

## RISKS DISCLOSURE

The Client should note that there are significant risks inherent in investing in certain financial instruments and in certain markets. Investment in derivatives, futures, options and warrants may expose the Client to risks which are different to those investors might expect when they invest in equities. Similarly, investment in shares issued by issuers in emerging markets (by which BCS means those that have an underdeveloped infrastructure or which are less economically or politically stable as markets in developed countries) involves risks not typically associated with equities investment in well developed markets. Investment in any of the foregoing kinds of financial instruments is generally appropriate for sophisticated investors who understand and are able to bear the risks involved. Among such risks, is the risk of losing the entire value of an investment or (in the case of certain derivative and other Transactions) the risk of being exposed to liability over and above the initial investment. BCS sets out below some specific risks and considerations for investors in relation to financial instruments of the type referred to above. This information is not intended to constitute a comprehensive statement of all the risks to which investors might be exposed and there may be others that exist now or which may arise in the future.

### Stabilisation

You may enter Transactions in newly issued securities in respect of which BCS or its Affiliate is the stabilisation manager and the price of which may have been influenced by measures taken to stabilise it. 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. Some regulators allow stabilisation 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. As long as the stabilisation manager follows applicable regulations, it is entitled to buy back the 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:

- (a) limit the period when a stabilisation manager may stabilise a new issue;
- (b) fix the price at which the issue may be stabilised (in the case of shares and warrants, but not bonds); and
- (c) require disclosure of the fact that a stabilisation manager may be stabilising but not that it is actually doing so.

The fact that a new issue is 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.

### Foreign Currency and Exchange Rates

Foreign markets will involve different risks from the domestic markets. In some cases the risks will be greater. Investments in foreign securities may expose investors to the risk of exchange rate fluctuation and investors who deposit collateral denominated in one currency may be subject to margin calls in circumstances where the obligations secured by such collateral are denominated in another currency (in addition to the risk of margin calls for fluctuations in relative values). Some currencies are not freely convertible and restrictions may be placed on the conversion and/or repatriation of investors' funds including any profits or dividends.

### Emerging Markets

Investors should be aware that there may be potential risks posed by volatile political, legal and commercial conditions in emerging markets which may affect the value of or result in the loss of investments. The quality and reliability of official data published by governments and their agencies in emerging markets might not be equivalent to that available in developed markets. In addition, the absence of developed securities markets as well as potentially underdeveloped banking and telecommunications systems in such countries may give rise to greater custody, settlement, clearing and registration risks. Foreign investment in issuers in emerging markets may be restricted - sometimes such restrictions may not be published and investors may not be readily made aware of them. In such circumstances, there may be restrictions on repatriation of capital or an investment may have to be scaled down to comply with local foreign ownership restrictions.

### Futures

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 a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of Client's investment, and this can work against

investors as well as for the Client. Futures Transactions have a contingent liability and investors should be aware of the implications of this.

### **Options**

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

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

**Writing options:** If investors write an option, the risk involved is considerably greater than buying options. Investors may be liable for margin to maintain their Position and a loss may be sustained well in excess of the premium received. By writing an option, investors accept a legal obligation to purchase or sell the underlying Asset if the option is exercised against them 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.

**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 Position. 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 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.

### **Contracts for Differences**

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

### **Contingent Liability Investment Transactions**

Contingent liability investment Transactions, which are margined, may require you to make a series of payments apart from any initial payment or premium. If you trade in futures, contracts for differences or sell options, you may sustain a total loss of the margin you deposit to establish or maintain a Position. If the market moves against you, you may be called upon to pay substantial additional margin at short notice to maintain the Position. If you fail to do so within the time required, your Position may be liquidated at a loss and you will be responsible for the resulting deficit. 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.

### **Limited Liability Transactions**

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

### **Collateral**

If you deposit collateral as security with BCS for Transactions you enter, 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 recognised or designated investment exchange, with the rules of that exchange (and any associated clearing house) applying, or trading off-exchange. Collateral may lose its identity as your Property once dealings on your behalf are undertaken, particularly where you transfer the title to such collateral and 'right to use' provisions apply. 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.

BCS will have the right of use on the collateral as the owner of the collateral irrespective of whether there is an event of default or not without giving you any prior notice. Accordingly upon the exercise by BCS of the right of use you agree to substitute your proprietary right of the collateral with a contractual claim, subject to these terms and conditions.

### **Extended Hours Trading**

Increased trading opportunity means increased ability to react to news and earnings reports that occur during pre- and post-market sessions. However the extended hours trading involves material trading risks, including the possibility of the following:

- (a) Risk of timing of order entry. All orders entered and posted during extended-hours trading sessions must be limit orders. You must indicate the price at which you would like your order to be executed. By entering the price, you agree not to buy for more or sell for less than the price you entered, although your order may be executed at a better price. Your order will be executed if it matches an order from another investor or market professional to sell or purchase on the other side of the transaction. In addition, there may be orders entered ahead of your order by investors willing to buy or sell at the same price. Orders entered earlier at the same price level will have a higher priority. This means that if the market is at your requested price level, an order entered prior to your order will be executed first. This may prevent your order from being executed in whole or in part.
- (b) Risk of execution pricing. For extended-hours trading sessions, quotations will reflect the bid and ask currently available through the utilized quotation service. The quotation service may not reflect all available bids and offers posted by other exchanges, and may reflect bids and offers that may not be accessible through BCS or respective trading partners. This quotation montage applies for both pre- and post-market sessions. Not all systems are linked; therefore you may pay more or less for your security purchases or receive more or less for your security sales through an exchange than you would for a similar transaction on a different exchange.
- (c) Risk of lower liquidity. Liquidity refers to the ability of market participants to buy and sell securities. Generally, the more orders that are available in a market, the greater the liquidity. Liquidity is important because with greater liquidity it is easier for investors to buy or sell securities, and as a result investors are more likely to pay or receive a competitive price for securities purchased or sold. There may be lower liquidity in extended hours trading as compared to regular market hours. As a result, your order may only be partially executed, or not at all.
- (d) Risk of higher volatility. Volatility refers to the changes in price that securities undergo when trading. Generally, the higher the volatility of a security, the greater its price swings. There may be greater volatility in extended hours trading than in regular market hours. As a result, your order may only be partially executed or not at all.
- (e) Risk of changing prices. The prices of securities traded in extended hours trading may not reflect the prices either at the end of regular market hours, or upon the opening the next morning. As a result, you may receive a price in extended hours trading which is inferior to that you would obtain during regular market hours.
- (f) Risk of unlinked markets. Depending on the extended hours trading system or the time of day, the prices displayed on a particular extended hours trading system may not reflect the prices in other concurrently operating extended hours trading systems dealing in the same securities. Accordingly, you may receive a price in one extended hours trading system inferior to one you would obtain in another extended hours trading system.
- (g) Risk of news announcements. Normally, issuers make news announcements that may affect the price of their securities after regular market hours. Similarly, important financial information is frequently announced outside of regular market hours. In extended hours trading, these announcements may occur during trading, and if combined with lower liquidity and higher volatility, may cause an exaggerated and unsustainable effect on the, price of a security.
- (h) Risk of wider spreads. The spread refers to the difference in price between what you can buy a security for and what you can sell it for. Lower liquidity and higher volatility in extended hours trading may result in wider than normal spreads for a particular security.
- (i) Risk of duplicate orders. There is a risk of duplicate orders if you place an order for the same security in both an extended-hours session and the regular trading session, even if that order is a day order. Orders executed during regular trading hours may not be confirmed until after the post-market extended trading session has already begun. Similarly, orders executed in the pre-market session may not be confirmed until after regular trading has begun.
- (j) No Support. BCS does not have customer service 24 hours. This means that BCS will not answer client calls during much of the pre- and post-market trading sessions. This greatly increases the risk of loss if the Client makes an error or if there is a system issue because no one will attend to Client's call until the beginning of customer service hours. The Client is solely responsible for any loss that occurs in its account for any reason during the non-core session.