

RISK DISCLOSURE: repurchase transactions

1. A repurchase transaction means a transaction in which the seller agrees to sell to the buyer securities (known as purchased securities) against the payment of the agreed price (known as purchase price) by the buyer to the seller, with a simultaneous agreement by the buyer to sell to the seller securities equivalent to the originally sold securities (equivalent securities), at a certain date or on demand against the payment of the agreed price (known as repurchase price) by the seller to the buyer.
2. Where you sell securities under a repo, the full ownership of the purchased securities will be transferred to the buyer. You will therefore, be exposed to the risk of failure by the buyer to comply with the terms of the transaction in part or at all. Such failure can result, inter alia, in the inability to return to you equivalent securities and the possible loss of corporate benefits accruing thereon. Where you buy securities under a repo, you will also become exposed to the risk of failure by the seller to pay to you the repurchase price.
3. In addition to the above, the risks inherent in repurchase transactions include the following:
 - (a) your rights, including any proprietary rights that you may have had, in purchased securities sold will be replaced by an unsecured contractual claim against the buyer for delivery of equivalent securities;
 - (b) in the event of insolvency or default by the buyer your claim against the buyer for delivery of equivalent securities will not be secured and will be subject to the terms of applicable contract and law and, accordingly, you may not receive such equivalent securities or recover the full value of the purchased securities;
 - (c) as a result of you ceasing to have a proprietary interest in the purchased securities sold, even if the buyer has agreed to exercise voting rights in accordance with your instructions, in the event that the buyer does not hold and is not able to readily obtain equivalent securities, the buyer may not be able to comply with your instructions;
 - (d) in the event that the buyer is not able to readily obtain equivalent securities 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 equivalent securities; and/or a counterparty or other person may exercise a right to buy-in the relevant securities; and/or you may be unable to exercise rights or take other action in relation to those equivalent securities;
 - (e) in the event that a competent resolution authority exercises its powers under any relevant resolution regime in relation to the other party to a repo any rights you may have to take any action against the other party, such as to terminate our agreement, may be subject to a stay by the relevant resolution authority and your claim for delivery of equivalent securities or payment of the repurchase price may be reduced (in part or in full) or converted into equity or a transfer of assets or liabilities may result in your claim on the other party, or the other party's claim on you, being transferred to different entities;
 - (f) where you receive or are credited with a payment by reference to dividend, coupon or other income payable in relation to any purchased securities, your tax treatment may differ from your tax treatment in respect of the original dividend, coupon or other payment in relation to those purchased securities;
 - (g) if the market value of the purchased securities you have sold declines, you may be required to deposit more money at short notice. In the extreme event that the purchased securities sold decline to zero, you would need to deposit the full initial value of the purchased securities in cash to cover the loss;
 - (h) where you hold any cash or assets with the other party to a repo, your securities and cash balances may be subject to the security interests created in favour of the other party. In the event you become unable

to make any payments or deliveries, the other party may be entitled to sell your securities to recover funds or to apply your cash to satisfy your obligations without prior notice to you.