RISK DISCLOSURE: introduction

You should note that there are significant risks inherent in investing in financial instruments and markets and that those risks differ depending on the instrument and market in which you invest. Investment in derivatives, for example, may expose you 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 we mean those that have an underdeveloped infrastructure or which are less economically or politically stable as markets in well-developed countries) involves risks not typically associated with equities investment in well-developed markets. Among such risks, there is the risk of losing the entire value of an investment or (in the case of certain derivative and other transactions and provided that no negative balance protection applies by virtue of any applicable legislation) the risk of being exposed to liability over and above the initial investment.

In risk disclosures provided to you, we set out some specific risks and considerations in relation to financial instruments and markets of certain types. The information included in risk disclosures is not intended to constitute a comprehensive statement of all the risks to which investors might be exposed to and there may be others that exist now or which may arise in the future. All risk disclosures supplied are designed to supplement any risk disclosures set out in the Client Agreement (including for the avoidance of doubt any Schedules thereto which constitute integral part thereof) and other documents (including key investor information or offering documents) disclosing risks specific to particular investments, products or services. All risk disclosing documents shall constitute an integral part of our basic contract with you. If you do not understand any aspect of these documents, we recommend that you consult an independent adviser and obtain a full understanding of such terms.

RISK DISCLOSURE: generic types of risk

When investing in financial instruments you may be exposed to some or all of the risks described in this section below.

(a) **Price risk** means a risk of unexpected change of prices on corporate, municipal or state securities and derivatives that may result in dramatic decrease of the value of your financial instruments.

(b) **Market risk** means a risk that value of instruments depends on such factors as: prices of equities, debts and commodities; exchange, interest and other reference rates; as well as their volatilities and correlations. These factors are influenced by, among other things: political instability, government trade, fiscal and monetary programs, exchange rate polices, state of the market and industries, as well as external environment. No assurance can be given that you will not incur substantial losses because of such factors. In addition, you should be aware that if you trade on any foreign market, no domestic organisation will regulate the activities of such foreign market, including the execution, delivery and settlement of transactions, and no domestic regulator will have the power to compel enforcement of the rules of the foreign market or the laws of the foreign country. Moreover, such law and regulations will vary depending of the foreign country in which the transaction occurs. For these reasons, when you trade on foreign markets you may not be afforded certain of the protections, which apply to domestic tractions, including the right to use domestic alternative dispute resolution procedures.

(c) **Liquidity risk** means a risk of loss as the result of transactions in securities and/or derivatives due to change of market sentiment in respect of those investments. This risk may materialize when many investors effect a quick sale of securities and/or derivatives in order to close opened positions or when you invest in unrated/non-publicly offered debt securities and unlisted equities and debentures.

(d) **Issuer risk** means a risk of the issuer's insolvency, changing of credit and other ratings of the issuer, bringing suits or claims against the issuer that may result in dramatic decrease of value of the issuer's securities or failure to redeem the debt securities. Please, note that when investing in unrated/ non-publicly traded securities, in general, you will have access to less reliable, less detailed and less complete information about the issuers. There may be no obligation for the companies to publish financial information, thus limiting your ability to carry out due-diligence or gain full knowledge on potential investments. Moreover, the general quality of data published by a company may not be as complete or adequate as or may even be below that published through a regulated market. Due to these circumstances, you may be obliged to make investment decisions and investment valuations on the basis of financial information that will be less complete and reliable than would be accustomed or required or as otherwise expected in the regulated markets or in relation to public offerings.

(e) **Credit risk** means a risk of loss as a result of the nonperformance or/and undue performance of obligations by counterparties under the contracts concluded by you.

(f) **Currency risk** means a risk of negatively changing of securities or derivatives contracts value due to changing of the currency rate of your base currency to other currencies. Foreign markets generally will involve different risks from the domestic markets. In some cases, the risks will be greater and/or additional or different to those risks of domestic markets or in domestic currency. By way of an example, investments in foreign securities may expose you to the risk of exchange rate fluctuation and when you deposit collateral denominated in one currency you 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 funds including any profits or dividends.

(g) **Interest rate risk** means a risk that the relative value of a security, especially a bond, will worsen due to an interest rate increase. This could impact negatively on other products. There are additional interest rate related risks in relation to floating rate instruments and fixed rate instruments; interest income on floating rate instruments cannot be anticipated. Due to varying interest income, you may not able to determine a definite yield of floating rate instruments at the time they purchase them, so that their return on investment cannot be compared with that of investments having longer fixed interest periods. If the terms and conditions of the relevant instruments provide for frequent interest payment dates, you are exposed to the reinvestment risk if market interest rates decline. That is, you may reinvest the interest income paid to you only at the relevant lower interest rates then prevailing.

(h) **Commodity risk** means a risk that the prices of commodities may be volatile, and, for example, may fluctuate substantially if natural disasters or catastrophes, such as hurricanes, fires or earthquakes, affect the supply or production of such commodities. The prices of commodities may also fluctuate substantially if conflict or war affects the supply or production of such commodities. If any interest and/or the redemption amount payable in respect of any product is linked to the price of a commodity, any change in the price of such commodity may result in the reduction of the amount of interest and/or the redemption amount payable. The reduction in the amount payable on the redemption of an investment may result, in some cases, in you receiving a smaller sum on redemption of a product than the amount originally invested in such product.

(i) **Operations risk** means a risk of losses as a consequence of the mistaken or illegal actions of the employees of the organised markets or venues, custodians, registrars, clearing organisations in course of settlement of transactions in securities or derivatives.

(j) **Technical risk** means a risk of failures arising in course of ordinary operation of trading systems and communication lines (defects and failure at the operating of equipment, IT software, power supply service etc.), that may hinder or make impossible transmission of orders or performing of the transactions in securities and/or on entering into derivative contracts and obtaining information about prices. Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the one or more parties, namely the system provider, the market, the clearing house or member firms. Such limits may vary. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or not executed at all.

(k) **Tax risk** means a risk concerning with complexity of tax laws of the different countries applicable to you. Therefore, you shall consider tax consequences of investments. It is possible that the current interpretation of tax laws or understanding of practice may change, and such changing may have retrospective effect. As an investment holder, you may receive taxable income in the form of distributions and/or capital gains on your investment. You should consult with your tax advisor in order to determine the impact of taxes on your investments.

(l) **Legal risk** means a risk due to the fact that markets are subject to ongoing and substantial regulatory changes. It is impossible to predict what statutory, administrative or exchange changes may occur in the future or what impact such changes may have on your investment results. For example, off-exchange transactions may be less regulated or subject to a separate regulatory regime. Before you undertake such transactions, you should familiarise yourself with the applicable rules and attendant risks.

(m) **System risk** means a risk of loss infliction to you as consequence of the negatively changing in system of financial market operation and organisation.