperformance. The risks associated with a direct investment by an investor in the underlying assets are also relevant in determining the risks associated with an investment by the fund in the underlying asset.
h. Management of the fund: the operation and performance of the fund will depend upon the performance of the fund's investment manager. Generally a fund will rely on the investment manager to make investment decisions consistent with the fund's investment objectives and the investment manager in turn, will be dependent upon its key Personnel to carry out their roles with due care and skill. The investment manager and its affiliates (if any) may be in a position to provide services to other clients which conflict directly or indirectly with the activities of the fund and could prejudice investment opportunities available to, and investment returns achievable by, the fund. If the agreement between the fund and the investment manager is terminated, the fund may not be able to find a suitable replacement for the investment manager, potentially leading to losses for the fund and periods of fund underperformance.

Customers should carefully consider whether an investment in a fund is suitable for them taking account of their financial circumstances and the specific risks involved, and be prepared to sustain a total loss of the money they have invested.

## 10. Currency Risk

The value of securities held by an investor may be adversely affected by changes in the rate of exchange between currencies, e.g. the currency of the investment amount and that of the asset denomination.

## 11. Settlement Risk

The ownership of shares in companies is generally evidenced by entries in the relevant companies' register of shareholders. In certain countries, registers may not be subject to effective government supervision, and it is possible that the investor could lose its registration through fraud or negligence by the registrar.

The absence in certain countries of a developed centralized settlement system available to foreign investors creates other risks. It is possible that a broker could default on the obligation to deliver shares, or could become bankrupt before re-registration of shares occurs, in which case the Fund would receive neither the shares nor the return of such prepaid funds.

In addition, delays and inefficiencies of the local postal, transport, and banking systems could result in missing rights and entitlements, the loss of funds (including dividends), and exposure to currency fluctuations.

## 12. Foreign markets

Foreign markets will involve different risks from the Cyprus market. In some cases the risks will be greater. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

13. **Emerging markets**

Emerging markets are less developed countries which may have less stable economic and/or political conditions than larger mature Western economies. Emerging market investing is generally characterized by higher levels of risk than investing in fully developed markets. Accounting, corporate governance and financial reporting standards that prevail in certain of these countries are often not equivalent to those in countries with more developed markets. Tax and legal regimes may be subject to uncertainty and to significant and unpredictable changes and repatriation of investments and profits may be restricted by exchange controls. There may also be less well developed regulation of markets, issuers and intermediates. Markets may lack the liquidity of those in developed countries, leading to difficulty in valuing assets. Instability in such markets has previously led to and may continue to lead to investor losses. Settlement of transactions carried out on such markets may be lengthier and less secure than in developed markets. Investing in Emerging markets involves risks, including but not limited to the following:

a. **Event risk:** On occasion, a country or region will suffer an unforeseen catastrophic event (for example, a natural disaster), which causes disturbances in its financial markets, including rapid movements in its currency, that will effect the value of instruments in, or which relate to, that country. Furthermore, the value of instruments and any income derived there from can be affected by global events, including events (political, economic or otherwise) occurring in a country other than that in which the instruments are issued or traded.
b. **Political risk:** Many emerging markets countries are undergoing, or have undergone in recent years, significant political change which has affected government policy, including the regulation of industry, trade, financial markets and foreign and domestic investment. The relative inexperience with such policies and instability of these political systems leaves them more vulnerable to economic hardship, public unrest or popular dissatisfaction with reform, political or diplomatic developments, social, ethnic, or religious instability or changes in government policies. Such circumstances, in turn, could lead to a reversal of some or all-political reforms, a backlash against foreign investment, and possibly even a turn away from a market- oriented economy.
   For investors, the results may include confiscatory taxation, exchange controls, compulsory re-acquisition, nationalisation or expropriation of foreign-owned assets without adequate compensation or the restructuring of particular industry sectors in a way that could adversely affect investments in those sectors. Any perceived, actual or expected disruptions or changes in government policies of a country, by elections or otherwise, can have a major impact on the value of instruments linked to those countries.
c. **Economic risk:** The economies of emerging markets countries are by their nature in early or intermediate stages of economic development, and therefore more vulnerable to rising interest rates and inflation. In fact, in many countries, high interest and inflation rates are the norm. Rates of economic growth, corporate profits, domestic and international flows of funds, external and sovereign debt, dependence on international trade, and sensitivity to world commodity prices play key roles in economic development, yet vary greatly from country to country.
   Businesses and governments in these countries may have a limited history of operating under market conditions. Accordingly, when compared to more developed countries, businesses and governments of emerging markets countries are relatively inexperienced in dealing with market conditions and have a limited capital base from which to borrow funds and develop their operations and economies. In addition, the lack of an economically feasible tax regime in certain countries poses the risk of sudden imposition of arbitrary or excessive taxes, which could adversely affect foreign investors. Furthermore, many emerging markets countries lack a strong infrastructure and banks and other financial institutions may not be well developed or well regulated. AIl of the above factors, among others, can affect the proper functioning of the economy and have a corresponding adverse effect on the performance of Instruments linked to a particular market.

14. **Limited liability transactions**

Before entering into a limited liability transaction, the customer should obtain from the Bank a formal written statement confirming that the extent of the customer's loss liability in each transaction will be limited to an amount agreed by the customer before the customer enters into the transaction.

The amount the customer can lose in such transactions will be less than in other margined transactions which have no predetermined loss limit. Nevertheless, the customer may sustain any loss in a relatively short time. The customer's loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.

15. **Collateral**

If a customer deposits security as collateral with the Bank 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 the collateral depending on whether the customer is trading on a recognized or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off exchange. Deposited collateral may lose its identity as the property of the customer once dealings on the customer's behalf are undertaken. Even if dealings should ultimately prove profitable, the customer may not get back the same assets which he deposited and may have to accept payment in cash.

16. **Collateral Arrangements**

When entering into Title Transfer collateral Arrangements or Security Collateral Arrangements containing a right of use (together, "Collateral Arrangements") with us, the following risks ("Re-use Risks and Consequences") may arise:

Where you provide financial instruments to us under a title transfer collateral arrangement or if we exercise a right of use in relation to any financial instruments that you have provided to us by way of collateral under a security collateral arrangement containing a right of use, we draw your attention to the following Reuse Risks and Consequences:

a. any rights, including any proprietary rights that you may have had, in those financial instruments will be replaced by an unsecured contractual claim for delivery of equivalent financial instruments subject to the terms of the relevant Collateral Arrangement;
b. those financial instruments will not be held by us in accordance with client asset rules, and, if they had benefited from any client asset protection rights, those protection rights will not apply (for example, the financial instruments will not be segregated from our assets and will not be held subject to a trust);
c. in the event of insolvency or default under the relevant agreement your claim against us for delivery of equivalent financial instruments will not be secured and will be subject to the terms of the relevant Collateral Arrangement and applicable law and, accordingly, you may not receive such equivalent financial instruments or recover the full value of the financial instruments (although your exposure may be reduced to the extent that you have liabilities to us which can be set off or netted against or discharged by reference to our obligation to deliver equivalent financial instruments or return funds to you);
d. in the event that a resolution authority exercises its powers under any relevant resolution regime in relation to us any rights you may have to take any action against us, such as to terminate our agreement, may be subject to a stay by the relevant resolution authority and:
   i. your claim for delivery of equivalent financial instruments may be reduced (in part or in full) or converted into equity; or
   ii. a transfer of assets or liabilities may result in your claim on us, or our claim on you, being transferred to different entities although you may be protected to the extent that the exercise of resolution powers is restricted by the availability of set-off or netting rights;
e. as a result of your ceasing to have a proprietary interest in those financial instruments you will not be entitled to exercise any voting, consent or similar rights attached to the financial instruments, and even if we have agreed to exercise voting, consent or similar rights attached to any equivalent financial instruments in accordance with your instructions or the relevant Collateral Arrangement entitles you to notify us that the equivalent financial instruments to be delivered by us to you should reflect your instructions with respect to the subject matter of such vote, consent or exercise of rights, in the event that we do not hold and are not able to readily obtain equivalent financial instruments, we may not be able to comply (subject to any other solution that may have been agreed between the parties);
f. in the event that we are not able to readily obtain equivalent financial instruments to deliver to you at the time required: you may be unable to fulfil your settlement obligations under a hedging or other transaction you have entered into in relation to those financial instruments; a counterparty, exchange or other person may exercise a right to buy-in the relevant financial instruments; and you may be unable to exercise rights or take other action in relation to those financial instruments;
g. subject to any express agreement between you and us, we will have no obligation to inform you of any corporate events or actions in relation to those financial instruments;
h. you will not be entitled to receive any dividends, coupon or other payments, interests or rights (including securities or property accruing or offered at any time) payable in relation to those financial instruments, although the express written terms of the relevant Collateral Arrangement or Transaction may provide for you to receive or be credited with a payment by reference to such dividend, coupon or other payment;
i. the provision of title transfer collateral to us, our exercise of a right of use in respect of any financial collateral provided to us by you and the delivery by us to you of equivalent financial instruments or the return of funds may give rise to tax consequences that differ from the tax consequences that would have otherwise applied in relation to the holding by you or by us for your account of those financial instruments or funds;
j. where you receive or are credited with a manufactured payment, your tax treatment may differ from your tax treatment in respect of the original dividend, coupon or other payment in relation to those financial instruments.

## 17. Stock Lending

Stock lending may affect a customer's Tax position and therefore customers should consult a Tax advisor before proceeding.

As a result of lending securities the customer will cease to be the owner of them, although he will have the right to reacquire at a future date equivalent securities (or in certain circumstances their cash value or the proceeds of redemption). However, except to the extent that the customer has received collateral, the customer's right to the return of the securities is subject to the risk of insolvency or other non performance by the borrower. Since the customer is not the owner during the loan period, he will not have voting rights nor directly receive dividends or other corporate actions although he will normally be entitled to a payment from the borrower equivalent to the dividend he would otherwise have received and the borrower will be required to account to the benefit of the customer any corporate actions. Full details will be contained in any stock lending agreement the customer enters into and the above description is subject to the terms of any such document.

## 18. Commissions

Before customers begin to trade they should obtain details of all commissions and other charges for which they will be liable. If any charges are not expressed in money terms (but for example, as percentage of contract value) customers should obtain a clear and written explanation to establish what such charges are likely to mean in specific money terms.

### 19. 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 customers' losses to the intended amounts because market conditions may make it impossible to execute such an order at the stipulated price.

### 20. Clearing house protections

On many exchanges the performance of a transaction by the investment firm is "guaranteed" by the exchange or clearing house. However the guarantee is unlikely in most circumstances to cover customers and may not protect them if the investment firm or another party defaults on its obligations to customers.

### 21. Insolvency

The Bank's insolvency or default, or that of any other brokers involved with your transaction, may lead to positions being liquidated or closed out without your consent. In certain circumstances, you may not get back the actual assets which you lodged as collateral and you may have to accept any available payments in cash. Whether and the extent to which the Bank will accept liability for any insolvency of, or default by, other firms involved with your transactions is set out in the General Terms.

### 22. Stabilisation

From time to time the Bank may carry out transactions in securities on behalf of customers where the price may have been influenced by means taken to stabilise it. Stabilization 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. Stabilization may affect not only the price of the new issue but also the price of other securities relating to it. The fact that a new issue or a related security is being stabilized should not be taken as indication of the level of interest from investors, nor of the price at which they are prepared to buy the securities.

THIS DISCLOSURE STATEMENT DOES NOT PURPORT TO DISCLOSE ALL OF THE RISKS OR OTHER RELEVANT CONSIDERATIONS ASSOCIATED WITH ENTERING INTO TRANSACTIONS REGARDING THE ABOVE-MENTIONED INSTRUMENTS. YOU SHOULD NOT CONSTRUE THIS DISCLOSURE STATEMENT AS BUSINESS, LEGAL, TAX OR ACCOUNTING ADVICE. YOU SHOULD CONSULT YOUR OWN BUSINESS, LEGAL, TAX AND ACCOUNTING ADVISERS AND YOU SHOULD REFRAIN FROM ENTERING INTO TRANSACTION UNLESS YOU HAVE FULLY UNDERSTOOD THE ASSOCIATED RISKS AND HAVE INDEPENDENTLY DETERMINED THAT THE TRANSACTION IS APPROPRIATE FOR YOU.