Otkritie Capital Cyprus Limited
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Product Governance Risk Disclosure Statement

Cyprus, 2019

This document is developed by the Otkritie Capital Cyprus Limited ("OCCL") in addition to Product Governance and Distribution Policy, within the framework of European Legislation, and includes provisions and requirements of the following documents:

- Directive 2014/65/EU on markets in financial instruments ('MiFID II');
- Investment Services and Activities and Regulated Markets Law L. 87(I)/2017;
- Commission Delegated Directive (EU) 2017/593;
- CySEC Circular C236 Product Governance requirements under MiFID II;
- Guidelines on MiFID II product governance requirements – ESMA35-43/620.

Product which fall under Product Governance

Product governance requirements apply to all products (financial instruments and structured deposits) sold on primary and secondary markets, irrespective of the type of product or service provided and of the requirements applicable at point of sale.
However, those rules may be applied in a proportionate manner, depending on the complexity of the product and the degree to which publicly available information can be obtained, taking into account the nature of the instrument, the investment service and the target market. Proportionality means that these rules could be relatively simple for certain simple, products distributed on an execution-only basis where such products would be compatible with the needs and characteristics of the mass retail market.

Products manufactured and <u>distributed before 3 January 2018</u> do not fall within the scope of product governance requirements.

Products manufactured before 3 January 2018 but distributed after 3 January 2018 fall within the scope of product governance requirements applicable to distributors, who they will treat the manufacturers as if they were non-MiFID entity. However, the relevant regulatory requirements will be complied with in either scenario from the date the next product review process cycle after 3 January 2018.

Product Governance Risk Disclosure Statement

OCCL's Product Governance Risk Disclosure Statement is intended as a general description of the risks associated with specific products or services. There may be other risks that it does not identify. ***The client should therefore not rely on the Product Governance Risk Disclosure Statement as covering all possible risks and should always satisfy himself/herself/itself that the Services or transactions are suitable and appropriate for the client in light of the client's specific circumstances. If OCCL effects a transaction with or for the client, this shall not be taken to mean that OCCL recommends, or concur on the merits of, the transaction or that the transaction is appropriate for the client***. The client is required to make his/her/its own assessment of any transaction that the client is considering and should not rely on any information or other communication from OCCL as being investment advice.

The Company makes no representations or warranties in relation to Financial Instruments. The Company makes no representations or warranties in relation to any information provided, or opinions expressed, to the Client (whether written or oral) in connection with any such Financial Instruments or with investing in general.

The Client should be aware that there are significant risks in investing in the Securities of any Issuer in the securities market as well as market indices and other instruments. Such investments may be highly speculative, involve a high degree of risk and may result in the loss of the entire investment.

The client should fully understand the following:

- That investments are made or other positions taken in financial instruments at the client's own risk;
- The need to carefully study the securities company's general business terms and conditions and other relevant information on the financial instrument in question and its properties and risks before trading in financial instruments;
- The need to immediately scrutinize contract notes and submit any complaints regarding any errors;
- The need to regularly monitor changes in the value of holdings of financial instruments;
- The need to react by selling holdings if required in order to reduce the risk of losses on the client's own investments.

Most important types of risks:

- ***Market risk***: The risk of change in the market value of asset due to changes in asset prices, FX rates, interest rates, commodity prices and volatility. This risk includes Price risk, Price volatility risk, Currency risk, Interest-rate risk, etc.
- ***Credit risk***: The risk that the issuer or a contracting party will fail to meet its obligation when they become due
- ***Tax risk***: The risk that tax rules and/or tax rates are unclear or may be changed.

- ***Leverage/gearing effect risk***: The structure of a derivative instrument which means there is a risk that a change in the price of the underlying asset will have a major negative effect on the price of the derivative instrument.
- ***Legal risk***: The risk that relevant legislation and rules are unclear or may be amended.
- ***Company-specific risk***: The risk that a company does worse than expected or that the company is affected by a negative incident so that the financial instruments which are linked to the company may fall in value.
- ***Industry-specific risk***: The risk that a specific industry does worse than expected or is affected by a negative incident so that the financial instruments which are linked to the companies in the industry in question may fall in value.
- ***Liquidity risk***: The risk that the client cannot sell or purchase a financial instrument at a certain time when the client wishes to do so because the Issuer of the financial instrument cannot fulfil its obligations upon maturity.

General Risk

Financial instruments are expected to provide a return in the form of a dividend (shares and fund units) or interest (interest-bearing instruments). In addition, the price of the instrument may increase or decrease compared to the price when the investment was made.
Naturally, the investor is seeking a total return that is positive, i.e. a profit. However, there is also a risk that the total return will be negative, i.e. that the investor will make a loss on the investment.
The risk of loss varies between different instruments.
Normally, the chance of making a profit on an investment in a financial instrument is linked to the risk of loss. The longer the investor intends to keep the investment, the greater an amount of potential profit or loss would be.

There are various ways of investing in financial instruments in order to reduce the risk. It is normally better from a risk point of view to invest in several different financial instruments rather than a single one or only a few financial instruments. These instruments should have properties which mean the risk is spread and should not gather risks that may be triggered simultaneously.

Trading in foreign financial instruments may also involve a **currency risk**. Investments in financial instruments are associated with an **economic risk**.

The client is personally responsible for this risk and must therefore become aware about the terms and conditions, prospectuses, etc, governing trading in such instruments and with the instruments' individual risks and characteristics. The client must also regularly monitor the performance of his/her investments in such instruments. This should be the case even if the client has received personal advice from third party in conjunction with the investment. Information required for assets and instruments prices monitoring may be obtained from media number of sources, e.g. newspapers, the Internet, teletext etc. If necessary the client should, in his/her own interests, react swiftly, for example by selling investments that are developing negatively or by providing additional collateral in conjunction with investments financed through loans where the collateral value has fallen.

There are many different types of risk and other factors that the client should be aware of.

The risk/reward trade-off is the level of risk one assumes in pursuit of a particular return potential. But there are different kinds of risk. Below, we describe five varieties of risk and suggested ways to deal with each.

Credit Risk

In the case of bonds, credit risk is a probability weighted issuer default, i.e. it may not be able to meet interest or principal payments when they become due Higher-quality bonds issued by companies with strong financial positions usually pose less credit risk than those issued by companies with less creditworthiness.

Market Risk

This is a risk of change of value of financial instrument due to change in the market environment resulted in change of prices, interest rates, currency rates, commodity prices and volatility.

Market risk also includes several types of risks, such as:

- Business or Event Risk:

A common hazard in investing is business or event risk, which simply means that unforeseen circumstances may adversely affect the value of your investment. This risk can be either company specific or industry wide. For example, a firm's profits may be hurt by a lawsuit, a change in management, or a product failure. Or new government regulations (i.e., for drug companies) may cause the price of stocks in a particular industry to drop. In this case, the damage is confined to one industry or one company.
Consider investments that offer diversification across an array of industries.

- Interest Rate Risk:

Changing interest rates can have a major effect on fixed-income (bond or bond fund) investments. Bond prices typically fall when interest rates rise, and they increase as rates decline. Rising interest rates depress the value of existing bonds because investors can buy new bonds paying higher prevailing yields. On the other hand, if rates fall, potential buyers will be willing to pay a premium for an older, higher-yielding bond. Either scenario will affect the current value of your investment. Generally speaking, the longer the bond's maturity, the greater its sensitivity to changing interest rates. Rising interest rates can also make stocks less attractive, though any correlation between interest rate changes and stock prices is less clear. A stock's dividend yield may be less appealing, and a company may face higher borrowing costs if money is needed to develop new products or expand operations.
Consider a diversified bond fund holding fixed-income securities of various maturities.

Purchasing Power Risk (inflation)

In nearly every year, inflation causes a dollar to purchase less than it did the year before. That's because the cost of goods and services tends to rise year to year. The uncertainty over what your dollar will be able to buy in the future is often referred to as purchasing power risk. Even when inflation is relatively low, as it has been over the past few years, its cumulative effect over the long term is significant. An inflation rate of just 4% a year will cause your purchasing power to be cut in half in about 18 years.

Consider selecting investments appropriate to your risk tolerance and time horizon that have provided returns that historically have outpaced the long-term rate of inflation. Stock and bond funds, by their very nature, are diversified, and fund managers invest in securities that they believe will provide good returns at a reasonable risk given the fund's objective. You can also invest in different asset classes and choose investments that can preserve your purchasing power.

Liquidity risk

Many forms of investment may not be readily realisable on the open market (e.g. commercial property) or the market has a small capacity and may therefore take time to sell. Assets that are easily sold are termed liquid therefore this type of risk is termed Interest Rate Risk. The risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve or in any other interest rate relationship. Such changes usually affect securities inversely and can be reduced by diversifying (investing in fixed-income securities with different durations) or hedging (e.g. through an interest rate swap). Interest rate risk affects the value of bonds more directly than stocks, and it is a major risk to all bondholders. As interest rates rise, bond prices fall and vice versa. The rationale is that as interest rates increase, the opportunity cost of holding a bond decreases since investors are able to realize greater yields by switching to other investments that reflect the higher interest rate. For example, a 5% bond is worth more if interest rates decrease since the bondholder receives a fixed rate of return relative to the market, which is offering a lower rate of return as a result of the decrease in rates.

Shares and limited companies.

Shares in limited companies entitle their owner to a proportion of the company's share capital. If the company makes a profit, the company usually distributes dividends on these shares. Shares also entitle the holders to voting rights at the company’s general meeting, which is the highest-ranking decision-making body in the company. Normally, the more shares the holder owns, the greater the shareholder’s proportion of the capital, dividends and votes is.

The share price.

The price of a share is affected to a great extent by the company's prospects. A share price may rise or fall depending on investor analyses and assessments of the company's opportunities to make future profits. Future external developments in the economy, technology, legislation, competition, etc, determine the demand for the company's products or services and, consequently, are also of fundamental importance to developments in the price of the company's shares. The general interest rate level (the market interest rate) also plays an essential role in the pricing. If the market interest rate increases, interest-bearing financial instruments that are issued at the same time may provide a better return. In such cases, the prices of listed shares normally fall, as will those of already traded interest-bearing instruments with a lower interest rate. The reason for this is that the increasing returns on newly issued interest-bearing instruments may be better, relatively speaking, than the return on shares or on already traded interest-bearing instruments. In addition, share prices are negatively affected by the fact that interest payments on the company's debts increase, since this reduces the company’s chances of making profits in the future. Other factors directly related to the company, such as changes in the company's management and organisation, disruptions to production, etc, may affect the company's future ability to create profits, both in the long- and short-term. In the worst case, a company may perform so poorly that it must be declared bankrupt. The share capital, i.e. the capital invested by the shareholders, is that which is repaid last from the estate in bankruptcy. The company’s other debts must first be repaid in their entirety. This often results in there being no assets left in the company after its debts have been paid, so that the shares in the company are worthless. Players in the finance market often have different opinions on how share prices will develop. These factors, which also include how the company will be valued, contribute to there being both buyers and sellers. If the investors share the same opinion regarding price trends, they will either buy, thereby creating buying pressure from many buyers, or sell, thereby creating selling pressure from many sellers. Prices increase in the event of buying pressure and fall in the event of selling pressure. The turnover, i.e. the quantity of a certain share that is bought or sold, affects the share price. In the event of a high turnover, the difference, also called the spread, between the prices the buyers are prepared to pay (bid price) and the price requested by the sellers (ask price) is reduced. A share with a high turnover, where large amounts can be traded without any major effect on the price, enjoys good liquidity and is thus easy to buy or sell. The framework conditions for industry, both national and international, may also affect share prices. Changes in tax and duty levels nationally and in other countries affect the companies’ cost levels and thus their competitive situation. International agreements between countries regarding customs charges and duties on the import and export of goods and services affect the competition situation that exists between companies and thus also share prices. Major events such as disasters, terrorist acts and wars may have major effects on share prices on stock exchanges worldwide.

Share trading – including trading systems.

Only shares issued by public limited companies may be listed on a regulated market. In addition, there are requirements regarding the company’s size, the company’s operations history, spread of owners and publication of the company’s finances and other business. Trading in shares that are not listed on a regulated market takes place in the so-called OTC market. In this market, trading takes place to a large extent based on information on prices and interests that the stock broking firms state to each other.

The OTC list is divided into an A list and a B list. Only companies that are registered on the A list must pass price-relevant information of significant importance on to the market. If a share is not listed on either a regulated market or a trading support system, trading will normally take place by the stock broking firm trying to assist the client by contacting potential clients who may be interested in becoming a contracting party. Investments in this type of share entail a considerable liquidity risk.

Trading in a regulated market or other trading systems comprises the secondary market for shares, primary capital certificates and bonds that a company has already issued.
In addition, the OTC list functions as a secondary market for shares. If the secondary market functions well, i.e., it is easy to find buyers and sellers and offer prices from buyers and sellers and the final prices of completed trades are noted continuously, companies benefit from the fact that it is easier to issue new shares and thus raise more capital for the company's activities.

The primary market is the market where newly issued shares, primary capital certificates and bonds are traded in/subscribed for.

Shares registered in a regulated market or other trading system are normally divided into various lists depending on the company's market value or liquidity. These lists are often published on the trading system's home page, in newspapers and via other media. Different shares may demonstrate various levels of stability in their prices (volatility) during the day or over longer periods, i.e., the frequency and size by which the prices change. Shares on lists with high liquidity are normally regarded as entailing a lower risk than shares on lists with lower liquidity.

Various classes of shares

There are various classes of shares, commonly A and B shares, which normally refer to voting rights. Class A shares normally entitle the holder to one vote, while class B shares normally entitle the holder to a restricted voting right or no voting rights at all. The differences in voting rights may, for example, be due to the fact that, in conjunction with a diversification of ownership, the original founders and the owners of the company have wanted to maintain their influence over the company by holding stronger voting rights.

Nominal value, splits and reverse share splits

A share's nominal value is the amount of the company's share capital represented by each share. The sum of all the shares in a company multiplied by the nominal value of each share constitutes the company's share capital. Occasionally, companies wish to change the nominal value, for example because the market price of the share has risen significantly. By dividing the share into two or several shares, a so-called split, the nominal value is reduced at the same time as the price of the shares is reduced. However, after a split the shareholder's capital remains unchanged but is divided into a greater number of shares, each of which has a lower nominal value and a lower price. Conversely, a reverse share split may be carried out if, for example, the share price has fallen dramatically. In such case, two or more shares are merged to form one share. Following a reverse share split, the shareholder's capital remains unchanged but is divided into fewer shares, each of which has a higher nominal value and a higher price.

Stock exchange introduction, privatization and acquisitions

A stock exchange introduction means that shares in a limited company are listed in are regulated market (including a stock exchange). The general public may then be invited to subscribe for (buy) shares in the company. This usually involves an existing company that has not previously been listed on a stock exchange, whose owners have decided to increase the number of shareholders and facilitate trading in the company's shares. If a state-owned company is introduced on the stock exchange, this is called privatization or part-privatization, depending on the size of the stake in the company that the state is offering to sell to the general public. An acquisition normally involves an investor or investors inviting the shareholders of a company to sell their shares on certain terms. If the buyer obtains 90% or more of the share capital and votes in the company, the buyer can petition for the compulsory purchase of the remaining shares from those shareholders who have not accepted the acquisition offer.

Share issues

If a company wishes to expand its operations, additional capital is often required. The company raises this by issuing new shares through a share issue. The existing shareholders usually receive subscription rights giving them a pre-emptive right to subscribe for shares in the new issue. The number of shares that may be subscribed for is established in relation to the number of shares previously held by the shareholder. The subscriber must pay a price (issue price) for the newly issued shares that are often lower than the market price. Immediately after the subscription rights - which normally have a certain market value – are detached from the shares, the price of the shares normally declines. Shareholders that have subscription rights but do not subscribe for shares may sell their subscription rights in the marketplace where the shares are listed during the subscription period (which often lasts for a few weeks). Upon the expiry of the subscription period, the subscription rights lapse and thus become useless and worthless. If the share premium account in a limited company has greatly increased in value, the company can transfer part of the value to its shareholders through what is commonly referred to as a bonus issue. In a bonus issue, consideration is given to the number of shares already held by each shareholder. The number of new shares offered to the shareholders through the bonus issue is established in proportion to the number of shares the shareholder already holds. However the shareholder's proportion of the company's share capital remains unchanged. A limited company can also carry out a so-called private placement, which is carried out as a share issue but is directed solely at a limited group of investors. In a private placement, the existing shareholders' proportion of the shares and share capital in the company is diluted, but the number of owned shares is not affected and the market value of the invested capital is also not normally affected.

Share-related instruments

Some instruments such as convertible bonds/debentures, share-index bonds/index bonds, warrants, share options, share-index options and depository receipts are closely connected to shares. These instruments are normally traded in a regulated market (including a stock exchange) but are also traded in the OTC market.

Convertible bonds/debentures

Convertible bonds/debentures are interest-bearing securities which may be exchanged for shares within a certain period of time. The return on the convertible bonds/debentures, i.e., the coupon interest, is normally higher than the dividend on the shares to be received in exchange. The price of convertible bonds/debentures normally follows the share price and is expressed as a percentage of the nominal value of the convertible bond/debenture.

Share-index bonds/index bonds

Share-index bonds/index bonds are bonds whose yield normally depends on how a share index develops. If the index develops positively, so does the return. In the event of a decline in the index, there may be no return. However, the nominal value of the bond is always repaid on the maturity date so the risk of loss is limited compared to shares and fund units. Apart from any share premium, the risk of investing in a share-index bond may be defined as the alternative interest income, i.e., the interest the investment could have achieved if the amount had been invested differently.

Warrants

Certain call (purchase) and put (sales) options with a longer term to maturity than the standardized call options, normally called warrants, are also traded. Warrants may be used to buy underlying shares or to provide cash settlement if a gain has been achieved as a result of the price of the underlying share being higher than the agreed future purchase price/selling price.

Share options and share-index options

There are various types of share options. Acquired (bought) purchase options (call options) entitle the owner to purchase already issued shares at a predetermined price within a specific period of time. Acquired (bought) sales options (put options) entitle the holder to sell shares at a predetermined price within a specific period of time. There is an issued/written (sold) option corresponding to each acquired option. The risk borne by the party that acquires an option is that the option will decline in value or become worthless by the expiry date. Unless special precautionary measures are taken, the issuer (writer) of an option runs a risk which may be unlimited in scope. Index options produce a gain or loss linked to the development of the underlying index. The price of options (premium/price) normally follows the developments in the price of the corresponding underlying shares or index.

Depository receipts

Depository receipts are proof that shares are stored by a depository and give the owner the same rights as if he/she owned the actual share. Depository receipts are traded as shares and their prices normally follow the price trends in the foreign regulated market where the share is traded.

FIXED-INCOME FINANCIAL INSTRUMENTS (BONDS)

An interest-bearing financial instrument is a right to claim against the issuer of a loan. The return is normally provided in the form of interest (coupon). There are various types of interest-bearing instruments depending on the issuer of the instrument, the security provided for the loan by the issuer, the term until the maturity date, and how interest is paid. The interest (coupon) is normally paid as a fixed or floating rate. For fixed-interest loans, the interest is normally stipulated (fixed) for one year at a time. For floating interest loans, the interest is normally stipulated (fixed) four times a year for three months. On certain types of loans, no interest is payable and only the nominal amount is repaid on the loan's maturity date (zero coupons). The purchase of zero coupon bonds takes place at a considerable discount, which means that the effective interest rate is the same as for bonds on which a regular coupon interest is paid. The risk associated with an interest-bearing instrument consists in part of the price changes that may occur during the term of the instrument due to changes in market interest rates, and in part that the issuer may be unable to repay the loan. Loans for which satisfactory security has been provided for repayment are thus less risky than loans without security. However, in purely general terms, it can be stated that the risk of loss associated with interest-bearing instruments may be deemed lower than it is for shares. Market interest rates are established every day both for instruments with short terms until maturity (less than one year), e.g., certificates, and for instruments with longer terms until maturity, such as bonds. This takes place in the money market and bond market. If the market interest rate increases, the price of already issued interest-bearing financial instruments will fall if they provide a fixed interest rate. This is because new bonds are issued bearing rates of interest that follow the current market rate of interest and thereby provide a higher rate of interest than the already issued instruments. Conversely, the price of already issued instruments increases when the market interest rate declines. Bonds issued by the State, county council and municipalities (or guaranteed by such bodies) are deemed to be more or less risk-free with respect to redemption at the predetermined value on the due date.

Trading in interest-bearing financial instruments (bonds)

A number of bonds are listed on a stock exchange, so trading in these financial instruments, like trading in listed shares, takes place in a regulated market. Trading in bonds normally takes place in a different way to trading in shares. In practice, the interest and currency market is regarded as a quoting or price-driven market, unlike the stock market which is an order-driven market. In the case of trading in standardized options, bonds and currency/interest derivatives, the investment firm normally stipulates prices as a market maker and publishes purchase and sales prices based on its own assessments of the market conditions.

Fixed Income Risks relate to securities

Credit risk is the possibility that an Issuer will fail to make timely payments of interest or principal.

Some Issuers may not make payments on debt Securities held in the Portfolio, causing a loss. Or, an Issuer may suffer adverse changes in its financial condition that could lower the credit quality of a Security, leading to greater volatility in the price of the Security held in the Portfolio.

A change in the quality rating of a bond or other Security can also affect the Security's liquidity and make it more difficult for the Company to sell the Security.

Fixed income Securities are subject to prepayment risk. The Issuers of fixed income Securities held in the Portfolio may not be able to prepay principal due on the securities, particularly during periods of declining interest rates.

The Company, if so requested by the Client, may not be able to reinvest that principal at attractive rates, reducing income to the Portfolio.
On the other hand, rising interest rates may cause prepayments to occur at slower than expected rates. This effectively lengthens the maturities of the affected securities, making them more sensitive to interest rate changes and the value of securities held in the Portfolio more volatile.
Lower rated debt Securities are subject to additional risks. Lower rated debt Securities, including Securities commonly referred to as "junk bonds", are very risky because the Issuers may fail to make payments of interest and principal.

Part of the reason for this high risk is that, in the event of a default or bankruptcy, holders of lower rated debt Securities generally will not receive payments until the holders of all other debt have been paid. In addition, the market for lower rated debt Securities has in the past been more volatile than the markets for other Securities.

Lower rated debt Securities are also often less liquid than higher rated debt Securities.

Mutual funds

A fund is a “portfolio” of different financial instruments, such as shares and/or bonds. The fund is owned jointly by all those who save in the fund, the unit holders, and is managed by a management company. There are various types of mutual funds with different investment strategies and risk profiles.
Below is a brief description of the most common types of funds an equity fund invests all or most of the capital paid in by the unit holders in shares.
Combination fund: a mutual fund that is not defined as a pure unit trust/equity fund or interest fund. A combination fund may have a more or less permanent preponderance of shares or interest-bearing securities, but the proportion of various securities may also change during the fund’s lifetime.
Interest funds: a mutual fund that is to invest in securities other than shares. These funds are divided into bond funds and money market funds.
Index funds: a mutual fund that is managed relatively passively in relation to the fund’s benchmark index.
A **fund-in-fund** is a fund which invests in other funds; A fund-in-fund can be seen as an alternative to investing in several different funds yourself. Therefore, you may obtain the spreading of risk which a well-considered personal fund portfolio could have. There are fund-in-fund with various investment focuses and risks levels.
Hedge funds (specialist funds): there is no exact definition of the concept of a hedge fund, and individual hedge funds may vary greatly as regards investment choices and risk profiles. A hedge fund normally takes much more risks than a normal mutual fund and is therefore a product for professional investors that are willing to accept a large amount of risk. The fund can usually raise loans and is normally quite free to use various derivatives. A hedge fund can also trade “short” in securities, which means that the fund sells borrowed securities and then buys the borrowed securities at a later date. When they invest in a fund, unit holders receive the number of units in the fund that equals their invested capital’s percentage of the fund’s total assets under management.
Funds can also be divided into **UCITS (Undertakings for Collective Investments In Transferable Securities)** and special funds.
UCITS are funds which meet the so-called UCITS Directive’s requirements (EU directive), mainly in relation to the investment rules and spreading of risk. Special funds (for example, so called hedge funds) are funds which in some manner deviate from the rules in the UCITS Directive and it is therefore particularly important for you as a client to find out which investment rules that apply for a special fund in which you intend to invest. This will be stated in the fund's prospectus and fact sheet. The units may be bought from and redeemed (sold) to the management company. The units’ actual value is calculated daily by the management company and is based on developments in the prices of the financial instruments in which the fund has invested. There are also fund units that can be traded in a regulated market (Exchange Traded Funds (” ETF”)). One of the purposes of a unit trust/equity fund is to invest in several different shares and other financial instruments. This means that the risk run by the unit holders is less than

the risk run by shareholders who only invest in one share or a few shares. Unit holders do not have to select, buy, sell or monitor the shares or carry out other management work related to this.

Risks associated with transactions in derivatives

Derivative instruments, such as options, forward/futures etc, are issued with various types of underlying assets, such as shares, bonds, commodities and currencies. Derivative instruments may be utilized in order to reduce the risks associated with an investment. One special risk that investors must be aware of when investing in derivative instruments is that the instrument is put together in a way which means that changes in the price of the underlying asset affect the price of the derivative instrument, the so-called "leverage (gearing) effect". The price effect is often stronger in relation to the amount invested than the change in the value of the underlying asset. The price effect is therefore referred to as the leverage/gearing effect and can lead to a larger profit on the invested capital than if the investment had been made directly in the underlying asset. On the other hand, the leverage/gearing effect may result in a greater loss on the derivative instrument compared to the change in the value of the underlying asset if the price of the underlying asset does not develop as expected. The leverage/gearing effect, i.e., the chance of making a profit or risk of suffering a loss, varies depending on the derivative instrument’s structure and scope. Monitoring developments in the prices of the derivative and underlying asset is therefore of the utmost importance. The client should, in his/her own interests, be prepared to act swiftly, often that same day, should the derivative instrument start develop in an unfavourable direction.
Transactions in derivatives involve the risk of adverse or unanticipated market developments, risks of illiquidity and other risks, including without limitation, principal, interest rate, currency, credit, political, liquidity and market risk. In addition, such products are always treated as complex financial instruments under MiFID and MiFID II regulation.

Company’s actions for risk reduction

As a consequence of that treatment the qualification as a retail client under the relevant provisions of the Law 87(I)/2017 implies that the Client is not expected to trade in highly complex, specialized and risky financial instruments without prejudice to its right to request the application to its case of the provisions applicable to professional clients provided that the Client satisfies the requirements imposed by the mentioned Law. Therefore, the Client acknowledges that more additional information regarding the Client's knowledge and experience in the investment field relevant to the specific type of product or service, its financial situation and its investment objectives may be requested by the Company.

In case the Company considers on the basis of the information received that the product or service is not appropriate to the Client, the Company will warn the Client and under provision to act in the best interests of the Client the Company reserve the right not to proceed with the deal.

In cases where the Client elects not to provide the requested information or where the Client provides insufficient information regarding its knowledge and experience, the Company will warn the Client that such a decision will not allow the Company to determine whether the service or product envisaged is appropriate for it and therefore under provision to act in the best interests of the Client the Company reserve the right not to proceed with the deal.

If the Client still requests the Company to proceed on its behalf, the Company may still purchase, sell, deal in, and/or invest in complex financial instruments and/or investment services connected with these products, but the Client should note that it may not be appropriate for it and that the Client may be exposing itself to risks that fall outside its knowledge and experience and/or which it may not have the knowledge or experience properly to assess and/or control by way of mitigating their consequences for it. In such cases the Client acknowledges that under no circumstances the Company will be liable or responsible for any losses and damages either material or moral incurred by the Client.

The description of special considerations and risks herein does not purport to be exhaustive.

The Company disclaims any responsibility to advise its Clients of such risks as they exist at the date of this document or as they change from time to time.

The Client should understand the risks involved and should reach an investment decision after careful consideration with its tax, Accounting and legal advisors of the suitability of the transaction in light of its particular financial circumstances and financial objectives.

The Company believes that for Retail the appropriate financial instruments are non-complex financial instruments and complex financial instruments are not appropriate for the Retail Clients.

For Professional Clients and Eligible Counterparties the passing of Appropriateness Test (assessment) successfully is necessary for the trading in complex financial instruments, in this case the complex financial instruments will be appropriate for Professional Clients.

On the basis of the provided responses to the questionnaire (appropriateness test), the Company will be able to analyse the Client's knowledge, experience, ability to financially bear losses, financial situation, risk tolerance, needs, objectives, purposes of the requiring services.

The Company will confirm the Client and the Trading Department the financial instruments that are appropriate for the client and therefore in which financial instruments the trades are appropriate for the specific Client**.**

<u>**The Company will inform the Client and the Trading Department the financial instruments that are non-appropriate and in which financial instruments the trades are non-appropriate for Retail Clients.**</u>

The Company will inform the Professional Client the financial instruments that are non-appropriate and will issue warning. The warning will explain that the security which the Client intends to buy or sell is not appropriate for him based on his knowledge and that trading it may put the Client at a significant risk.

If the client is provided with a warning but still wishes to proceed, the Company must receive the confirmation from the client (client's consent) that he is willing to trade and confirm by e-mail to the Trader that the trade can be done. If the the client does not provide such a confirmation, the trades in non-appropriate instruments will not be executed.

OCCL has a policy in place to ensure that both OCCL's respective responsibilities towards the Client and OCCL's product governance obligations are met.

OCCL is required to assess and define a target market for the investment products distributed or sold to the Client.

It should be noted, that OCCL is a distributor and not a manufacture of the financial products/instruments.

OCCL may not be able to make certain investments products available to the Client, depending on the classification as a client and depending on the service OCCL is providing to the Client.

OCCL will define the client in the relevant target group.

Every Client will receive a notification, where will be stated the Target Client Group, Target Group of financial instruments that is relevant to this client's target group, the instruments that are appropriate and non-appropriate for the Client and the Product Governance Risk Disclosure Statement. The detailed information and definitions is contained in the "Notification regarding Target Client Group and Appropriate/Non-appropriate financial instruments for this client", that is sent to the client during on-boarding process and during ongoing the relationship with the Client.

Otkritie Capital Cyprus Limited
Registration # HE 165058
Date of Incorporation: 06/09/2005

License Number: 069/06
Issued by the Cyprus Securities and Exchange Commission

Risks associated with all financial instruments offered by OCCL

Financial Instrument ("FI")	**Definition of FI**	**Key Risks of FI**	**Risk Indicator of FI***
<u>Shares</u> traded on a regulated EU market or an MTF AND they do not embed a derivative of any kind AND they issued by a company AND they are not shares in non-UCITS collective investment schemes	Shares are units of ownership in a corporation or financial assets that provide for an equal distribution in any profits, if any are declared, in the form of dividends.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: <u>Market price risk</u> - is the risk of a decline in the value of a security; <u>Interest rate risk</u> - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; <u>Volatility risk</u> - Is the degree of variation of a trading price series over time that can influence the market price of the security; <u>Settlement risk</u> - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; <u>Idiosyncratic market risk</u> - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is	**<u>1</u>**

		the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Bonds (or other forms of securitized debt) on a regulated EU market or an MTF AND they do not embed a derivative of any kind AND they issued by a company AND they do not incorporate a structure which makes it difficult for the client to understand the risk involved.	A bond is a fixed income investment in which an investor loans money to an entity (typically corporate or governmental) which borrows the funds for a defined period of time at a variable or fixed interest rate. The actual market price of a bond depends on a number of factors	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate	**1**

	including the credit quality of the issuer, the length of time until expiration, and the coupon rate compared to the general interest rate environment at the time. These bonds are publicly traded on exchanges. Two features of a bond – credit quality and duration – are the principal determinants of a bond's interest rate. If the issuer has a poor credit rating, the risk of default is greater and these bonds will tend to trade a discount. The longer the bond maturity, or duration, the greater the chances of adverse effects. Longer-dated bonds also tend to have lower liquidity.	curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk**	

		The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Money-market instruments (treasury bills, certificates of deposit, commercial paper) that do not embed a derivative AND do not incorporate a structure which makes it difficult for the client to understand the risk involved	The money market is where financial instruments with high liquidity and very short maturities are traded. It is used by participants as a means for borrowing and lending in the short term, with maturities that usually range from overnight to just under a year. Money market transactions are wholesale, meaning that they are for large denominations and take place between financial institutions and companies rather than individuals. Plain Money Market Instruments are considered to be amongst the safest financial instruments.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: <u>Market price risk</u> - is the risk of a decline in the value of a security; <u>Interest rate risk</u> - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; <u>Volatility risk</u> - Is the degree of variation of a trading price series over time that can influence the market price of the security; <u>Settlement risk</u> - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; <u>Idiosyncratic market risk</u> - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation).	<u>**1**</u>

		May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
UCITS (shares or units)	**Undertakings for the Collective Investment of Transferable Securities (UCITS)** is a mutual fund based in the European Union. UCITS funds are perceived as safe and well-regulated investments and are popular in Europe, South America and Asia among investors who prefer not to invest in a single public limited company but rather among diversified unit trusts spread out within the European Union.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also	**1**

		called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
American Depositary Receipts (**ADR**)/ Global Depositary Receipts (**GDR**)	**American Depositary Receipts** (**ADRs**) are stocks that trade in the U.S. but represent a specified	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely:	**2**

	number of shares in a foreign corporation. **Global Depositary Receipts (GDRs)** are shares traded globally.	<u>Market price risk</u> - is the risk of a decline in the value of a security; <u>Interest rate risk</u> - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; <u>Volatility risk</u> - Is the degree of variation of a trading price series over time that can influence the market price of the security; <u>Settlement risk</u> - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; <u>Idiosyncratic market risk</u> - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: <u>Issuer risk</u> - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk;	

		Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Structured Deposits (That do not incorporate a structure which makes it difficult for the client to understand the risk of return or the cost of exiting the product before term)	Structured Deposits are the combination of a deposit and an investment product. The returns generated are linked with the market performance.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings;	**2**

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Shares that are traded outside a regulated EU market or equivalent 3rd country or MTF Non-UCITS undertakings	Shares are units of ownership in a corporation or financial assets that provide for an equal distribution in any profits, if any are declared, in the form of dividends.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate	3

		curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk**	

		The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Convertible shares	A preferred stock that a stockholder may exchange, at any time after a waiting period, for common stock in the company issuing the bond. The number of shares one receives for each preferred share is determined when the convertible preferred stock is issued.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation).	**3**

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Perpetual Bonds	This is a debt instrument with no maturity date. The issuers pay coupons forever and they do not have to redeem the principal.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: <u>Market price risk</u> - is the risk of a decline in the value of a security; <u>Interest rate risk</u> - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; <u>Volatility risk</u> - Is the degree of variation of a trading price series over time that can influence the market price of the security; <u>Settlement risk</u> - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also	**<u>3</u>**

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Depository receipts (non-ADR/ GDR)	A depositary receipt is a negotiable financial instrument issued by a bank to represent a foreign	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely:	**4**

	company's publicly traded securities. These types of depositary receipts are not listed on a stock exchange and are illiquid or traded only by institutional investors.	Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk;	

		Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security.	
Money Market Instruments (that embed a derivative or incorporates a structure which makes it difficult for the client to understand the risk involved) are financial products that links the performance of the clients deposits with certain underlying assets.	Money Market Instruments (that embed a derivative or incorporates a structure which makes it difficult for the client to understand the risk involved) are financial products that links the performance of the clients deposits with certain underlying assets.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk**	4

		(the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
OTC Bonds	Bonds that are traded over the counter, the majority of corporate bonds that are issued by private and public corporations are traded OTC, many of the transactions involving exchange-traded bonds are done through OTC markets.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price	**5**

		series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	

Eurobonds	A Eurobond is denominated in a currency other than the home currency of the country or market in which it is issued. These bonds are frequently grouped together by the currency in which they are denominated, such as Eurodollar or euroyen bonds. Usually have small par values and high liquidity. The term Eurobond refers only to the fact the bond is issued outside of the borders of the currency's home country; it does not mean the bond was issued in Europe or denominated in the euro currency. Borrowing in foreign currencies also present risks in addition to the standard credit risk and interest rate risks. Eurobonds are exposed to exchange rate risk, and because exchange rates can change quickly and dramatically, the total return on a Eurobond can be affected dramatically in a very short amount of time.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of	**5**

		the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Share-index bonds	An index-linked bond is a bond in which payment of interest income on the principal is related to a specific share-price index.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management	**5**

		decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Index Bonds	An index-linked bond is a bond in which payment of interest income on the principal is related to a specific price index	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising	**5**

		from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the	

		external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Subordinated bonds	Subordinated debt is a loan or security that ranks below other loans and securities with regard to claims on a company's assets or earnings. Subordinated debt is also known as a junior security or subordinated loan.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the	**5**

		counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Shares that embed derivative	An embedded derivative is a provision in a contract that modifies the cash flow of a contract by making it dependent on some underlying measurement. Like traditional derivatives, embedded derivatives can be based on a variety of instruments common stocks included.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the	7

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Bonds (or other forms of securitized debt), Bonds that embed a derivative OR Bonds that incorporate a structure which makes it difficult for the client to understand the risk involved.	A bond is a fixed income investment in which an investor loans money to an entity which borrows the funds for a defined period of time at a variable or fixed interest rate. This type of bonds embeds a derivative. credit quality and duration – are the principal determinants of a bond's interest rate. If the issuer has a poor credit rating, the risk of default is greater and these bonds will tend to trade a discount. The longer the bond maturity, or duration, the greater the chances of adverse effects. Longer-dated bonds also tend to have lower liquidity. Also, the underlying product and related to it risk influences on the level of the risk of this type of bonds	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises	7

		when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Convertible bonds	Convertible bonds are debt instruments with an embedded call option that allows bondholders to convert their debt into stock (equity) at some point if the share price rises to a sufficiently high level to make such a conversion attractive.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may	**7**

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Options	Options are contracts which gives the buyer the right, but not the obligation, to buy or sell an underlying asset or instrument at a specified strike price on a specified date	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising	**7**

		from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; <u>Volatility risk</u> - Is the degree of variation of a trading price series over time that can influence the market price of the security; <u>Settlement risk</u> - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; <u>Idiosyncratic market risk</u> - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: <u>Issuer risk</u> - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; <u>Counterparty risk</u> - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the	

		external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Share options	A share option gives holders the right to exchange options for shares at predetermined strike prices before specified expiration dates. A stock option is a privilege, sold by one party to another, that gives the buyer the right, but not the obligation, to buy or sell a stock at an agreed-upon price within a certain period of time. The stock option contract is between two consenting parties, and the options normally represent 100 shares of an underlying stock. There is often a vesting period, which usually specifies when and in what quantities employees may exercise their options. Companies may sell or grant restricted stock to employees, who may sell the stock only after meeting certain conditions, such as a vesting period or certain performance goals.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the	**7**

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Share-index options	It is a financial derivative that gives the holder the right, but not the obligation, to buy or sell the value of an underlying index, at the stated exercise price on or before the expiration date of the option. No actual stocks are bought or sold; index options are always cash-settled.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security;	**7**

		Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	

Asset Backed Securities	Asset Backed Securities are bonds or notes backed by financial assets.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises	**7**

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Warrants	Warrants are securities that entitles the holder to buy the underlying asset at a fixed price called the exercise price until the expiry date.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may	**7**

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Forward Rate Agreements (FRAs)	Forward Rate Agreements (FRAs) are cash-settled OTC contracts between two counterparties, where the buyer is borrowing (and the seller is lending) a notional sum at a fixed interest rate for a specified period of time starting at	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising	**7**

	an agreed date in the future.	from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the	

		external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Forward Contracts	Forward Contracts are derivative products between two parties to buy or sell an asset at a specified future time at a price agreed upon today.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty,	**7**

		obligor or borrower, due to the deterioration of the counterparty’s or borrower’s willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Future Contracts	Futures contracts are contracts between two parties where both parties agree to buy and sell a particular asset of specific quantity and at a predetermined price, at a specified date in future.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the	**7**

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Credit Link Notes (CLNs)	Credit Link Notes (CLNs) are credit derivatives that allows the issuer to transfer a specific credit risk to credit investors. The issuer is not obliged to repay the debt if a specified event occurs.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely:	**7**

		Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Credit Default Swaps (CDS)	Credit Default Swaps (CDS) are financial swap agreements that the seller of the CDS will compensate the buyer in the event of a default or other credit event.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk;	**7**

		Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Collateralized Debt Obligation (CDO)	Collateralized Debt Obligation (CDO) is a security where the cash flows from a pool of assets (the collateral)	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely:	7

	are used to finance a set of bond payments (debt obligation).	<u>Market price risk</u> - is the risk of a decline in the value of a security; <u>Interest rate risk</u> - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; <u>Volatility risk</u> - Is the degree of variation of a trading price series over time that can influence the market price of the security; <u>Settlement risk</u> - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; <u>Idiosyncratic market risk</u> - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: <u>Issuer risk</u> - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk;	

		<u>Counterparty risk</u> - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
<u>CFD</u>	A contract for difference (CFD) is a contract between two parties, typically described as "buyer" and "seller", stipulating that the seller will pay to the buyer the difference between the current value of an asset and its value at contract time (if the difference is negative, then the buyer pays instead to the seller). In effect, CFDs are financial derivatives that allow traders to take advantage of prices moving up (long positions) or prices moving down (short positions) on underlying financial instruments. They are often used to speculate on those markets.	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: <u>Market price risk</u> - is the risk of a decline in the value of a security; <u>Interest rate risk</u> - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; <u>Volatility risk</u> - Is the degree of variation of a trading price series over time that can influence the market price of the security; <u>Settlement risk</u> - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; <u>Idiosyncratic market risk</u> - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings;	**<u>7</u>**

		• **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
FX swap	FX swap is a simultaneous purchase and sale of identical amounts of one currency for another with two different value dates (normally spot to forward) and may use foreign exchange derivatives. An FX swap allows sums of a certain currency to be	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate	7

	used to fund charges designated in another currency without acquiring foreign exchange risk.	curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation). May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk**	

		The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	
Structured FI	Structured finance includes all advanced financial arrangements that serve to efficiently refinance and hedge any economic activity beyond the scope of conventional forms of traditional financial instruments (debt, bonds, and equity). Examples of structured-finance products include Collateral Debt Obligations (CDOs), Asset-Backed Commercial Paper (ABCP) and Credit Default Swaps (CDSs).	• **Market risks** (the possibility of economic loss arising from movements in market prices. May result in a number of forms, namely: Market price risk - is the risk of a decline in the value of a security; Interest rate risk - the possibility of economic loss arising from the change of interest rates, their volatility or correlation, including changes to the shape of interest rate curves; Volatility risk - Is the degree of variation of a trading price series over time that can influence the market price of the security; Settlement risk - Systematic Risk is the risk inherent to the entire market or to a specific market segment. It is also called undiversifiable risk; Idiosyncratic market risk - the possibility of economic loss arising from unpredictable factors (i.e. poor management decisions, suddenly obsolete technologies, etc.) that may affect the securities issued by the company; one example is the possibility of poor earnings; • **Credit Risk** (the possibility of economic loss, arising from actual, contingent or potential claims against any counterparty, obligor or borrower, due to the deterioration of the counterparty's or borrower's willingness or ability to perform on an actual, contingent or potential obligation).	**7**

		May result in a number of forms, namely: Issuer risk - probability of loss resulting from the default of the issuer of a security; Settlement risk - the risk that arises when payments are not exchanged simultaneously; one example is foreign exchange settlement risk or cross-currency settlement risk; Counterparty risk - the possibility of economic loss arising from the credit quality of the counterparty with which the Company transacted. The credit quality is reflected in the external or internal credit ratings of counterparties • **Liquidity risk** The danger the security becoming extremely illiquid and the client faces difficulties buying or selling this security	

*** Risk Indicator of FI:** digital risk indicator from 1 to 7, where 1 is the low risk and 7 is the high risk.