Citi Risk Disclosure Notice

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In this Citi Risk Disclosure Notice, “Citi”, “we”, “our”, “ours” and “us” refer to Citi (or, where Citi is acting on behalf of another person, including where that person is an affiliate, that person), and references to “you”, “your” and “yours” refer to Citi’s clients. This disclosure document applies in relation to various Citi legal entities including but not limited to Citigroup Global Markets Europe AG (“**CGME**”), Citibank Europe plc (“**CEP**”) and Citigroup Global Markets Limited (“**CGML**”) (and their respective branches) and Citibank N.A., London Branch and Citibank N.A., Milan Branch.

1 Introduction

Pursuant to our obligations under the Markets in Financial Instruments Directive (Directive 2014/65/EU) ("**MIFID II**") we are required to provide clients or potential clients, with a general description of the nature and risks of financial instruments[1].

THESE RISK DISCLOSURES SHALL APPLY TO ALL CLIENTS AND THE CLIENT ACKNOWLEDGES AND AGREES THAT IT HAS READ AND UNDERSTOOD THESE RISK DISCLOSURES.

THIS BRIEF STATEMENT DOES NOT PURPORT TO DISCLOSE ALL THE RISKS OR OTHER RELEVANT CONSIDERATIONS OF ENTERING INTO TRANSACTIONS. YOU SHOULD REFRAIN FROM ENTERING INTO ANY SUCH TRANSACTIONS UNLESS YOU FULLY UNDERSTAND ALL SUCH RISKS AND HAVE INDEPENDENTLY DETERMINED THAT THE TRANSACTION IS APPROPRIATE FOR YOU. ANY EVALUATION OF TRANSACTIONS SHOULD BE MADE ONLY AFTER SEEKING ADVICE FROM INDEPENDENT PROFESSIONAL ACCOUNTING, FINANCIAL, INVESTMENT, LEGAL, REGULATORY, TAX AND OTHER ADVISORS.

Before deciding to transact in any financial products and investments, you will need to have assessed the risks inherent in those financial instruments, structured deposits, commodities or other financial products and in any related services and strategies (for the purposes of this disclosure, referred to as “financial products”, “investments” or “products” interchangeably). The specific risks presented by a particular transaction necessarily depend upon the terms of that transaction and your circumstances and as such the risk disclosures in respect of a variety of products as provided herein are not exhaustive and need to be reviewed in light of your specific transaction, contractual relationship and circumstances. You should therefore also read any relevant documentation, for example term sheets and offering memoranda, in addition to product agreements, terms of business and any related annexes or disclosure notices which may highlight a non-exhaustive set of additional risks particular to a financial product or service.

Additional current policies, terms, disclosures and notices applicable where you are a client of our UK regulated entities can be found here. Additional current policies, terms, disclosures and notices applicable where you are a client of our EU regulated entities can be found here.

As in any financial transaction, you should ensure that you understand the requirements (including investment restrictions), if any, applicable to you that are established by your regulators or by your board of directors or other governing body. You should also consider the

[1] Where applicable to the services provided by Citi.

legal, tax and accounting implications of entering into any transaction. To the extent appropriate in light of the specific transaction, and your particular circumstances, you should consult such professional advisers as you consider appropriate to assist you to make your own evaluation of the risks and the merits of the transaction and the suitability of the transaction for you. If you are acting in the capacity of financial adviser, agent or fiduciary, you should evaluate the foregoing matters in light of the circumstances applicable to your client or principal and any obligations or limitations imposed on you as adviser, agent or fiduciary.

You should not enter into transactions unless you understand the nature of the transaction and the relevant financial product, and the extent of your exposure to risk and potential loss. You should also be satisfied that the financial product is suitable for you in the light of your circumstances and financial position. Certain trading strategies, such as a 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position. Although derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors.

Investment risk involves the risk of gains or losses, however this document seeks to inform you primarily of risks that can result in potential losses and does not cover potential gains.

There are risks that will apply generally to any investment in any financial instrument. These include but are not limited to the following:

1.1.1 **Currency risk:** if investments are denominated in a currency other than that in which the investor's initial investment was made, returns could be reduced, or losses incurred, due to currency fluctuations.

1.1.2 **Change in law risk:** if there is a change in law or regulation which affects an investment, or the manner in which it is traded or held, additional costs might be incurred or, in extreme circumstances, investments lost.

1.1.3 **Tax risk:** a change in tax law to impose a new tax on the transfer or holding of an instrument could result in costs being incurred when realising your investment.

1.1.4 **Third party risk:** certain investments may need third parties to act in relation to investments traded or held by you (e.g., custodians, settlement agents, exchanges). Your investments may be at risk in the event of failure and/or fraud in respect of one of these third parties.

1.1.5 **Fraud risk:** if there is a fraud in relation to investments which you hold, you may be at risk of losing your investment.

1.1.6 **Legal risk in other jurisdictions:** some investments may be subject to different or diminished investor protection and the protections which apply to money or other property you deposit in respect of transactions, which may put your assets at additional risk.

1.1.7 **Counterparty risk:** the insolvency of any institution, including Citi, acting as party to a contract in a financial product (or otherwise providing a service) may expose the investor to financial loss. You may experience losses as a result of certain counterparty or third-party actions which impact the entire market or a chain of transactions, as well as factors specific to any financial instrument. For this reason, many financial instruments should not be assessed as an investment in isolation.

1.1.8 **Credit risk:** any investment in a financial instrument is likely to be impacted by the creditworthiness of the issuing entity and carries the risk that the issuing entity may not be able to meet its obligations as contracted by the transaction. As such, any reduction of the creditworthiness of that entity is likely to result in a reduction of the value of financial instruments issued by it.

1.1.9 **Market risk:** the price of investments goes up and down. You may experience losses due to a change in the value of a financial instrument due to macroeconomic factors that impact the entire market as well as factors specific to any financial instrument. Macroeconomic risks may include interest rate risk, foreign exchange rates risk, currency risk, commodity risk, equity risk, economic stability, inflation, political factors (including trading in certain financial instruments derived from markets, or facing counterparties which become subject to sanctions), regulation and taxes. Instrument specific market risks may materialise due to supply and demand, factors affecting the issuer of the financial instrument, differing levels of transparency, liquidity and the volatility in the market for that financial instrument. Some of these risks are described in more detail below.

1.1.10 **Conflicts of interest:** as an integrated investment bank with a range of products and services, conflicts may arise in a number of different circumstances, for example, Citi may have positions in, and hold non-public information about, the markets underlying a transaction or Citi's trading and hedging activity may impact markets in which you are making investments. Citi has in place a conflicts of interest policy, a description of which can be found on our website and which provides more detail about Citi's conflict management processes and controls to identify and manage conflicts arising from its business.

1.1.11 **Operational Risk:** breakdowns or malfunctioning of essential systems and controls, including IT systems, can have an impact on all financial products. Like all automated procedures, these systems are subject to the risk of stoppages and malfunctions, which may result in your orders not being executed in accordance with your instructions or remaining unexecuted. An investor's ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Additionally, personnel and organisational changes in a business can severely affect business risks. In general, operational risk may not be apparent from outside the organisation and could impact on shareholders of, or investors in, such a business.

1.1.12 **Commissions/Transaction Costs:** When products are purchased or sold, several types of incidental costs (including transaction fees/costs and commissions) are incurred in addition to the current price of the financial instrument or product. You should carefully consider the costs disclosures that you will be provided with from time to time as well as any such disclosures which may be made available on our website here and here. Before entering into a transaction, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges, including any incidental charges (such as third party costs incurred by dealers or brokers in foreign markets, as applicable), will affect your net profit (if any) or increase your loss.

1.1.13 **Strategy risk:** Particular investment strategies will carry their own particular risks. For example, certain strategies, such as 'spread' position or a 'straddle', may be as risky as a simple 'long' or 'short' position. Although financial instruments can be utilised as a strategy for management of investment risks, certain financial instruments can be unsuitable for certain investors.

2 Product risk disclosures

Different products involve different levels of exposure to risk and, in deciding whether to trade in such products, you should be aware of the following specific risks which you may be exposed to in addition to the general risks outlined in Section 1 above.

2.1 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 and can be publicly listed (traded on-exchange), or, if the company is private not listed (traded off-exchange). Dividend payments and an increase in the value of the security are both possible, although not guaranteed. The shareholder has financial and ownership rights which are determined by law and the issuing company's incorporation documents. Unless otherwise provided, transfers of bearer shares do not entail any formalities. However, transfers of registered shares are often subject to limitations.

<u>Ordinary shares:</u>

An ordinary share represents an equity ownership interest in a company with holders of ordinary shares typically being entitled to voting rights (as specified in a company's articles of association). As stakeholders in a company, in return for the capital investment made by a shareholder, a company may elect to pay dividends to such shareholders in the form of cash or additional shares. The price of a company's ordinary shares (and consequently, the value of a shareholder's investment) is subject to many of the general risk types set out above including, but not limited to, market risk, liquidity risk, and the perception of the strength of the company's business. Further, in a liquidation of the issuer, ordinary shareholders are amongst the last with a right to repayment of capital and any surplus funds of the issuer, which could lead to a loss of a substantial proportion, or all, of the original investment.

<u>Preference shares:</u>

Unlike ordinary shares, preference shares give shareholders the right to a fixed dividend the calculation of which is not based on the success of the issuer company. Preference shares do not usually give shareholders the right to vote at general meetings of the issuer, but shareholders will have a greater preference to any surplus funds of the issuer than ordinary shareholders, should the issuer go into liquidation. There is a risk that you may lose all or part of your capital.

<u>Depository Receipts:</u>

Depositary Receipts (e.g., American depository receipts ("**ADRs**"), global depository Receipts ("**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.

Dealing in any shares may expose you to certain risks including, but not limited to, the following:

2.1.1 **Company risk:** a share purchaser does not lend cash to the company, but becomes a co-owner of the company. The shareholder thus participates in the company's development as well as in chances for profits and losses, which makes it difficult to forecast the precise yield on such an investment. Not listed or off-exchange shares may involve a higher risk than investing in on-exchange shares because it may be more difficult to assess the exposure to risk and the value of the position. However, if shares are listed or traded on-exchange, and the company's share price falls, the company may then find it difficult to raise further capital to finance the business, and the company's performance may deteriorate vis à vis its competitors, leading to further reductions in the share price. Ultimately, a company may become vulnerable to takeover or, in an extreme case, bankrupt, thereby wiping out the total sums invested.

2.1.2 **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.

2.1.3 **Dividend risk:** the dividend per share mainly depends on the issuing company's earnings and on its dividend policy. In case of low profits or losses, dividend payments may be reduced or not made at all. It is also possible that in certain circumstances, the issuer may fail to make a payment or delivery in respect of a declared dividend or an issuer may announce that a declared dividend may no longer be paid.

2.1.4 **Risk relating to market conditions:** the price of a share and its disinvestment risk may each be affected by factors relating to wider market conditions, both positive and negative, and such market conditions will affect each company differently depending on the nature and size of the company, amongst other factors; a share cannot therefore be assessed as an investment in isolation.

2.1.5 **Disinvestment risk:** shares may be affected by impediments to disinvestment (e.g. shares may prove illiquid or difficult to sell and/or may be difficult to sell at a price equal to or greater than the transaction price at the point in time that the purchaser wishes to sell). In particular, if the company is private (i.e., shares are not listed or traded on-exchange) or if the company is listed but only trades infrequently, the shares may be difficult to dispose of or have certain restrictions attached to them.

2.1.6 **Dilution risk:** in the absence of any restrictions in the incorporation documents of the company or other agreement, an issuer may issue more of its shares, thereby potentially reducing the value of the holding and putting downward pressure on the amount of dividends per share.

2.1.7 **Bearer securities risk:** there is a risk of loss of your asset if you mislay the bearer instrument.

2.1.8 **Suspensions of trading:** where the shares are listed or admitted to trading, the relevant issuer will not be obliged to maintain the listing or trading. Shares may be suspended from trading and/or de-listed at any time in accordance with applicable rules and regulations of the relevant stock exchange(s). This may result in reduced liquidity or a reduction in the value of the shares. It is also possible that potential market disruptions (e.g., exchange disruption/trading suspension/early closure) could also result in a suspension of trading.

2.2 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 warrant. Investments in warrants may be exposed to certain risks including, but not limited to, the following:

2.2.1 **Leverage risk:** as warrants often involve a high degree of leverage, the price of a warrant can be highly volatile. A relatively small movement in the price of the underlying security can result in a disproportionately large movement, favourable or unfavourable, in the value of the warrant.

2.2.2 **Loss of investment:** the right to subscribe, which a warrant confers, is invariably limited in time. If the right is not exercised within the pre-determined time scale, the investment becomes worthless. Losses resulting from warrants can exceed the amount invested when commissions or other transaction charges are included.

2.2.3 **Liquidity risk:** transactions in off-exchange warrants may involve greater risk than exchange-traded warrants. This is because there is no exchange through which to liquidate the position or to assess the value of the warrant or the exposure to risk.

2.2.4 **Underlying risk:** a warrant is an instrument relating to an underlying security. The value of a warrant will be subject to the risks relevant to that underlying security.

2.3 Money Market Instruments

A money market instrument is a borrowing of cash for a period, generally no longer than six months, but occasionally up to one year, in which the lender takes a deposit from the money markets in order to lend it to the borrower. The borrower must specify the exact amount and the period for which he wishes to borrow. Examples of money market instruments include certificates of deposit, treasury bills and commercial paper, or any other instruments with substantially equivalent features that:

(i) have a value that can be determined at any time;
(ii) are not derivatives; and
(iii) have a maturity at issuance of 397 days or less.

Like other debt instruments, money market instruments may be exposed to certain risks including, but not limited to, the following:

2.3.1 **Market risk:** when the equity and debt markets are extremely volatile, investing in money market instruments is generally considered to be lower risk. Conversely, during normal market conditions you may be prevented from achieving your objective during any period in which assets are not substantially invested in accordance with your principal investment strategies as a result of being invested in such money market instruments.

2.3.2 **Risks affecting the issuer:** investors in money market instruments are exposed to the political, market and operational risks that affect the issuers of the underlying assets. They are also exposed to currency risk insofar as underlying assets are denominated in a currency other than the one in which their investment was made.

2.4 Debt Instruments

All debt instruments are potentially exposed to certain risks including, but not limited to, the following:

2.4.1 **New issuances:** investors should be aware that they may not receive the full allocation they apply for, and that any debt instruments they do receive may decline in value from the par value of issuance.

2.4.2 **Additional risk for banks and investment firms related to debt instruments:** debt instruments issued by EEA and UK banks, certain other EEA and UK financial services firms and, in some cases, their parents and other affiliates may, depending on the rank of the debt security in the resolution creditor hierarchy, be vulnerable to "bail-in" or equivalent measures, where the issuer (or an affiliated bank or firm) undergoes a resolution (or bank rescue) procedure. In a bail-in, a governmental or other regulatory body (generally known as a "resolution authority") may require your rights under such securities to be written off in whole or part, or converted into equity, or the terms of such securities to be altered (e.g. date of maturity or interest rates payable) or payments suspended. The purpose of such a bail-in is to prevent the bank (or other firm) from entering into insolvency proceedings and will therefore precede formal insolvency. This means that the holders of the bank and related debt securities may lose some or all of their investment, where the issuer is in financial difficulty, even outside an insolvency scenario and absent the technical default of the issuer. Non-UK or Non-EEA banks and investment firms may be subject to similar resolution tools and powers in their local jurisdictions.

2.5 Bonds

Bonds are negotiable debt instruments issued in bearer or registered form by a company, a government body or other entity to creditors, and whose par value at issuance usually represents a fraction of the total amount of the 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 scheduled payments, or at different rates 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. The purchaser of a bond (the creditor) has a claim against the issuer (the debtor).

Investments in bonds may be exposed to certain risks including, but not limited to, the following:

2.5.1 **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 of a range of factors including the issuing entity, 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.

2.5.2 **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 a bond's sensitivity to a rise in the market rates.

2.5.3 **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 (that is, relative to the interest rate on a risk-free security of similar maturity and interest rate structure – usually a government bond or certificate of deposit, generally considered to be free from risk of monetary loss), the higher the perceived credit risk of the issuer.

2.5.4 **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 expected yield.

2.5.5 **Risks specific to bonds redeemable by drawing:** bonds redeemable by drawing have a maturity that is difficult to determine, so unexpected changes in the yield on these bonds may occur.

2.5.6 **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 coupon bonds, foreign currency bonds, convertible bonds, reverse convertible notes, indexed bonds, and subordinated bonds. For such bonds, you 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, you 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 repayment of all higher ranked creditors and, as such, there is a risk that you will not be reimbursed. In the case of reverse convertible notes, there is a risk that you will not be entirely reimbursed but will receive only an amount equivalent to the underlying securities at maturity.

2.5.7 **Risk relating to market conditions:** the price of a bond and its disinvestment risk may each be affected by factors relating to wider market conditions, both positive and negative, and such market conditions will affect each issuer differently depending on the nature and size of the issuer, amongst other factors; a bond cannot therefore be assessed as an investment in isolation.

2.5.8 **Disinvestment risk:** bonds may be affected by impediments to disinvestment (e.g. the liquidity of a bond (based on factors 2.5.1 to 2.5.7 above may affect the market value of a bond despite its projected yield based on its coupon and expected maturity). In respect of non-listed bonds, these are generally speaking less liquid than listed bonds. There may be no market for such bonds, meaning that the bond holder is unable to exit this investment before the maturity date. This exposes the bond holder to inflation and/or interest rate risk, as the return on the bond may become lower than the rate of inflation or interest rates available elsewhere.

2.5.9 **Tax call risk:** the issuer of the bond may have the right to call the bond should there be an adverse change to the tax laws that affect it. This may mean that the yield on the bond is lower than anticipated.

2.5.10 **Suspension of Trading:** where the bonds are listed or admitted to trading, the relevant issuer will not be obliged to maintain the listing or trading. Bonds may be suspended from trading and/or de-listed at any time in accordance with applicable rules and regulations of the relevant stock exchange(s). This may result in reduced liquidity or a reduction in the value of the bonds. Like all automated procedures, these systems (i.e., exchanges) are also subject to the risk of stoppages and malfunctions, which may result in your orders not being executed in accordance with your instructions or remaining unexecuted.

2.6 Convertible and Exchangeable Bonds

These instruments are bonds, the fixed return of which can be converted into the shares (or a cash payment linked to the value of the shares) of the bond issuer at the option of the bondholder, the issuer, or either of them. In addition to the risk outlined in "Bonds" above, investments in convertible and exchangeable bonds may be exposed to certain risks including, but not limited to, the following risks:

2.6.1 **Derivatives risk:** as these bonds include an embedded equity derivative, investors should consider the effect of the embedded derivative on the value of the bond, which may be to amplify any losses.

2.6.2 **Equity risks:** on exercise of the conversion rights, holders are exposed to the risks relating to shares (as described above) in respect of the relevant equity securities.

2.6.3 **Conversion risk:** conversion of the bond into equities may only be possible during certain periods of time and may also be subject to certain other conditions. This may mean that the holder is unable to exercise its conversion right at the most advantageous time, which may result in reduced profits or increased losses.

2.7 Asset-backed Securities

An asset-backed security ("**ABS**") is a debt security in respect of which the income payments, and therefore the value, are derived from and collateralised (or "backed") by a specified underlying asset or pool of underlying assets. The asset can be a loan, a lease, a pool of secured loans or receivables relating to assets such as cars, aircraft or real estate or revenue streams (for example, trade debts or football ticket sales). In addition to the risks outlined in "Bonds" above, the holder of an ABS is exposed to certain risks including, but not limited to, the risks set out below. For the avoidance of doubt, the risks outlined below are exclusively limited to those related to investing in an ABS, as opposed to any risks which may arise to parties performing a primary role in a given securitisation transaction (e.g., issuer):

2.7.1 **Credit risk:** the holder of an ABS is exposed to the default or deterioration in credit rating as well as the general creditworthiness of the issuer of the ABS and the borrower against the underlying asset (for example, the company that has taken out a loan against an aircraft). These two risks may be related. Wide-spread default by underlying obligors may lead to the insolvency of the issuer of the ABS.

2.7.2 **Operational risk:** often, an ABS is issued by a special purpose vehicle ("**SPV**") which is specifically formed for the purpose of issuing the ABS and purchasing the relevant asset or assets. An SPV is highly dependent on third parties such as corporate service providers, servicers/asset managers, paying agents, trustees and other service providers to meet its own obligations. It is therefore exposed to the operational and credit risk of those third parties.

2.7.3 **Shortfall:** the right of a holder of an ABS to participate in the assets of the issuer will be limited to the net proceeds of the assets secured for such holder's benefit. Such proceeds may be insufficient to meet all (or, depending on the transaction or circumstances, any) payments due under such ABS.

2.7.4 **Market risk:** a holder of an ABS is exposed to market risk in respect of the underlying asset. If the market value of the collateral against which the loan has been made falls or liquidity is reduced, the issuer of the ABS may be unable to recover the full amount of the loan it has made to a defaulting borrower.

2.7.5 **Ownership:** the holder of the relevant ABS does not have any ownership rights over the underlying assets and will therefore have no claim over the underlying obligor(s) in the event of its or their insolvency.

2.7.6 **Performance of manager:** the performance of the manager of the SPV may also affect the value of the ABS. If the SPV (or originator or portfolio manager) has incorrectly assessed the risk profile of the securitised assets, the rate of default may exceed expectations and increase the risk of losses.

2.7.7 **Early termination:** ABS transactions may be terminated prior to their maturity date (due to regulatory, tax change or other events of default). Early termination may mean an investor's expected return is not provided and/or not all the investment is returned. The holder of the relevant ABS may not be able to reinvest the proceeds in a product with comparable returns.

2.7.8 **Change in law risk:** a holder of an ABS is exposed to change in law which could negatively affect the underlying assets (including the ability to recover in respect of arrears/defaults), investors, the issuer, and/or the respective business and operations of the other parties in any ABS structure.

2.8 Global Depositary Notes

Global Depositary Notes ("**GDNs**") are debt instruments issued by a depositary bank that evidence ownership of a local currency-denominated debt security. The duration of the GDN as well as the terms and conditions of repayment are determined in advance. The payments under the GDN will reflect the payments by the local currency-denominated debt security which will be converted at a rate determined in accordance with the GDN terms into an agreed currency for the account of the GDN holder. Therefore, risks to the local currency-denominated debt security will also be risks to the GDN. Investments in GDNs may be exposed to certain risks including, but not limited to, the following:

2.8.1 **Insolvency risk:** the issuer of the GDN or local currency-denominated debt security may become temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the GDN or the local currency-denominated debt security. The solvency of an issuer may change due to one or more of a range of 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.

2.8.2 **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 term of the GDN and the lower the interest rate, the higher a bond's sensitivity to a rise in the market rates.

2.8.3 **Credit risk:** the value of a bond will fall in the event of a default or reduced credit rating of the issuer of the GDN or local currency-denominated debt security. Generally, the higher the relative rate of interest (that is, relative to the interest rate on a risk-free security of similar maturity and interest rate structure), the higher the perceived credit risk of the issuer.

2.8.4 **Early redemption risk:** the issuer of GDN or local currency-denominated debt security may include a provision allowing early redemption if market interest rates fall. Such early redemption may result in a change to the expected yield of the GDN and/or the local currency-denominated debt.

2.8.5 **Risks specific to debt securities redeemable by drawing:** GDNs or local currency-denominated debt security redeemable by drawing have a maturity that is difficult to determine, so unexpected changes in the yield on these may occur.

2.8.6 **Risks specific to certain types of debt security:** additional risks may be associated with certain types of GDNs or local currency-denominated debt securities, for example floating rate notes, reverse floating rate notes, zero coupon bonds, foreign currency bonds, convertible bonds, reverse convertible notes, indexed bonds, and subordinated bonds. For such bonds, you are advised to make inquiries about the risks referred to in the issuance prospectus (or other documentation or disclosures), and not to purchase such securities before being certain that all risks are fully understood. In the case of subordinated bonds, you 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 repayment of all higher ranked creditors and, as such, there is a risk that you will not be reimbursed. In the case of reverse convertible notes, there is a risk that you will not be entirely reimbursed but will receive only an amount equivalent to the underlying securities at maturity.

2.8.7 **Risk relating to market conditions:** the price of a GDN or a local currency-denominated debt security and its disinvestment risk may each be affected by factors relating to wider market conditions, both positive and negative, and such market conditions will affect each issuer differently depending on the nature and size of the issuer, amongst other factors; a GDN cannot therefore be assessed as an investment in isolation.

2.8.8 **Disinvestment risk:** a GDN or a local currency-denominated debt security may be affected by impediments to disinvestment (e.g. the liquidity of a bond (based on the factors above may affect the market value of a bond despite its projected yield based on its coupon and expected maturity). In respect of non-listed bonds, these are generally speaking less liquid than listed bonds. There may be no market for GDNs, meaning that the holder is unable to exit this investment before the maturity date. This exposes the GDN holder to inflation and/or interest rate risk, as the return on the GDN may become lower than the rate of inflation or interest rates available elsewhere.

2.8.9 **Tax call risk:** the issuer of the GDN or the local currency-denominated debt security may have the right to call the bond should there be an adverse change to the tax laws that affect it. This may mean that the yield on the GDN is lower than anticipated.

2.8.10 **Suspension of Trading:** where the local currency-denominated debt security is listed or admitted to trading, the relevant issuer will not be obliged to maintain the listing or trading. Local currency-denominated debt securities may be suspended from trading and/or de-listed at any time in accordance with applicable rules and regulations of the relevant stock exchange(s). This may result in reduced liquidity or a reduction in the value of the GDNs or local currency-denominated debt security.

2.9 Funds

Funds are collective investment vehicles which pool the funds of investors in order to make investments in accordance with the investment objectives of the fund. Funds can be either open-ended or closed-ended. Open-ended funds are valued on the basis of the value of the assets held. Closed-ended funds are valued on the basis of what investors are prepared to pay/sell. Where available, you should familiarise yourself with any documentation relating to such an investment, for example, Key Information Documents, prospectuses and fund fact sheets.

Investing in funds may be exposed to certain risks including, but not limited to, the following:

2.9.1 **Market risk:** the value of an interest in a fund depends on the value of the assets it holds. If general market conditions deteriorate, it is likely that the value of the investment in the fund will also deteriorate.

2.9.2 **Liquidity risk:** open-ended funds may not be able to liquidate their assets and return funds to investors in the event that there is poor liquidity in the market generally or in the specific sector in which the fund invests. Ongoing costs to service those investments could lead to increased losses or reduced profits for investors in the fund. Closed-ended funds can be subject to risks of low trading and therefore provide limited liquidity, making it difficult for an investor to realise its investment.

2.9.3 **Interest rate risk:** a leveraged fund will be exposed to interest rate rises. This could reduce the returns that investors receive, or even lead to losses.

2.9.4 **Country risk:** the value of a foreign investment may decline because of political changes or instability in the country where the foreign investment was issued.

2.9.5 **Currency risk:** if investments in the fund are denominated in a currency other than that in which the investor's initial investment was made, returns could be reduced (or losses incurred) due to currency fluctuations.

2.9.6 **Counterparty risk and service provider risk:** the insolvency of any institution providing services to the fund, such as safekeeping of assets or acting as counterparty to the fund in derivatives or other instruments, may expose the fund to financial loss.

2.9.7 **Derivatives risk:** a fund may utilise instruments in the form of warrants, futures, options, forward contracts and swaps to seek to enhance investment returns. While this can potentially have the effect of enhancing the fund's performance, it can also be detrimental if there are losses on the derivatives.

2.9.8 **Operational risk:** an investment in a fund can involve operational risks arising from a wide range of possible operational errors, including system breakdowns, human errors or external events and errors caused by service providers such as the investment manager, which may affect the value of the fund and (if applicable) its ability to pay redemptions within the scheduled timeframe.

2.9.9 **Limited diversification risk:** unless the fund is subject to investment restrictions and diversification requirements, the number and diversity of investments held by a fund may be limited.

2.9.10 **Restrictions on subscription:** an investor in the fund's units/shares may be prevented from subscribing and redeeming such units/shares, either at the official net asset value (for example, as a result of the imposition of any charges by the fund) or at all, or the prescribed notice period, timing cut-offs and minimum/maximum amounts in respect of subscriptions and redemptions for the fund's units/shares may be changed.

2.9.11 **Compulsory redemption risk:** the fund may compulsorily redeem the shares/units upon the occurrence of certain events (for example, if, following the insolvency of the investment manager, the fund becomes unable to fulfil its investment objections).

2.9.12 **Performance risk:** no assurance can be given relating to the present or future performance of a fund and any underlying asset or instrument in which the fund may invest, that any analytical model used by the fund will prove to be correct or that any assessments of the short-term or long-term prospects, volatility and correlation of the types of investments in which a fund has or may invest will prove accurate.

2.9.13 **Changes to portfolio:** the composition of the fund's portfolio of investments may change from time to time. Such changes may have an impact on the value of the fund.

2.9.14 **Sub-funds segregation:** the sub-funds of the fund may be segregated as a matter of the law of the fund's home jurisdiction and, as such, the assets of one sub-fund will not be available to satisfy the liabilities of another sub-fund. However, the fund may operate or have assets held on its behalf or be subject to claims in other jurisdictions other than its home jurisdiction which may not necessarily recognise such segregation. There can be no guarantee that the courts of any jurisdiction outside its home jurisdiction will respect the above limitations on liability.

2.9.15 **Cyber security risk:** where an issuer of securities, in which a fund may invest, is exposed to cyber security breaches, this could result in material adverse consequences for the issuers, potentially causing the fund's investment to lose value.

2.10 AIFs

Alternative Investment Funds ("**AIFs**") are vehicles which pool investments but are not restricted by statute as to instrument restrictions (as, for example, UCITS are). In addition to those outlined above in "Funds", investments in an AIF may be exposed to certain risks, including, but not limited to, the following:

2.10.1 **Asset allocation:** AIFs can invest in a very wide range of investments. Some AIFs will invest in highly speculative or very illiquid assets; this may increase the risk of losing some or all of the investment in the AIF or making it difficult to relive the value of the investment.

2.10.2 **Leverage risk:** AIFs can be highly leveraged. This means that small falls in the value of the investments they hold can have significant impact on the value of the fund.

2.10.3 **Liquidity risk:** some AIFs have lock-up periods or may otherwise be illiquid, so investors may have difficulties realising their investment.

2.10.4 **Limited diversification risk:** AIFs may not be subject to investment restrictions and diversification requirements, and therefore they may have limited diversification meaning that an investor may be highly exposed to poor market conditions in the relevant sector.

2.11 UCITS

Undertakings for Collective Investment in Transferable Securities ("**UCITS**") may only invest in certain assets: transferable securities, units in Collective Investment Schemes (any arrangement in respect of any property (investment), such as money, the purpose of which is to enable persons taking part is such arrangement (whether by becoming owners of the property or otherwise) to participate in profits/income arising from the property, including income), certain money market instruments, derivatives and forward transactions and deposits. In addition to those outlined above in "Funds", investments in UCITS may be exposed to certain risks, including, but not limited to, the following:

2.11.1 **Limited diversification risk:** as UCITS can only invest in certain assets, they are therefore highly exposed to market conditions affecting those investments.

2.11.2 **Liquidity risk:** interests in UCITS are intended to be easily transferable and redeemable, but in the event of poor performance of the fund, liquidity may be drastically reduced and investors may be unable to realise their investments without incurring losses or reduced returns.

2.12 ETFs

Exchange-traded funds ("**ETFs**") are funds that are traded on an exchange. In addition to those outlined above in "Funds", investments in ETFs may be exposed to certain risks, including, but not limited to, the risks set out below:

2.12.1 **Market risk:** typically, an ETF will seek to replicate a stock market index, market sector, commodity or other basket of assets. Accordingly, the investor is exposed to the market risk of the underlying assets.

2.12.2 **Performance risk:** investors in an ETF may rely on the manager to track the performance of the underlying indices or assets, or the ETF may track the underlying assets passively (i.e. without the active involvement of the manager). In practice, the ETF's performance will differ from the performance of those indices or assets. More specifically, this may be the result of an ETF tracking error (being the difference between the returns of the ETF and its reference index or asset) may occur owing to a number of factors including rebalancing, restrictions/limitations (e.g. emerging market accessibility), method of replication and the costs/expense ratio (higher costs may lead to a greater tracking error). Therefore, an investor may receive lower returns than it would have had it invested directly in those underlying assets.

2.12.3 **Derivatives risk:** ETF managers may employ a synthetic structure to provide the stated return, whereby the return is based on a derivative executed with a counterparty. The return may therefore be dependent on the credit quality of the counterparty and/or the collateral held to support the position. Investors may also be exposed to the risks outlined below in respect of derivatives.

2.12.4 **Authorised participant ("AP") concentration risk:** in the ETF market, only an AP is permitted to engage in the creation/redemption of transactions directly with the ETF. Since the ETF may only permit for a limited number of institutions to act as an AP, there is the risk that, where an AP exits the business, or is otherwise unable to proceed with the creation/redemption transactions, it was instructed to carry out, and no other AP is able to step in to give effect such creation/redemption transactions, the ETF shares/units may be more likely to trade at a premium price or a discount to the net asset value of index or assets it seeks to replicate, and as a result the ETF may be subject to trading halts and/or delisting.

2.12.5 **Index-linked risk:** an ETF may seek to track and replicate a specific index (e.g. a stock index) to achieve returns that correspond to value of that underlying index. In addition to the risks outlined for "Index-linked" products below, there is a risk that, where the provider of such index has not compiled, composed or calculated the index accurately, the investor may be exposed to the risks associated with that index and its inaccurate or erroneous composition.

2.12.6 **Suspension of trading:** ETFs may be suspended from trading at any time in accordance with applicable rules and regulations of the relevant stock exchange(s). This may result in reduced liquidity or a reduction in the value of the ETF. It is also possible that potential market disruptions (e.g., exchange disruption/trading suspension/early closure) could also result in a suspension of trading.

2.13 Money Market Funds

A money market fund ("**MMF**") is a fixed income fund that invests in debt securities with short maturities and minimal credit risk. Money market funds are generally a very low-volatility type of investment. Investments in MMFs may be exposed to certain risks, including, but not limited to, the following:

2.13.1 **Credit risk:** there is no guarantee that the original investment will be recouped when the investment is redeemed. The investor is exposed to the default or deterioration in credit rating, as well as the general creditworthiness of the underlying issuers and the credit, market, liquidity and political risks which affect them.

2.13.2 **Inflation risk:** MMFs are designed to be a safe, short-term investment, so returns tend to be lower than those of more volatile investments. This creates the risk that the rate of return may not keep pace with inflation, resulting in a negative return in real terms.

2.13.3 **Redemption risk:** typically, MMFs will be redeemed at par on a daily basis, but in times of extreme stress, MMFs have suspended redemption requests.

2.14 Repo and Stock Lending

Under a repurchase transaction ("**Repo**"), the parties enter into two simultaneous transactions: (i) one party (the "**Seller**") transfers title to securities to the other party (the "**Buyer**") for immediate settlement (or for settlement on a forward start date) at an agreed purchase price paid by the Buyer to the Seller, and (ii) with the agreement for the Seller to repurchase equivalent securities from the Buyer on a specified future date, or on demand, at an agreed repurchase price (representative of the purchase price plus the 'Price Differential' or 'repo rate' reflective of the financing charge during the term of the Repo). Under a stock lending transaction, one party (the "**Lender**") transfers title to securities (normally equities) to the other party (the "**Borrower**") for a defined period of time, or open and terminable on demand, in return for a fee paid by the Borrower to the Lender during the term of the loan (based on market value of the securities). The Borrower provides cash or securities collateral (by way of title transfer) to the Lender on commencement of the loan. On termination of the loan, the Borrower delivers equivalent securities to the Lender and, simultaneously, the Lender returns to the Borrower any collateral provided by the Borrower. Repo transactions are generally short-term, with the term ranging from overnight to one year, and can also be used for structured financing transactions with a longer term to maturity. Repo/Stock Lending transactions may be exposed to certain risks, including, but not limited to, the following:

2.14.1 **Credit risk:** a party to a repo or stock lending transaction is exposed to the credit risk of its counterparty and such counterparty may not be adequately collateralised in order to mitigate this counterparty credit risk. Your entire investment could be lost if your counterparty suffers an event of default, a rating downgrade, or insolvency.

2.14.2 **Settlement risk:** operational risk may arise due to the non-settlement or delay in settlement of securities, or failure to deliver securities due to illiquid market conditions in respect of the specific securities at any given time, with the securities difficult to source. Delivery failure could result in an event of default and termination of the Repo or stock lending transaction.

2.14.3 **Market risk:** the economic risks and rewards remain with the Seller (or Lender). Therefore, there is also a potential opportunity cost to a Repo or stock lending transaction. If the value of the securities transferred to Buyer (or Borrower) has fallen before equivalent securities are returned, the Seller (or Lender) may have missed the opportunity to dispose of those securities for a higher price which may exceed the price received for the use of its securities under the transaction.

2.14.4 **Interest Rate risk:** for longer-dated Repos, there can be interest rate risk, in that parties are locked into paying/receiving a specific interest rate that is higher/lower than the prevailing rate.

2.14.5 **Collateral risk:** Repo and stock lending transactions also involve risks relating to the re-use of collateral provided to the counterparty.

2.14.6 **Tax risk:** Repo and stock lending transactions may affect your tax position and you should consult a tax adviser before proceeding with any transaction.

2.15 OTC Derivatives

A derivative is a contract entered into between parties for the exchange of payments calculated by reference to an underlying asset, rate or index. A derivative can be traded "over-the-counter" (i.e. outside of an exchange or other trading venue) ("**OTC**") or on an exchange ("**exchange-traded**").

In general, OTC derivatives may be exposed to certain risks, including, but not limited to, the following:

2.15.1 **Market Risk:** as derivatives are priced on the basis of an underlying asset or other value, you will be exposed to the market risks that affect the value of the underlying (for example, merger events, tender offers, nationalisations, delistings, insolvency, and, in respect of index trades, index cancellation, index adjustments and index disruptions (as further described in Section 2.26). The economic return of a derivative transaction may not be identical to the economic return of holding the underlying, and may include an adjustment for fees or commissions, financing charges, hedging costs or break costs. 'Stop loss' or 'stop limit' orders intended to limit losses may not be effective if market conditions make it impossible to execute such orders.

2.15.2 **Credit risk:** where the derivative transaction is uncleared and uncollateralised, the counterparties are exposed to the default or deterioration in credit rating, as well as the general creditworthiness, of the other party. Your entire investment could be lost in the event of default by, or the insolvency of, your counterparty.

2.15.3 **Loss of investment:** there is a risk that you will pay an upfront amount, but never receive any benefit from the transaction. An example of this could be if an option purchased is not in-the-money at the time it can be exercised.

2.15.4 **Contingent liabilities:** derivatives such as credit default swaps or options may involve contingent liabilities. This can result in you incurring losses much greater than your original investment (if any) or premium received (in the case of sold options) should certain conditions be met, such as the occurrence of a credit event or an asset reaching a strike price.

2.15.5 **Unlimited loss:** losses under certain derivatives can theoretically be unlimited. In the context of an interest rate or FX swap, for as long as the interest or exchange rate continues to rise, so too will your loss if you are required to pay the variable rate under the transaction.

2.15.6 **Leverage risk:** derivatives may be entered into on a highly geared or leveraged basis. This may mean that even a relatively small movement in the value of the underlying asset or other specified factor(s) could result in a disproportionately large movement, unfavourable or favourable, in the amount payable between the parties to the transaction.

2.15.7 **Legal risk:** if a counterparty goes into default and the derivative is terminated, the ability to recover value from the transaction is ordinarily dependent on netting gains against losses across different transactions and the value of the transactions against the value of the collateral. If the legal netting mechanism is not recognised in any jurisdiction, it may be that losses will be incurred.

2.15.8 **Collateral risk:** parties to derivatives contracts are often required to post collateral to mitigate their credit exposure to one another. If the market value moves against their position, the investor may be called upon to pay substantial additional collateral on short notice. Failure to post collateral may lead to the contracts being closed out, which could crystallise a loss position. There is no guarantee that collateral which is posted by you will be returned to you. Where collateral is held by a third-party custodian, the return of such collateral is subject to the credit and operational risk of that custodian.

2.15.9 **Basis risk:** where a derivative transaction has been entered into to hedge price or other risks arising from ownership of a particular underlying, the performance of the derivative and the performance risk of the underlying may not be perfectly correlated, resulting in residual 'basis' risk.

2.15.10 **Operational risk:** losses may occur due to the failures of processes and systems used in monitoring derivative transactions, including trading disruptions, delays in calculating and making payments or deliveries, exercising rights (such as options rights) before their expiry, monitoring lifecycles events and delivering notices in a timely manner. Such failures in third party systems may be subject to limitations on liability.

2.15.11 **Delivery risk:** if you have entered into a physically settled derivative, you may be obliged to deliver/take delivery of the relevant asset. In respect of commodities and natural resources, this may require significant operational resources to achieve.

2.15.12 **Early termination:** derivative transactions may be subject to early termination due to a voluntary or agreed early termination, 'events of default' or 'termination events' in relation to you or the provider (e.g. failure to pay, insolvency, force majeure, illegality, tax events) or extraordinary events relating to the underlying (e.g. merger nationalisation or delisting of an equity, market disruptions, cancellation of an index, disruptions in the ability of one or more parties to hedge the transaction). Such events (with the exception of voluntary or agreed early termination) may be outside your control and such termination may, depending on the value of the transaction at such time, result in a substantial payment due from/to the client (even where the provider is in default or the termination arises from an external event). You may not be able to establish replacement transactions, or may incur significant costs in doing so, such as charges for early termination even where such early termination is voluntary or agreed between the parties.

2.15.13 **Liquidity risk:** uncleared derivative contracts can be amended or transferred only pursuant to their express terms or by agreement of the parties. Where consent of the dealer to transfer or unwind an OTC derivative transaction is required, it may not provide such consent, for reasons which it is not obliged to disclose. In addition, there may not be another dealer who is willing to provide the same or a similar transaction. OTC derivative transactions on standardised terms (e.g. credit default swaps with set payment dates and maturity dates) will be more liquid than bespoke transactions. OTC derivative transactions may involve greater risk than investing in exchange-traded derivatives (see "Exchanged-Traded Derivatives" below) because there is no exchange market on which to close out an open position. It may therefore 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.

2.15.14 Risk of Adjustments: the occurrence of certain events relating to the underlying of the derivative transaction may trigger the right of the calculation agent to make certain adjustments to the economic terms (e.g. market disruption events, stock splits, or the payment of unexpected or extraordinary dividends, currency controls, cessation of a benchmark). Such adjustments may involve an element of discretion on the part of the calculation agent. Exposure to an underlying via a derivative may not correspond in all cases with exposure obtained by holding the underlying directly.

2.15.15 Clearing risk: cleared OTC derivatives are OTC derivatives which have been submitted to and accepted for clearing by a clearing house. Such cleared derivatives are subject to the rules of the clearing house, including collateral arrangements required by the clearing house. Therefore, participants may be required to post collateral on short notice to cover losses incurred under the cleared OTC derivative contracts. Failure to post collateral may lead to the contracts being closed out, which could crystallise a loss position. The terms and conditions of cleared OTC derivatives contracts (including the strike or forward price) may be modified by the clearing house without notice to reflect changes or events in respect of the underlying asset or otherwise.

2.15.16 Changes to exchange or clearing house rules: the terms and conditions of OTC derivatives contracts (including the strike or forward price) may be modified by the exchange or clearing house to reflect changes or events in respect of the underlying asset or otherwise.

Specific risks associated with different types of derivatives are set out below:

2.16 Swaps

Transactions in swaps involve an exchange of different cash flows between the parties. Parties are exposed to the market risk of the relevant underlying. For example, an interest rate swap may 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.

An investor purchasing exposure to an underlying asset via a swap will also have funding costs to pay to its counterparty, thereby increasing the potential loss or reducing profits.

2.17 Credit Default Swaps

A credit default swap is a contract under which one party (the buyer of credit protection) pays regular fixed amounts to the other party (the seller of credit protection) in return for a payment upon the occurrence of a 'credit event' (e.g. payment default, insolvency, restructuring) in respect of the underlying reference entity or entities, linked to the loss incurred by a holder of debt of the reference entity (typically calculated by reference to a recovery rate determined via an auction process run by ISDA).

The performance of standard credit default swaps is significantly influenced by the ISDA Credit Derivatives Determinations Committees (as the same may be reconstituted from time to time) ("**Determinations Committee**"), which make binding decisions on critical issues such as whether a credit event has occurred, whether there is a successor to the specified "reference entity" underlying the credit default swap, which obligations of the reference entity are deliverable, the terms of an auction to determine the recovery price and whether or not an auction will be held. The procedures of the Determinations Committee are codified in specific rules, which may be amended by the Determinations Committee.

None of ISDA (or any successor organisation overseeing the Determinations Committee), the institutions serving on the Determinations Committee or any external reviewers owes any duty to participants in credit default swaps in relation to the activity of the Determinations Committee. Institutions serving on the Determinations Committee may base their votes on information that is not available to participants in credit default swaps.

The Determinations Committee is not obligated to follow previous determinations or to apply principles of interpretation such as those that might guide a court in interpreting contractual provisions. Therefore, the Determinations Committee could reach a different determination on a similar set of facts. If Citi or an affiliate serves on the Determinations Committee, Citi may have an inherent conflict of interest in the outcome of any determinations. In such capacity, Citi or its affiliate may vote and take other actions without regard to the interests of its counterparties under credit default swaps.

Credit event triggers defined under the terms of a credit default swap may not cover all circumstances in which the participant in the credit default swap may suffer credit-related losses on a holding of obligations of the underlying reference entity. Parties intending to hedge credit exposure under an obligation of a reference entity should evaluate whether the credit default swap is an effective hedge.

The operation of the rules on successor reference entities can, in certain circumstances, result in the stated reference entity no longer having deliverable obligations (an "orphan credit default swap"), which means that the buyer of protection under such credit default swap can no longer recover any amounts upon a credit event, but will still be obligated to make fixed payments.

As per paragraph 2.15.4 above, credit default swaps may be exposed to contingent liabilities. This can result in the investor incurring losses much greater than its original investment (if any) or premium received (in the case of sold options) should a credit event occur.

2.18 Forwards

Forwards are contracts which require an investor to purchase an asset at an agreed price at a certain point in the future.

If the price of the asset on maturity of the forward is lower than the agreed forward purchase price, the buyer of the forward will pay more for the asset than if they had purchased it in the spot market on the maturity date; if the price on maturity is higher than the agreed forward price, the seller of the forward will receive less for the asset than if they had sold it in the spot market on the maturity date.

2.19 Options

Transactions in options involve one of the parties paying an upfront premium for the right (but not the obligation) to make, or to take, delivery of the underlying asset of the contract at a set price ("**strike price**") at a future date or calculate an equivalent cash settlement amount.

A put option will be ‘in-the-money’ if the price of the underlying is less than the strike price, and a call option will be ‘in-the-money’ if the underlying price is more than the strike price. An option must be exercised to provide the ‘in-the-money’ payout and may be exercisable on maturity or at certain times during the transaction, depending on the type of option. The pay-out of an in-the-money option may be less than the premium paid for the option. An option expiring out-of-the money provides no pay-out.

The value of an option is a combination of the “intrinsic value” (dependent on the price level of the underlying compared to the strike price), and also the “time value” (primarily dependent on the time remaining to maturity and the volatility of the underlying price). Variations in these factors will cause the value of the option to change.

There are many different types of options with different characteristics subject to different conditions, each of which may have a significant impact on the value, or the ability to realise the value, of the option. For example, a “knock-in” option only becomes effective if the price of the underlying reaches the knock-in level. A “knock-out” option will terminate and become worthless if the price of the underlying reaches the knock-out level. Selling (‘writing’ or ‘granting’) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount, unless the seller is covered by holding the underlying asset.

2.20 Exchange-Traded Derivatives

Exchange-Traded Derivatives are typically standardised futures or options contracts traded through an exchange or other recognised trading venue. Before entering into a transaction, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss. Transactions in Exchange-Traded Derivatives may be exposed to certain risks, including, but not limited to, the following:

2.20.1 **Leverage risk:** futures contracts are leveraged instruments as the amount of initial margin required is smaller relative to the potential gains or losses under the contracts.

2.20.2 **Margin risk:** a relatively small market movement will have a proportionately larger impact on the margin an investor has deposited or will have to deposit: this may work against the investor as well as for them. An investor may sustain a total loss of initial margin funds and any additional margin deposited with the firm to maintain their position. However, if the market moves against their position or margin levels are increased, the investor may be called upon to pay substantial additional collateral on short notice to cover losses incurred under the futures contracts and maintain their position. Failure to provide collateral may lead to the contracts being closed out which could crystallise a loss position.

2.20.3 **Clearing risk:** most Exchange-Traded Derivatives will have been submitted to and accepted for clearing by a clearing house. Such cleared derivatives are subject to the rules of the clearing house, including collateral arrangements required by the clearing house. Therefore, participants may be required to post collateral on short notice to cover losses incurred under the cleared Exchange-Traded Derivatives contracts. Failure to post collateral may lead to the contracts being closed out, which could crystallise a loss position. The terms and conditions of cleared Exchange-Traded Derivatives contracts (including the strike or forward price) may be modified by the clearing house without notice to reflect changes or events in respect of the underlying asset or otherwise.

2.20.4 **Changes to exchange or clearing house rules:** the terms and conditions of exchange-traded contracts (including the strike or forward price) may be modified by the exchange or clearing house to reflect changes or events in respect of the underlying asset or otherwise.

2.20.5 **Options:** transactions in options may carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks, and they should calculate the extent to which the value of the options must increase for their position to become profitable, taking into account the premium and all transactions costs. Selling ('writing' or 'granting') an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount.

2.20.6 **Market risk:** 'stop loss' or 'stop limit' orders intended to limit losses may not be effective if market conditions make it impossible to execute such orders. Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or 'circuit breakers') may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If an investor has sold options, this may increase the risk of loss.

2.20.7 **Operational risk:** trading facilities utilise computer 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. An investor's ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms.

2.21 Structured Products

Structured products provide economic exposure to a wide range of underlying asset classes, generally taking the form of a debt obligation embedding a derivative. The level of income/capital growth derived from a structured product is usually linked to the performance of the relevant underlying asset(s). The range of products may include those where the return is linked to an index or indices, a basket of securities or other specified factors which relate to one or more of the following: equity or debt securities, interest rates, currency exchange rate, commodities, depositary receipts, shares in ETFs, interests in mutual funds, warrants or dividend futures contracts.

The potential return from the structured product may be different to that which may be achieved as compared to directly holding the underlying asset. These instruments may involve a high degree of gearing or leverage, so that a relatively small movement in the relevant index/indices, basket or other specified factor(s) results in a disproportionately large movement, unfavourable or favourable, in the amount paid on maturity of the investment.

Certain structured products provide capital protection while others provide conditional or no capital protection. It may be difficult to liquidate or sell an investment of this type, or to identify an independently determined fair valuation for an interest in this kind of vehicle. Investors will also be exposed to the credit risk of the issuer of the structured note and may lose up to the entire value of their investment if the issuer fails or is otherwise unable to meet its payment obligations.

Structured products are complex in nature and carry a higher risk of loss than certain more straightforward debt and equity products. Therefore, in addition, investors in structured products should be aware of certain additional risks relevant to certain specific product types. You should also read any relevant documentation, including the Key Information Document (where applicable), offering memoranda or the prospectus specific to this financial instrument, which may highlight a non-exhaustive set of additional risks associated with this type of investment. For the avoidance of doubt, the product specific risk disclosures referred to under "Structured Notes" below should also be taken to apply to structured products.

2.22 Structured Notes

A structured note is a debt obligation with an embedded derivative. The performance of a structured note tracks both that of the underlying debt obligation and the derivative embedded within it. This type of note seeks to alter the risk profile of the underlying by including additional modifying structures, therefore increasing the bond's potential returns or providing a particular exposure to the investor. You should also read any relevant documentation, including the Key Information Document (where applicable), offering memoranda or the prospectus specific to this financial instrument, which may highlight a non-exhaustive set of additional risks associated with this type of investment.

Investments in structured notes may be exposed to certain risks, including, but not limited to, the following:

2.22.1 Market risk: as the return on a structured note is determined by reference to an underlying asset or basket of assets, clients will be exposed to the risks that pertain to those underlying assets. The performance of an underlying asset may be subject to sudden and large unpredictable changes over time, which could adversely affect the value of and return on the structured notes.

2.22.2 Credit risk: clients will be exposed to the default or deterioration in credit rating, as well as the general creditworthiness of the issuer of the structured note and may lose up to the entire value of their investment if the issuer either fails or is otherwise unable to meet its payment obligations. Structured notes are not deposits and are not protected under any deposit insurance or protection scheme.

2.22.3 Adjustment risk: in certain circumstances (e.g., if the calculation agent for the issuer determines that any adjustment events or other events affecting the underlying assets or the issuer's hedging arrangements have occurred), the calculation agent may adjust the terms and conditions of the structured note (including substituting an underlying asset) without the consent of the investor. Any such adjustment could have a material adverse effect on the return on, and value of, the structured note.

2.22.4 Liquidity risk: structured notes can be highly customised and can therefore be very illiquid. It may be difficult to liquidate or sell an investment of this type, or to identify an independently determined fair valuation for an interest in this kind of product. In addition, illiquidity may have an adverse effect on the market value of the structured notes. As a structured note may need to be held to maturity, the derivative element of the note could amplify losses with no way for the client to exit the trade and thereby reduce those losses. Investors should therefore be prepared to hold a structured product until maturity.

2.22.5 No interest in underlying assets: the holder of a structured note does not have any ownership rights over the underlying assets and will therefore have no claim over the issuer of the underlying assets, including in the event of its insolvency or any recourse as regards the underlying assets themselves.

2.22.6 Suspension of trading: where structured notes are listed or admitted to trading, the issuer will not be obliged to maintain the listing or trading. Structured notes may be suspended from trading and/or de-listed at any time in accordance with applicable rules and regulations of the relevant stock exchange(s). This may result in reduced liquidity or a reduction in the value of the structured note.

2.22.7 **Legal risk:** in certain circumstances (e.g. if the issuer determines that its obligations under a structured note have become unlawful or illegal, upon certain events having occurred in relation to any underlying asset or following an event of default), the structured note may be redeemed prior to its scheduled maturity. In such circumstances, the amount payable may be less than the original purchase price of the structured note and could be as low as zero.

2.23 Structured Deposits

Structured deposits are savings accounts where the rate of interest depends on the value of a security, a basket of securities or an index. If the value of that underlying asset falls, so will the rate of interest, which could reduce to zero. As such, the deposit has an embedded derivative and certain of the risks outlined in "OTC Derivatives" above may also apply. Investments in structured deposits may be exposed to certain risks, including, but not limited to, the following:

2.23.1 **Credit risk:** where a guarantee is issued to the depositor to ensure the return of at least the original investment, the depositor will be exposed to the default or deterioration in credit rating, as well as the general creditworthiness of the guarantor. If the guarantor is unable to perform under the guarantee, the depositor may lose its entire investment.

2.23.2 **Insolvency of issuer risk:** as the depositor will have no ownership rights over the underlying assets, it will not be able to mitigate its losses by selling those assets, nor will it have a claim upon the insolvency of the issuers of any of the underlying assets.

2.23.3 **Performance risk:** a depositor may not receive the full benefit of the rise in value of the underlying assets if the tracking strategy does not fully track the performance of the underlying assets. Fees and commissions may also mean that greater returns could have been achieved by directly investing in those underlying assets.

2.23.4 **Disinvestment risk:** structured deposits are normally "term instruments", which means that investors are locked in for a specific period and can only withdraw their capital if they pay a termination fee. The termination fee can significantly reduce the capital returned.

2.23.5 **Currency risk:** structured deposits may be subject to fluctuations on currency markets where the proceeds at maturity may be payable in a currency different to that which was invested initially, and this may result in a loss on exchange rate compared with the base currency. Foreign exchange controls may also affect payment and delay or prevent proceeds being paid to you despite you holding the investment until maturity.

2.24 Collateralised Debt Obligations

Collateralised debt obligations ("**CDOs**") are structured asset-back securities based on an underlying basket or portfolio of credit assets, which may include bonds, loans and credit default swaps. CDOs are usually divided into several tranches, creating different levels of risk exposure to the underlying credit assets. The most junior tranche tends to be an equity tranche, with tranches going up in increasing seniority and correspondingly higher credit ratings. Any losses on the portfolio are sustained first by the holders of the equity tranche and by the holders of the other tranches in order of seniority. Credit events on a small portion of the underlying portfolio can lead to a significant or total loss of the capital invested in the equity tranche and in the more junior tranches.

Investors in CDOs are therefore exposed to a range of risks, including to the value, quality and likelihood of default of the assets underlying the CDO and their returns as well as the risks associated with them (which may be affected by market factors such as changes in interest rates), as well as to changes in the legal, tax or regulatory environment which may impact such assets, investors, or the CDO structure directly or indirectly. Investors have recourse only to the assets underlying the CDO, and thus the value of such assets may be insufficient to meet obligations to the noteholders in the event of a default. Product-specific features such as options for early redemption may also limit the value and/or marketability of the notes. A synthetic CDO is a form of CDO that invests in credit default swaps or other non-cash assets to gain exposure to a portfolio of fixed income assets.

Synthetic CDOs are typically divided into credit tranches based on the level of credit risk assumed. Initial investments into the CDO are made by the lower tranches, while the senior tranches may not have to make an initial investment. The value of any credit derivative can vary significantly before maturity depending on a number of factors, including, but not limited to, the occurrence of credit events and the movement of credit spreads in the portfolio. Like any credit asset, the initial rating of any credit derivative can be upgraded or downgraded. The credit rating of a particular instrument reflects the long-term default risk of that instrument until it matures, rather than short-term market risk. Investors in a credit derivative should have a long-term investment perspective and the ability to hold the asset until maturity. Such instruments are usually illiquid, though a secondary market may emerge.

In synthetic structures specifically, the SPV issuer does not acquire a portfolio of bonds, loans or other receivables, but instead creates exposure synthetically through use of credit derivatives, meaning that additional risks arise for investors in such synthetic structures.

2.25 Repackaged Securities

Certain structured notes or warrants may be arranged by Citi and issued by an SPV ("**Repackaged Securities**"). Unlike structured notes, Repackaged Securities do not normally embed a derivative and are issued by a SPV. Such Repackaged Securities may be comprised of an underlying financial product, such as one or more bonds, shares, loans, or other instrument, and an OTC derivative used to transform the return on such underlying instruments into the specific cashflows of the Repackaged Securities.

Holders of Repackaged Securities are exposed to the risks associated with both the underlying financial product and the OTC derivative, as well as specific risks arising in respect of the issuer and structure of the Repackaged Securities. In addition, investments in Repackaged Securities may be exposed to certain risks including, but not limited to, the following:

2.25.1 **Issuer risk:** holders of Repackaged Securities will be exposed to risks relating to the stability and financial health of the issuer of the Repackaged Security, which is typically an SPV. While such SPVs are intended to be bankruptcy remote, they are not bankruptcy proof and there is a risk that the insolvency proceedings are brought successfully against the vehicle, resulting in early termination/loss to clients holding the SPV's securities. Issuers of Repackaged Securities are often multi-issuance SPVs, and there is a risk that assets of the SPV ring-fenced to meet a holder's claims may be available to other creditors of the SPV (notwithstanding the mitigants in place to achieve segregation of assets).

2.25.2 **Limited recourse:** the right of a holder of Repackaged Securities to participate in the assets of the SPV will be limited to the net proceeds of the assets secured for such holder's benefit. Such proceeds may be insufficient to meet all (or, depending on the transaction or circumstances, any) payments due under such Repackaged Securities.

2.25.3 **Market risk:** the market value of Repackaged Securities will be affected by the value and volatility of any index, securities, commodities or other obligations to which payments on the Repackaged Securities may be linked, directly or indirectly, the value and volatility of the underlying financial products and the creditworthiness of the issuer of the Repackaged Securities and obligors of the underlying financial products.

2.25.4 **Early termination:** Repackaged Securities may be terminated prior to their scheduled maturity due to certain events of default, tax events or changes in law or regulation affecting the issuer, the swap counterparty, the underlying financial product or the OTC derivative. Early termination may mean that an investor does not receive the expected return and/or not all the investor's original investment is repaid. Following early redemption of Repackaged Securities, investors may not be able to reinvest the redemption proceeds at a comparable return and/or at an effective interest rate as high as the interest rate or yield on the Repackaged Securities being redeemed, and may only be able to do so at a significantly lower rate.

2.25.5 **Operational risk:** the ability of the issuer to meet its obligations under the Repackaged Securities depends on the performance by other parties, including third parties (such as service providers, custodians, trustees and paying agents, amongst others) of their respective obligations in respect of such Repackaged Securities. As a result, holders of Repackaged Securities are exposed to the operational and, in certain circumstances, credit risk of such third parties.

2.26 Index-linked products

Index-linked products are likely to include products such as funds, notes, certificates, warrants and OTC derivatives.

An index is a set of rules for calculating, on a regular basis, a single figure which represents the value or the price performance of the various components that are included in the index, on a notional basis. The values or the price performance of the index components may be observable in transaction prices (e.g., prices of shares, other indices, commodities, FX rates, etc.), indicative or estimated prices, survey results, economic statistics, or other data. An index may purport to implement a particular investment strategy, and its methodology may weight its components in accordance with that strategy.

An index may be provided/administered by a governmental body, an industry organisation or a private sector firm (the "**Index Administrator**"). The Index Administrator is responsible for maintaining the index in accordance with its rules and may, in certain circumstances, add or remove index components or amend the index methodology (which may have a negative effect on the level of the index) or discontinue or suspend calculation of the index (which may trigger disruption fall-backs or subjective, discretionary adjustments under the terms of an index-linked transaction). The Index Administrator may not take into account the interests of investors in the index in taking any of these actions, unless there is a regulatory obligation to do so.

The Index Administrator and/or other entities may (i) trade the components of an index as part of their regular trading activities, and/or (ii) enter into transactions which reference the index, including for the purposes of hedging issuances of securities linked to the index and other index-linked products, which could affect both the prices of the index components and the level of the index.

Investors in index-linked products are exposed to operational risk in the calculation of the index (i.e. the risk that errors in the index calculation result in the published index level deviating from the true level of the index which would otherwise result from an error-free application of the index strategy). When an index includes assets for which there is no observable price/data on a given day or at a specified point in time, it may not be possible to calculate accurately the value of the index on that day/at that point in time and, once it is possible to determine such value, the asset, and therefore the index, may have dropped significantly.

Other risks associated with index-linked products will be specified, where relevant, in the product documentation. These may include, but are not limited to, the following:

2.26.1 an index may not, depending on how the Index Administrator creates and calculates the index, always accurately represent the market or economic reality it purports to measure and reflect;

2.26.2 in the case of an index which purports to implement a particular investment strategy, the investment strategy itself may be flawed, or the manner in which the index attempts to implement the investment strategy (e.g. through a particular scheme for weighting the index components) may be flawed;

2.26.3 an index represents a notional portfolio of assets and, given its synthetic nature, any actual investment in the relevant components may result in different returns for the investor (in other words, investing directly (instead of synthetically via an index-linked product) into the underlying assets or other components which the index is purporting to represent may result in a different return for the investor). An investor in an index-linked product has no recourse to the assets notionally comprising the index.

Certain index-linked products may reference indices which use ‘big data’ analytical techniques or inputs which are based on ‘big data’ analytical techniques (collectively “**Big Data Analysis**”). Depending on the index, the Big Data Analysis may be performed by the Index Administrator or a separate organisation (the “**Analysis Provider**”). Indices using Big Data Analysis typically have objectives which may be considered to benefit from the use of a large number of inputs and advanced analytical techniques potentially including a form of artificial intelligence. Examples of use cases include indices with objectives related to the determination of market sentiment or ESG (environmental, social and governance) characteristics. Investors should be aware that the methodology for determining the Big Data Analysis may not be transparent and may not be fully disclosed in the index methodology document for the relevant index. The lack of full transparency may be due to a variety of reasons including, without limitation: challenges in describing a complex methodology in natural language; the use of a very large number of underlying data inputs from a wide range of sources (such that it is not practical to list the individual inputs or to do so without raising intellectual property and/or privacy issues); the Big Data Analysis could involve the exercise of discretion or judgement; and/or some or all of the methodology may be considered to be confidential or commercially sensitive.

Investors should appreciate that the performance of such an index will be dependent on the Big Data Analysis, the underlying inputs, any changes over time in the determination methodology and/or underlying inputs, and any ongoing judgement or discretion exercised by the Analysis Provider. The use of Big Data Analysis may cause the index to perform in a manner that has not been anticipated in the design of the index and, accordingly, may have an adverse impact on the value of index-linked products. Prior to investing in a product linked to such an index, investors should carry out their own due diligence (without relying on Citi) on the relevant index and the associated Big Data Analysis and Analysis Provider.

2.27 Crypto assets-linked products

"**Crypto asset**" is a broad term and can cover different products including well-known digital tokens like Bitcoin and Ether. They are sometimes referred to as "cryptocurrencies", "cryptocoins", "digital assets" or "payment tokens". Such tokens are not issued or backed by a central bank or other authority and may be unregulated in one or more jurisdictions. Financial instruments that are linked to the performance of crypto assets, including, without limitation, exchange traded funds, notes and certificates ("**Linked Products**") can be complex and non-standardised and the exact nature of their risk will be subject to the particular terms of the documentation governing them. As this is a relatively new market changes in policy and regulations may affect prices and valuations of Linked Products significantly. Linked Products are subject to extreme volatility, are very high-risk and speculative investments and are subject to inherent difficulties in reliable valuation of the underlying crypto assets which may result in losses. The risks associated with investments in Linked Products, include, but are not limited to:

2.27.1 **Market risk:** various market factors may cause the Linked Products and the crypto assets to underperform (compared to other investments or strategies) including global, or regional political or financial events, regulatory events or statements, and the trading activities of a wide range of market participants. Such factors may result in reduced liquidity, demand for, and supply of, the crypto assets which may result in losses in the Linked Products.

2.27.2 **Operational risk:** Crypto assets and Linked Products are subject to risks associated with the use and technical operation of digital networks, the operation of which may be affected by a variety of factors including technological refinements, disruptions to infrastructure, flaws in the underlying protocols or cryptography, cyber-attacks and network congestion. Such factors may result in reduced liquidity, demand for, and supply of the crypto assets which may result in losses.

2.27.3 **Fraud risk:** if there is a fraud in relation to the underlying crypto assets, you may be at risk of losing your investment.

2.27.4 **Credit risk:** investment in a Linked Product is likely to be impacted by the creditworthiness of the crypto asset issuing entity and carries the risk that the issuing entity may not be able to meet its obligations as contracted by the transaction. As such, any reduction of the creditworthiness of that entity is likely to result in a reduction of the value of crypto assets issued by it.

2.27.5 **Exchange risk:** Crypto assets are exposed to risks similar to currency risk in the that the value of the crypto assets being exchange for fiat currency will depend on market supply and demand and can have a particularly significant effect on the volatility and the market value of the Linked Products. Your returns could be reduced, or losses incurred, due to such fluctuations.

2.27.6 **Change in law risk:** The value of Linked Products and crypto-assets may be affected by complex political and economic factors, including governmental action. A holder can be exposed to change in law which could negatively affect the underlying crypto assets (including the ability to recover in respect of arrears/defaults), investors, the issuer, and/or the respective business and operations of the other parties in any Linked Products or crypto assets structure. Crypto assets are also expressly prohibited in certain jurisdictions by their competent regulatory body.

For Linked Products, you are advised to make inquiries about the risks referred to in the Linked Product offering documentation including the prospectus or similar offering document, and not to purchase such securities before being certain that you fully understand all risks.

3 Other risks associated with transactions in financial products

3.1 Packaged Products

Packaged products are combinations of various financial products. It is important that investors understand the terms of these packaged products and how their different elements interact. There is risk associated with each component of a packaged product, as well as with the packaged product as a whole. Where you invest in a packaged product, we may provide additional risk disclosures to the extent required under applicable rules.

The structure and pay-out features of packaged products will differ from off-the-shelf products in significant ways, and clients should ensure that they understand their terms and the risks that will affect the economic performance of packaged products.

A combination of products intended to achieve a certain purpose such as eliminating or limiting market risk may not achieve this purpose in practice. For example, termination events, disruption fall-backs and adjustments for extraordinary events may not apply identically to each component, leading to unexpected economic consequences. Further, where the packaged product reference assets are concentrated in a particular industry, the value of such a basket will be more affected by the economic, financial and other factors affecting that industry than if the reference assets included in the basket are in various industries that are affected by different economic, financial or other factors or are affected by such factors in different ways.

3.2 Clearing House Protections

On many exchanges, the performance of a transaction by us (or a third party with whom we are dealing on your behalf) is 'guaranteed' by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover our or another person's obligations to you, the client, and may not protect you if we or another party defaults on its obligations to you. On request, we will explain any protection provided to you under the clearing guarantee applicable to any on-exchange derivatives in which you are dealing. There may also be a clearing house for off-exchange instruments (such as interest rate swaps) which are not traded under the rules of an exchange.

3.3 Guaranteed Products (or Capital Protection)

Certain products will come packaged with a guarantee ("Guaranteed Products"). The purpose of these guarantees is to ensure a minimum return on the Guaranteed Product. Often, the return of the principal amount of the investment will be guaranteed by a third party. Guaranteed Products are themselves exposed to certain risks including, but not limited to, the following:

3.3.1 Credit risk: investors are exposed to the credit risk of the guarantor or counterparties. Depending on the terms of investment, the investment could be lost in the event of default by, a ratings downgrade or the insolvency of, its guarantor or counterparty.

3.3.2 Loss of investment: guarantees can offer different levels of capital protection, so not all your money may be returned if the capital protection is not 100%.

3.4 Insolvency

In the event of our 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. On request, we will provide an explanation of whether, and the extent to which, we will accept liability for any insolvency of, or default by, other firms involved with your transactions.

3.5 The Bank Recovery and Resolution Regimes (the "BRR Regimes")

The BRR Regimes aim to reduce threats to financial stability by establishing frameworks for the recovery and resolution of credit institutions and investment firms. The UK and EEA BRR Regimes give "resolution authorities" the power to rescue failing financial institutions by using a bail-in tool that involves either the cancellation of the liabilities (usually unsecured) of the failing entity, in whole or in part, or the conversion of such liabilities into another security, including ordinary shares of the surviving entity (should there be one).

The UK and EEA BRR Regimes (in particular, exercise of the bail-in tool) could cause you to lose some or all of any investment you make in BRR Regime financial products issued by UK or EEA entities in scope of the UK and/or BRR Regimes respectively (broadly UK or EEA credit institutions, certain UK or EEA investment firms and other entities within their group). The terms and rights associated with such financial products may be varied or payments suspended, or the products may be converted into ordinary shares or other instruments of ownership, which have different risks and/or rights associated with them. Investors should consider this before deciding to invest in BRRD financial products.

Non-UK or Non-EEA credit institutions and investment firms may be subject to similar resolution tools and powers in their local jurisdictions.

See also paragraph 2.4.2 above.

3.6 Tax risk

The level and basis of taxation on a particular product and on the investor and any reliefs from such taxation depend on the investor's individual circumstances and could change at any time. The tax and regulatory characterisation of the product may change over the life of the product. This could have adverse consequences for the investor.

3.7 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) at the time when the transaction is due 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 (a "**Margin**", and "**Margined**" shall be construed accordingly).

Contingent liability investment transactions for which a 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 us 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. The risks associated with Margined or contingent liability transactions carried out with or for you on or under the rules of a regulated market may differ depending on the rules of the regulated market. Contingent liability transactions which are not traded on or under the rules of a regulated market may expose you to substantially greater risk.

3.8 Islamic Investments (Shariah Compliant Investments)

Additional risks can apply in respect of financial products or services which are intended to be compliant with the principles of Shariah. Capitalised terms set out in this paragraph 3.8 are as defined in the Islamic Investment Services Supplement.

Shariah is not a prescribed body of law of any specific sovereign state. Different scholars, advisers, courts of law, arbitral tribunals and judicial committees may form different opinions on identical issues and therefore there may be points of detail on which there is no universally accepted Shariah view.

Although we may receive guidance from our own Shariah Supervisory Board or external Shariah advisers as to compliance with Shariah principles, as applicable to us any such guidance would not bind any other Shariah supervisory board, scholar, adviser, court of law, arbitral tribunal or judicial committee. You cannot rely on any guidance, opinion, declaration or fatwa issued by our Shariah Supervisory Board and you should obtain your own independent Shariah advice. For any Financial Instruments, Structured Deposits, Commodities or other financial products or services, in each case, which are intended to be compliant with Shariah principles, there is a risk that after a Transaction has been concluded or after the service have been provided, it is determined that part or all of the product or service was not, or due to a change in circumstances, is no longer, Shariah compliant. Save as explicitly required by Applicable Law, we are not responsible for the continued monitoring of any individual product for the purposes of Shariah compliance. The exact consequence of non-compliance with Shariah will depend on the product or service in question but this may result in losses being suffered, including as a result of having to unwind a position, cease a service or otherwise ring fence and purify any contaminated profits.

If we determine that we are no longer able to provide our services to a Shariah Counterparty or any of our Islamic Investment Services is no longer Shariah-compliant either as a result of a change in circumstances or a change in Applicable Law and/or applicable Shariah standards or guidance, we will use reasonable endeavours to adjust such service or Islamic Investment Services within a reasonable timeframe. During such remedy period it may be possible that you will continue to receive services or Islamic Investment Services that are not Shariah-compliant. If we determine that we are unable to remedy the non-compliance, we reserve the right to terminate the service in the case of a Shariah Counterparty, or Islamic Investment Services without notice.

Certain additional risks can apply in respect of our provision of the Islamic Investment Services, these include, but are not limited to, the operational risk that may arise due to the non-settlement or delay in settlement of commodity transactions underlying financial products or services which are intended to be compliant with the principles of Shariah. Further, such financial products or services may require third parties to act in relation to investments traded or held by you (e.g. brokers, custodians, settlement agents, exchanges).

3.9 Emerging Markets

Countries with Emerging Markets are characterised by an underdeveloped or developing infrastructure, with significant potential for economic growth and increased capital market participation by foreign investors. Countries with emerging markets include, but are not limited to (1) countries that have an emerging stock market in a developing economy as defined by the International Finance Corporation, (2) countries that have low to middle income economies according to the World Bank, and (3) countries listed in World Bank publications as developing. If you are in any doubt as to whether or not a transaction or service relates to an Emerging Market, you should speak to your usual contact.

When dealing for you in relation to investments in Emerging Markets, our obligations shall be as set out below:

3.9.1 our obligations generally shall be confined to acting in good faith; in particular, when acting as your agent in relation to a dealing in a transaction, our obligations shall be limited to using reasonable steps to facilitate settlement;

3.9.2 we shall have no duty to make or take (i) any special arrangements or precautions beyond those currently made or taken by us or any local financial institution for the safekeeping of investments, or (ii) any special enquiries as to the safekeeping arrangements or the collection, delivery or transfer procedures of any local financial institution, or to take local legal advice in connection therewith;

3.9.3 we shall be entitled at our absolute discretion to refuse to hold any investments on your behalf where to do so could require us to make disclosures under local rules or regulations;

3.9.4 where we hold investments on your behalf, we shall have no obligation to notify you of any voting rights or any other corporate actions with respect to such investments, nor shall we be obliged to take any action in respect of such rights;

3.9.5 in connection with any transaction, we shall be authorised to take all steps necessary to effect the transfer of ownership in investments, including, where necessary, appointing a local representative to effect such transfer. You shall execute and deliver any documents and agreements as may be necessary or appropriate to effect such transfer under applicable rules; and

3.9.6 you shall be solely responsible for ensuring that you comply with any disclosure obligations to which you may be subject under local rules and regulations.

3.10 Dodd-Frank Disclosures

The Dodd-Frank Wall Street Reform and Consumer Protection Act (the "**Dodd-Frank Act**") imposes various requirements on "swap dealers" including a requirement to provide disclosures of material information in connection with the execution of certain "swap" transactions. To the extent you enter into swap transactions with us, you should also consider the disclosures we have made under the Dodd-Frank Act (the "**Dodd-Frank Disclosures**") (in addition to the disclosures applicable to swaps under this notice). The Dodd-Frank Disclosures will be made available to you separately (if applicable).

3.11 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. For example, a security whose listing on an exchange is suspended, or the listing of or dealings in which have been discontinued, or which is subject to an exchange announcement suspending or prohibiting dealings may have insufficient published information on which you can base a decision to buy or sell such securities.

4 Investing in Emerging Markets

4.1 General

In addition to the information set out in paragraph 3.9, you should note that there are significant risks inherent in investing in Emerging Markets not typically associated with investing in more developed countries.

Investment is only suitable for sophisticated investors who understand and are able to bear the risks involved. Such risks could result in investors losing the entire value of their investment. While the following outlines certain risks and special considerations which should be considered by all investors before investing in Emerging Markets, it does not purport to be a complete statement of all such risks which currently exist or may develop in the future.

Clients 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, for example:

4.1.1 the value of investments in Emerging Markets may be affected by uncertainties such as political or diplomatic developments, social and religious instability, changes in government policies, taxation and interest rates, currency repatriation restrictions or redenomination risk, organised crime and other political, social and economic developments in laws or regulations and, in particular, the risks of expropriation, nationalisation and confiscation of assets and changes in legislation imposing restrictions on foreign ownership;

4.1.2 Emerging Markets are often undeveloped and there is often no developed public market for investments, making them difficult to value. This means that they are smaller, less liquid and more volatile than developed markets;

4.1.3 businesses may not have any history of operating within a market-orientated economy. In general, relative to companies operating in more developed countries, companies are characterised by a lack of (i) management with experience of operating in a market economy, (ii) modern technology, and (iii) a sufficient capital base with which to develop and expand their operations;

4.1.4 there are often low levels of legal certainty due to factors such as frequently changing and often overlapping or contradictory laws and regulations, lack of precedent, lack of clarity in the interpretation of law, disproportionate sanctions for failing to comply with the law and severe limitations on the ability to enforce court judgments or arbitral awards or to achieve effective redress through the courts; and

4.1.5 there is often an absence of adequate protections for minority and/or international shareholders and low standards of corporate governance.

4.2 Official Data

The quality and reliability of official data published by the governments and government agencies in Emerging Market countries is generally not equivalent to that of more developed countries.

4.3 Settlement Risk and Corporate Actions

Because of the absence of a developed securities market as well as potentially underdeveloped banking and telecommunications systems, concerns may arise in relation to settlement, clearing and registration of transactions in securities. Local custody services may remain undeveloped and there could be significant transaction, settlement and custody risks in dealing in investments in Emerging Markets. The regulations, procedures and practices of issuers and registrars may be basic compared to developed markets, subject to significant delays and occasionally the subject of malfeasance, creating a risk that an investor may not be registered as a shareholder or, having been registered, may be removed.

Legislation governing corporate actions and perceptions of corporate governance issues may be different from that in more developed countries and in general terms, management may not be expected to be as accountable to shareholders. Certain practices of companies and financial intermediaries which may be restricted in developed markets may be commonplace, and not so restricted.

Furthermore, no guarantee can be given that all entitlements and rights attaching to investments, including in relation to dividends, can be realised or exercised.

4.4 Accounting Practice and Information

Accounting, auditing and financial reporting standards may not be equivalent to those applicable in more developed market economies and the amount, quality and reliability of information available to investors may be considerably less than in respect of investments in more developed countries. There may also be limited reporting requirements for companies compared to standards in developed securities markets, and a lack of trading history.

4.5 Foreign Currency and Exchange Rates

Local currencies may not be freely convertible and restrictions may be placed on the conversion and repatriation of investors' funds, including any profits or dividends. You acknowledge that if we are identified as the legal owner of aggregated client funds, then restrictions imposed on repatriation may result in a greater delay in repatriation of your funds than you would have incurred if you were identified as the legal owner of your funds. The value of investments as measured in major international currencies may be affected by fluctuations in currency rates and exchange control regulations.

4.6 Investment Restrictions

Foreign investment in companies in Emerging Markets may be, in certain cases, legally restricted. Sometimes these types of restrictions may be contained in constitutional documents of an enterprise, and such documents may not be publicly available. Where a company restricts the size of holdings by non-resident investors, the aggregate of purchases by us on behalf of our clients may result in such limits being exceeded and prevent us from acquiring any further securities. In such circumstances, individual holdings by our clients may be scaled down.

4.7 Taxation

Tax law and practice may not be as clearly established as that of the more developed countries. It is possible, therefore, that the current interpretation of the law or understanding of practice may change or, indeed, that the law may be changed with retrospective effect.

Accordingly, it is possible that investors could become subject to taxation that is not anticipated when investments are made, valued or disposed of. There is no guarantee that double tax treaties, entered into or confirmed by Emerging Market countries, will remain in place or will not be modified, or that they will in practice be honoured by local tax inspectorates. In addition, where we hold investments on your behalf, the tax treatment you receive on such investments may not necessarily be the most favourable: for instance, you may be unable to benefit from certain tax treaties as a result of the entity which holds the investments. You should consult your own professional tax advisers on the implications of making an investment in, holding, or disposing of investments in companies in Emerging Markets.