



Mizuho Securities Europe GmbH

**Standard Terms and Conditions of
Business**

STANDARD TERMS AND CONDITIONS OF BUSINESS

1. Application and Scope of these Standard Terms

- 1.1 These Standard Terms and Conditions of Business (the “**Terms**”) set out the terms and conditions on which Mizuho Securities Europe GmbH (“**we**”, “**our**” and “**us**”) will do business with you. The Terms are legally binding and will apply to transactions in investments (“**Transactions**”) which we may carry on with or for you. A glossary of defined terms used in these Terms is attached as **Appendix 1**.
- 1.2 The Terms supersede all previous terms and conditions of business sent to you by us concerning the business covered by these Terms and shall be effective from the later of the date of your receipt of these Terms or the date of incorporation in a contract regarding a Transaction by other means.
- 1.3 Any divergent standard terms and conditions of business used by you shall not be applicable, unless we have expressly acknowledged their applicability in writing. The Terms shall also apply if we carry out services knowing that your standard terms and conditions of business are contrary to or deviate from our Terms.
- 1.4 We may require separate written agreements (including master netting agreements) to be executed where we provide certain services, including, but not limited to: dealing services in the borrowing and lending of investments and for sale and repurchase and reverse sale and repurchase transactions; safe custody services; dealing services in over the counter (“**OTC**”) derivatives; underwriting; and services relating to mergers and the purchase of undertakings. If there is any inconsistency between a term of any such separate written agreement and these Terms, then that term of such separate written agreement (including, without limitation, the margin, collateral, termination and calculation of loss, and close-out provisions) will take precedence over the relevant part of these Terms.
- 1.5 Where services are provided via our internet site or any other electronic systems, the provision of those services may also be subject to any agreements, terms, disclaimers and notices set out within the site or electronic systems or any other written terms separately notified to you.
- 1.6 We may provide our services in relation to investments (“**Other Financial Products**”) which are not regulated by the German Federal Financial Supervisory Authority (*Bundesanstalt für Finanzdienstleistungsaufsicht*, “**BaFin**”).

2. Information about us

- 2.1 Mizuho Securities Europe GmbH is a company registered with the commercial register in Frankfurt am Main (Germany) with registration number HRB 112041 and its registered office at Taunustor 1, 60310 Frankfurt am Main. Mizuho Securities Europe GmbH’s e-mail address for communications in relation to these Terms is legal@eu.mizuho-sc.com.
- 2.2 Mizuho Securities Europe GmbH is authorised and regulated by BaFin. Mizuho Securities Europe GmbH is authorised to conduct the banking and financial services listed in BaFin's companies register (<https://portal.mvp.bafin.de/database/InstInfo/>). The licence number of Mizuho Securities Europe GmbH is 149548.
- 2.3 The VAT No. of Mizuho Securities Europe GmbH is DE 815 774 588.
- 2.4 BaFin's Frankfurt address is at Marie-Curie-Straße 24-28, 60439 Frankfurt am Main.

3. Investment Services and Third Parties

3.1 Our services for Professional Clients and Eligible Counterparties

3.1.1 Subject to these Terms, we may provide the following investment services to you in accordance with Applicable Regulations (as defined below):

- (a) Reception and transmission of orders in relation to one or more financial instruments (investment brokerage (*Anlagevermittlung*) section 1 para. 1a no. 1 KWG);
- (b) Execution of orders on behalf of clients (principal broking business (*Finanzkommissionsgeschäft*) section 1 para. 1 no. 4 KWG and contract broking (*Abschlussvermittlung*) section 1 para. 1a no. 2 KWG);
- (c) Dealing on own account (dealing on own account (*Eigenhandel*) section 1 para. 1a no. 4 KWG);
- (d) Investment advice (investment advice (*Anlageberatung*) section 1 para. 1a no. 1a KWG);
- (e) Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis (underwriting business (*Emissionsgeschäft*) section 1 para. 1 no. 10 KWG); and
- (f) Placing of financial instruments without a firm commitment basis (placement business (*Platzierungsgeschäft*) section 1 para. 1a no. 1c KWG).

3.1.2 We assess what investments and services should be made available to our different client and target market types. Subject to Clause 6.3.3 we may provide you services where our identified target market for such services includes Professional Clients and/or Retail Clients.

3.2 We shall not be under any obligation to enter into or arrange for you any particular Transaction, or to accept and act in accordance with any instruction, including, but not limited to, in circumstances where there are insufficient funds in any relevant account or if we believe that to do so may not be practicable or might result in either of us contravening Applicable Regulations.

3.3 You may transmit orders and request to trade to us electronically, through Trading Venues (*Handelsplätze*), e-mail and other electronic messaging systems such as Bloomberg, and FIX connectivity, where agreed between us, and by phone.

3.4 Instructions received in our capacity as a systematic internaliser

3.4.1 If we act in the capacity of a systematic internaliser, we may be required under Art. 14 and Art. 15 of Regulation (EU) 600/2014 ("**MiFIR**") to make public or provide quotes in respect of shares, depositary receipts, exchange traded funds, certificates and other similar financial instruments traded on a Trading Venue. Under and subject to the requirements imposed by Art. 15 MiFIR, we may:

- (a) decide the size or sizes of such quotes;
- (b) update such quotes at any time;
- (c) under exceptional market conditions, withdraw such quotes;

- (d) in justified cases, execute orders at a better price than set out in such quotes, provided that the price falls within a public range close to market conditions for Professional Clients;
- (e) execute orders at a different price than such quotes without complying with the conditions described in Clause 3.4.1(d) in respect of transactions where execution in several securities is part of one transaction or in respect of orders that are subject to conditions other than the market price;
- (f) where we provide only one such quote or where our highest quote is lower than standard market size and we receive an order of a size bigger than our quotation size but lower than the standard market size, decide to execute that part of the order which exceeds our quotation size at the quoted price, or at a different price where permitted by the conditions described in Clauses 3.4.1(d) and 3.4.1(e);
- (g) where we provide such quotes in different sizes and receive an order between those sizes, decide to execute the order at one of the quoted prices, or at a different price where permitted by the conditions described in Clauses 3.4.1(d) and 3.4.1(e); and
- (h) limit both the number of transactions that we undertake with a client at the published quote and the total number of transactions that we undertake with different clients at the same time.

Further written details are available to you upon written request.

3.4.2 If we act in the capacity of a systematic internaliser, we may be required under Art. 18 MiFIR to make public or provide quotes in respect of bonds, structured finance products, emission allowances and derivatives traded on a Trading Venue. Under and subject to Art. 18 MiFIR, we may:

- (a) update such quotes at any time;
- (b) under exceptional market conditions, withdraw such quotes;
- (c) limit the number of Transactions that we undertake to enter into with clients pursuant to any such quote; and
- (d) in justified cases, execute orders at a better price than set out in such quotes, provided that the price falls within a public range close to market conditions.

Further written details are available to you upon written request.

3.4.3 You also acknowledge and agree that, under and subject to Applicable Regulations, such quotes may be subject to specific sizes. Further written details are available to you upon written request.

3.5 Following execution of each Transaction carried out pursuant to these Terms, we will provide the key details regarding the execution of the Transaction (as agreed or otherwise as determined in our reasonable discretion) in a durable medium. Unless provided to you by a third party, we may also subsequently provide you more detailed information regarding such Transactions. On your request, we will supply information about the status of your Transaction. If you are an Eligible Counterparty, we may separately agree the content and timing of the information we provide.

- 3.6 Any question, matter or dispute in relation to the terms of a Transaction must be raised by you orally or in writing without undue delay after, also considering the nature of the relevant Transaction, receipt by you of the information provided in respect of that Transaction, failing which, in the absence of manifest error, such information shall be conclusive and binding on you.
- 3.7 You will inform us in writing if any order or Transaction relates to, or is, a short sale in which you are the seller.

4. Our Capacity

- 4.1 In providing the services referred to in Clause 3.1 pursuant to these Terms, we will normally act as principal, although on occasion we may act as agent on your behalf or a combination of principal and agent on your behalf. The capacity in which we have traded with respect to a particular Transaction will be noted on the relevant confirmation.
- 4.1.1 We normally act as principal when executing transactions in fixed income bonds and derivatives. In addition, any transactions entered into by us with a view to facilitating your potential transaction or request will be entered into by us as principal, not as agent for you, and could be at different prices from the price at which we execute any offsetting trade.
- 4.1.2 We will normally act as agent when executing transactions in cash equities, by either executing orders on a Trading Venue or by transmitting orders to Third Party (as defined below) executing brokers, which may include affiliates, for execution.
- 4.2 In addition to Clause 4.1, we may, at our reasonable discretion, and without prior disclosure to you, arrange for any Transaction with or for you to be effected with or through a broker, intermediary, member of an exchange, any member of the Mizuho Financial Group, (an "**Associate**") or other third party (a "**Third Party**") whether in Germany or abroad. For the purposes of this clause only, Third Parties shall include any Associate. We may arrange to pass orders directly to a Third Party in our reasonable discretion, and without prior disclosure to you. Your relationship with the Third Party may be subject to additional terms, and any dealings will be governed by the laws or regulations of the relevant jurisdiction. The activities of such Third Parties may be authorised and/or regulated by an authority other than BaFin. We shall be entitled to confer on such Third Parties all authorities conferred on us hereunder (including the authority to appoint other Third Parties).

5. Your Capacity

- 5.1 In our dealings with you, we will assume that the Transactions we enter into with you are for you and no one else and we will treat you as our client/counterparty unless we agree otherwise in writing.
- 5.2 In contractual terms, any principal of yours shall be our risk counterparty, provided that you have disclosed to us the identity of such person and we have advised you in writing that we accept such person as a credit risk (an "**Approved Principal**"). To the extent that you are acting on behalf of a principal who is not an Approved Principal or you are acting as principal for yourself, we shall continue to treat you as our credit risk and you shall be liable to us as principal for any Transaction entered into by you, whether as principal or purportedly as agent as the case may be, together with all obligations arising under these Terms in respect of any such Transaction.
- 5.3 Without prejudice to Clause 5.1, if you are acting as agent, we shall rely upon the completeness and accuracy of any information you provide to us about your

principal(s) and the suitability and appropriateness of any advice or recommendations you have provided to your principal(s).

- 5.4 Without prejudice to Clause 5.1, where you are acting as agent, you confirm that you have verified the identity of any party or principal for which you act, in accordance with any applicable laws, regulations and practices relating to the prevention of money laundering and the financing of terrorism.
- 5.5 Without prejudice to Clause 5.1, where you are acting as agent for an Approved Principal, we reserve the right to request written confirmation from you in respect of your verification of identity, including certified copies of documentation. You further hereby represent and warrant in relation to any Transaction undertaken with us that you are authorised by the relevant Approved Principal to bind and commit the Approved Principal to these Terms and to instruct us in relation to the Transaction in accordance with these Terms. In respect of any Transaction entered into on behalf of an Approved Principal the Approved Principal shall be deemed to be bound by these Terms as if these Terms were entered into between it and us.
- 5.6 Without prejudice to Clause 5.1, in the event that any Approved Principal shall refute these Terms or any Transaction in respect of which you have instructed us as agent then we shall be entitled to regard you as our principal and you will be liable in respect of all obligations and liabilities arising therefrom and your remedy shall be as against such Approved Principal.
- 5.7 You hereby confer on us all powers, authorities and discretions on your behalf which are necessary for, incidental to, or customary in the provision of, the services to be provided hereunder, including the power to appoint sub-agents, and you hereby agree to ratify and confirm everything which we shall lawfully do in the exercise of such powers, authorities or discretions. If required to do so by us, you shall execute in favour of us a power of attorney in such form and conferring such powers as we may think fit to enable us to exercise our rights and powers hereunder.
- 5.8 We may rely on any order from you or any person who is a person designated or authorised, or deemed to be designated or authorised, by you to give instructions in relation to these Terms. We may accept and act without further enquiry upon such instructions and/or orders. You will be responsible for, and bound by, any order and any resulting transaction resulting from those instructions and/or orders.

6. Your Classification as an Eligible Counterparty or as a Professional Client

- 6.1 Based on the information you provide to us, we will notify you of your client categorisation as either a Professional Client or an Eligible Counterparty and we will transact business with you on that basis. A separate written notification of this classification has been provided to you. You must notify us immediately of any change of circumstances that could affect your classification.
- 6.2 If you are classified as an Eligible Counterparty, you will not have the protection afforded by certain regulatory rules, including: (a) acting in accordance with a client's best interests; (b) assessing the appropriateness of services or products proposed to clients or requested by clients; (c) taking all sufficient steps for obtaining the best possible result for the execution of client orders; (d) implementing procedures providing for the prompt, fair and expeditious execution of client orders relative to the orders of our other clients or our trading interests; (e) where we manufacture financial instruments for sale to clients, ensuring that those financial instruments are designed to meet the needs of an identified target market of end clients within the relevant category of clients, that the strategy for distribution of the financial is compatible with the identified target market, and taking reasonable steps to ensure that the financial instrument is distributed to the identified target market; (f) understanding the financial

instruments which we offer or recommend, assessing the compatibility of the financial instrument with the needs of the clients to whom we provide investment services, also taking account of the identified target market of end clients, and ensuring that financial instruments are offered or recommended only when this is in the interest of the client; (g) restricting and disclosing the giving and receiving of any fee, commission or non-monetary benefit in connection with the provision of an investment service or an ancillary service; (h) when an investment service is offered together with another service or product as part of a package or as a condition for the same agreement or package, informing the client whether it is possible to buy the different components separately.

6.3 You have a right to request a different classification.

6.3.1 If you are classified as an Eligible Counterparty, you have the right to make a written request for a different classification under the WpHG, either generally or in respect of one or more Transactions. If you request to be classified as a Professional Client, we will treat you as a Professional Client.

6.3.2 If you are classified as a Professional Client, you have the right to make a written request for a different classification under the WpHG:

(a) If you are a per se Professional Client and request classification as an Eligible Counterparty and we agree to such classification, you may be treated as an Eligible Counterparty; however, you will lose the protection afforded by certain regulatory rules as described at Clause 6.2.

(b) If you are an elective Professional Client and request classification as an Eligible Counterparty, you will continue to be treated as a Professional Client.

6.3.3 Professional Clients and Eligible Counterparties may request to be classified as Retail Clients. If you request to be categorised as a Retail Client we will not be able to continue to conduct Transactions with you upon receipt of such a request.

7. **Material Interest and Conflicts of Interest**

7.1 Your attention is drawn to the fact that when we enter into Transactions with you or arrange Transactions for you, we, or any Associate or an employee of either, may have a material interest in such Transactions or a conflict of interest (between your interests and our interests or those of other clients) in respect of such Transactions.

7.2 Subject to Applicable Regulations, neither we nor our Associate or any employee will be under a duty to disclose such interests to you prior to or at the time of (i) giving any advice or recommendation, or (ii) entering into any Transaction, where we, our Associate or employee have managed such conflicts to ensure, with reasonable confidence, that risks of damage to your interests will be prevented, or, where banking secrecy or confidentiality does not allow disclosure. The categories of such interests which are, or which might be material include, but are not limited to: being sponsor, financial adviser or banker to the issuer of the investment or to a company which is in the same group as the issuer of the investment; having (or having other clients who have) a holding or position (long or short position) in the investment concerned (or another investment related to it); quoting prices to the market and dealing in the investment concerned (or an investment related to it); and being a connected company of the issuer of the investment concerned (or an investment related to it).

- 7.3 We could be dealing as principal on our own account or an Associate or a Third Party could be dealing as principal on its own account by selling the investment concerned to you or buying it from you, or we could be matching your Transaction with that of another client, or with a client of an Associate or a Third Party, by acting on such client's behalf. Subject to Applicable Regulations, we or an Associate or a Third Party may charge remuneration to both you and the other client and retain such remuneration without being liable to disclose, or account to you for, such remuneration.
- 7.4 We have policies and procedures to identify, consider and manage potential conflicts of interest and we will take reasonable steps to ensure that you are treated fairly in circumstances where there is a material interest or conflict of interests. A summary of our conflicts of interest management policy (as amended from time to time) can be found on our website at www.onemizuhoeu.com/governance (or such other website as we may notify to you from time to time). The conflict of interest management policy does not form part of any agreement between you and us.

8. Suitability and Appropriateness

- 8.1 If you have been classified as a Professional Client:
- 8.1.1 to the extent we are required by Applicable Regulations to assess whether a proposed Transaction is suitable or appropriate for you, we assume that you have the necessary level of experience and knowledge to understand the risks involved in, and are able financially to bear any investment related risks of, any service or Transaction. We will, for the purposes of any such suitability or appropriateness assessment, rely on the information that you have supplied to us; and
- 8.1.2 where you ask us to enter into a Transaction which consists only of execution or reception and transmission of client orders, with or without ancillary services (excluding the ancillary service of granting credits or loans to an investor to allow them to carry out a transaction where we are granting the credit or loan and involved in the transaction, where the relevant credits or loans do not comprise existing credit limits of loans, current accounts and overdraft facilities) and such Transaction is in relation to a non-complex financial instrument, we are not required to assess the appropriateness of such service or non-complex financial instrument and therefore you will not benefit from the protection of Applicable Regulations on assessing appropriateness.
- 8.2 Unless specifically agreed in writing and subject to Clause 8.1, we do not make personal recommendations and will not therefore need to assess whether a Transaction is suitable for you. This means that you are responsible for obtaining any advice you may need to determine whether you should enter into a Transaction.
- 8.3 You are responsible for obtaining any legal, accounting, financial or tax advice you may need in determining whether any Transaction is suitable for your needs or the needs of your business.
- 8.4 Any information provided to you in relation to these Terms (including, but not limited to, any market information or research forecasts shared with you in relation to any proposed Transaction or otherwise) will be for your information only and is not in any way to be relied upon as financial advice as to the suitability of placing an order or entering into any Transaction.

9. Aggregation

We may combine your order with our own orders, orders of any Associate or orders of other clients. For Professional Clients, when doing so in relation to orders in Designated Investments, we must reasonably believe that it is unlikely that the aggregation will work to the overall disadvantage of the relevant clients. However, the effect of aggregation may operate on some occasions to your disadvantage.

10. Best Execution; Orders Outside a Trading Venue; Limit Orders

- 10.1 Where you are classified as a Professional Client, this Clause 10 (*Best Execution*) contains (or refers to) disclosures on order execution, including certain consents from you. Please read the Clause and the disclosures carefully.
- 10.2 We will separately provide you with a copy of our Order Execution Policy, which sets out how we aim to obtain the best possible result when executing client orders. You agree to be bound by the provisions of the Order Execution Policy. The Order Execution Policy does not apply if you have been classified as an Eligible Counterparty.
- 10.3 Where we have received express consent from you or subsequently do so, your orders may be executed outside a Trading Venue. Where you request a quote from us on the basis that we will be trading with you as principal, you acknowledge and agree that such a request will constitute your express consent to us executing any consequential Transaction outside a Trading Venue.
- 10.4 Where we have agreed to execute a limit order in a share admitted to trading on a Regulated Market (as defined in the WpHG) or traded on a Trading Venue and that limit order is not immediately executed under prevailing market conditions, we shall not be obliged to immediately publish that limit order where we have received an express instruction from you not to do so or the order is large in scale compared to normal market size as such thresholds are specified under Regulation (EU) No 600/2014.

11. Publication and Reporting of Information

- 11.1 When we, any Associate, or Third Party executes an order with, for or in relation to you, or provide other services to you, we, any Associate, or any Third Party may be required under Applicable Regulations to make information regarding the order and its execution, your positions or details of the services provided to you public or to report (directly or indirectly) such information to a regulatory authority.
- 11.2 You also acknowledge and agree that you are separately responsible for ensuring that you comply with any obligations applicable to you under Applicable Regulations to make public, provide or report information regarding your orders and their execution or your positions. However, we may be able to offer an assisted post-trade reporting service through third party service providers in respect of certain post-trade transparency obligations you may have in relation to your orders that we carry out under these Terms that are in financial instruments that are traded on a Trading Venue and executed outside of a Trading Venue. Such services are subject to additional terms and separate written agreement. Further details are available on request.
- 11.3 In addition to our rights under this Clause 11 (*Publication of Information*) and Clause 16.1, you agree and acknowledge that we have regulatory obligations in respect of any pre-trade or post-trade information relating to the execution of any Transactions and, subject to our duty of confidentiality towards you, we may use this information for our own commercial purposes.

12. Settlement

- 12.1 Unless we expressly agree to the contrary, all amounts of every kind which are payable by you to us and vice versa will be payable on a delivery versus payment basis (see clause 15 below). However, we may at our discretion effect the settlement of any Transactions with you on a net basis (where purchases and sales of the same security due for settlement on the same date are combined into a single settlement).
- 12.2 Our obligations to deliver investments to you or to your account or to account to you for the proceeds of the disposal of investments are conditional on prior and timely receipt by us (or our settlement agents) of appropriate documents or cleared funds from you, whether we are acting as principal or as agent. If appropriate documents or cleared funds are not received in a timely manner, then the Transaction may fail.
- 12.3 You should be aware that Applicable Regulations in some emerging market countries are very different from those in Germany, including, for example, limitations on foreign ownership, suspension of trading or settlements, the requirement to make free deliveries of money or stock etc. You accept responsibility for the effect and the consequences of Applicable Regulations on Transactions we make for or with you.
- 12.4 If you make any payment under these Terms which is subject to any tax deduction or withholding under Applicable Regulations including tax laws and regulations whatsoever, you shall pay to us such additional amount as is necessary to ensure that the amount actually received by us will equal the full amount we would have received had no such tax deduction or withholding been made. If you have made such a gross up and we determined that (i) a tax credit is attributable to your payment and (ii) we have obtained and utilised such tax credit or (iii) we recover any amount deducted or withheld by you from any third party (including tax authorities), we will pay an amount to you which we have determined as leaving us (after that payment) in the same after-tax position as we would have been had initially no tax deduction or withholding been required. We and you will each also reasonably cooperate and provide each other such information and documents as may reasonably be required to apply for exemptions from any deduction or withholding duty or to recover any amount deducted or withheld. Any payment made by us under these Terms which is subject to any tax deduction or withholding under Applicable Regulations will be made by us subject to such deduction or withholding.
- 12.5 Any payments under these Terms made by you must be free of any brokerage fees, transfer fees, registration fees, stamp duties and all other liabilities, charges, costs and expenses for which you are responsible under Clause 13.1.
- 12.6 All sums payable by you hereunder are exclusive of all transfer or transaction taxes and duties (*Verkehrssteuern*), including value-added taxes (*Umsatzsteuer*), in connection with Transactions effected by us on your behalf. If we are liable for any such tax or duty, you will pay to us an additional amount equal to the amount of any such tax at the applicable statutory rate.

13. Fees, Commissions or Non-monetary Benefits; Costs and Charges

- 13.1 We will provide you in good time with appropriate information in respect of all costs and charges on every Transaction in accordance with Applicable Regulations.

You will be responsible for the payment of all brokerage fees, transfer fees, registration fees, stamp duty and all other liabilities, charges, costs and expenses payable in connection with Transactions effected by us on your behalf which we considered to be reasonably necessary in connection with the respective Transaction, unless we have expressly agreed otherwise.

- 13.2 Where required by Applicable Regulations, the information under Clause 13.1 will provide for separate evidence of costs and charges where a service is packaged with another service or product or is provided as a condition for the same agreement or package.
- 13.3 Where permitted under Applicable Regulations, we may provide any fees, commissions or non-monetary benefit to, or receive any fees, commissions or non-monetary benefit from, an Associate or a Third Party in connection with any Transaction. You should note that we are not required to state on the relevant contract note or confirmation the basis or amount of such fees, commissions or non-monetary benefit, although we will provide you with such details if and as required under Applicable Regulations.

14. Interest

If you fail to pay any sum to us or our agents on the date on which it is due and payable, you will on demand pay interest on such sums from the date of such failure to the date of actual payment at a rate of up to the statutory default interest rate (section 288 *Bürgerliches Gesetzbuch*, “**BGB**”) and any excess loss suffered by us or our agent.

15. Segregation of Client Assets/Money

- 15.1 We will normally settle Transactions on a “delivery versus payment” basis which means that there will be a simultaneous exchange of assets and cash. As such, we will not expect to hold your assets or money in advance of concluding a Transaction with you, unless by prior agreement and under the conditions of the delivery before settlement being undertaken in fulfilment of your settlement obligations at that time.
- 15.2 In the unlikely event that we do hold on your behalf any money belonging to you, we will hold your money in a segregated account. It will be held with CRR-credit institutions, their passported branches or money market funds, separate from our own money. MHEU shall disclose to you without undue delay which institution and in which account your money is deposited and whether or not the institution holding the your money is a member of a scheme designed to protect the claims of depositors and investors as well as the extent to which your money is protected by any such scheme.

16. Recording of Conversations, Monitoring, Records and Information

- 16.1 We shall maintain all information concerning your account(s) on a confidential basis but you accept that, to the extent legally permissible, we may pass such information to any Associate (including, but not limited to, Mizuho International plc) to facilitate the performance of outsourced functions.
- 16.2 From time to time we, any Associate or a Third Party may be required to disclose to officials of relevant exchanges, markets, clearing houses or to government or regulatory authorities information about you and your dealings with us.
- 16.3 We may further pass on information concerning your account(s) to Mizuho International plc, Mizuho Securities Co., Ltd, Mizuho Securities USA LLC and/or Mizuho Securities Asia Ltd. for the purpose of assessing potential future business opportunities between you and any of these Associates.
- 16.4 We will record communications (including telephone conversations) which result in, or may result in, the reception, transmission or execution of orders or a Transaction being executed by us without the use of a warning tone. A copy of the recording of

such communications will be available upon request for a period of five years and, where requested by the BaFin, for a period of up to seven years.

- 16.5 You hereby consent to the recording of communications as set forth in Clause 16.4. You will also obtain consent from each of your directors, officers, employees, agents or other representatives who communicate on your behalf to any such recordings. Directors, officers, employees, agents or other representatives who have not consented to any such recording should not communicate with us on your behalf in relation to the reception, transmission or execution of orders or Transactions.
- 16.6 Such recordings will be our sole property and we may act upon telephone instructions before receiving any written confirmation of those instructions. In the event of a dispute, recordings may be produced by us as evidence of the orders, instructions or conversations so recorded.

17. Research and Recommendations

- 17.1 We may from time to time, where permissible under Applicable Regulations, send published research reports and general recommendations to you. You acknowledge and agree that these documents are not intended for Retail Clients and you agree that you will not pass on any such documents to any person who is a Retail Client. We do not make any representation as to the time of receipt by you of research reports or recommendations and cannot guarantee that you will receive such research reports or recommendations at the same time as other clients. Any such research may have been acted upon by us, a Third Party or any other clients. Any such published research reports or recommendations may appear in one or more screen information services. Any information we may provide to you at that time is provided solely to give you information which you may wish to take into account or ignore in making any investment decision and is not investment advice. We will not be liable to you for any loss, damage, costs, claims or liabilities suffered or incurred by you as a result of or in connection with your reliance upon such information. There is no obligation on us to update research.
- 17.2 Where we agree to provide you with research services or administer a research payment account, we may require you to enter into a separate research services agreement or research account administration agreement with you for the provision of such services, respectively.

18. Risk Warnings

- 18.1 You should ensure that you understand the risks associated with any investment, including, but not limited to, interest rate risk, price risk, liquidity risk, redemption risk, and credit risk and utilise the appropriate tools to analyse that investment before proceeding.
- 18.2 You should not enter into a Transaction unless you understand, and have sufficient financial resources to bear, the price, market, liquidity, structure, redemption, and other risks associated with it.
- 18.3 We may recommend and/or enter into Transactions with you in non-readily realisable investments, including, without limitation, in investments such as emerging market investments, products below investment grade, defaulted issues, trade finance and loan products, warrants, derivatives, stock lending and securities subject to stabilisation, whether on exchange or OTC and whether listed on an exchange or not. You accept that you will make your own research and that we are under no obligation to inform you of the circumstances of any particular investment or product. These are investments in which the market is limited or could become so. There may be wide bid/offer spreads: you may have difficulty selling these investments at a reasonable

price, and, in some circumstances, it may be difficult to sell at any price. We are under no obligation to buy them back or make a market in them. You should only invest in these investments if you have fully investigated and understood the risks.

- 18.4 For further information regarding the risks associated with certain financial products or services, please see **Appendix 2**.

19. Representations, Warranties and Undertakings

You represent, warrant and undertake to as on the date that you enter into these Terms and on each date you place an order or enter into a Transaction under these Terms:

- 19.1 that you have and will continue to have all necessary consents, authorisations, licenses, approvals and powers in your constitution to enable all Transactions under these Terms to be effected and that all Applicable Regulations, laws and industry codes of conduct have been and will be complied with in respect of each such Transaction;
- 19.2 that you transact with us exclusively or primarily in relation to your commercial activity (*gewerbliche Tätigkeit*) or freelance activity (*selbständige berufliche Tätigkeit*) and not for any private or personal purposes or in any other capacity as a consumer (*Verbraucher*) in the meaning of Section 13 BGB;
- 19.3 that any details or information which you provide or have provided to us, including, without limitation, information on your financial position, domicile or investment objectives, is accurate and not misleading in any material respect and you undertake to notify us of any change thereto;
- 19.4 that any personal data in the meaning of the EU General Data Protection Regulation that is made available to us by you or on your behalf may be lawfully processed by us for the purpose of conducting business with you and the performance of any contracts with you and that you have, where necessary for any such processing, have duly obtained consent from any relevant data subject;
- 19.5 that, subject to any contrary agreement with us, your investments and any cash delivered to us on settlement of a Transaction are, and will be, free from any charge, lien, pledge or encumbrance;
- 19.6 that you are willing and financially able to sustain a loss of funds resulting from entering into any Transactions;
- 19.7 that you shall not offer or agree to give, or accept or request any gift, advantage or other consideration to or from any person working for or engaged by us or to any Associate or Third Party in connection with your relationship with us which could act as an inducement or a reward for any act or failure to act; and
- 19.8 that you have the necessary experience and knowledge to understand the risks involved in relation to each Transaction.

20. Rights to Retain Your Funds and set-off

- 20.1 You may only set off claims against us if your claims are undisputed or have been confirmed by a final court decision.

You agree that we may retain or make deductions from amounts which we owe to you (whether matured or unmatured) in respect of any present (*bestehend*), mature (*fällig*) and enforceable (*durchsetzbar*) liability you have or may have towards us or towards

Mizuho International plc, Mizuho Securities Co., Ltd, Mizuho Securities USA LLC and/or Mizuho Securities Asia Ltd.), including (without limitation) in respect of settlement, fees, amounts owed by reason of our indemnity or in reimbursement of any costs and expenses we incur in exercising our rights hereunder.

21. Force Majeure

In the event of any partial or total failure, interruption or delay in performance of our duties and obligations under these Terms occasioned by any acts, events or circumstances not reasonably within our control, we shall not be liable to you or have any responsibility of any kind for any loss or damage incurred or suffered by you as a result.

22. Complaints and Compensation

22.1 We have put in place internal processes for handling complaints fairly and promptly. Details of our complaints handling policy are available on request and at www.mizuho-emea.com/governance (or such other website as we may notify to you from time to time). The complaints handling policy does not form part of any agreement between you and us.

22.2 Customers may address a complaint to the following contact point compliance@eu.mizuho-sc.com.

The European Commission has set up a European Online Dispute Resolution (ODR) Platform at <http://ec.europa.eu/consumers/odr/>. Consumers can use the ODR Platform for out-of-court resolution of a dispute arising from online contracts with a company domiciled in the EU.

22.3 Mizuho Securities Europe GmbH is a member of the investor compensation scheme of the German securities trading firms (*Entschädigungseinrichtung der Wertpapierhandelsunternehmen*, "EdW"). The amount of compensation awarded to each investor under securities transactions is 90% of the claims against the securities trading company (not more than EUR 20,000). For more information please refer to the website of the EdW at <http://www.e-d-w.de>.

23. Communications

23.1 Agreements, documents and information which we are required to provide to you under Applicable Regulations will be in English. Any reference to the written form or written communication in these terms shall also include text form in the meaning of Section 126b of the German Civil Code (BGB) (being any readable form of a message that can be permanently stored on a data carrier, including e-mail).

23.2 Unless otherwise notified to you from time to time and subject to any other binding documentation, all written communications and notices should be sent to the following address:

Mizuho Securities Europe GmbH
Legal Department,
Taunustor 1,
60310 Frankfurt am Main

Telephone: +49 69 427 29 3000
E-mail: contact.us@eu.mizuho-sc.com

23.3 Any notice (including all contract notes, advice notes or similar communications) required or authorised to be given hereunder by one party to the other shall be in

writing and may be given by first class post (or, where applicable, by air mail), personal delivery or other electronic media, using contact details shown in the respective records of each party (unless notified in writing to the contrary).

24. Invalidity of Provisions

Each provision of these Terms is severable and if any provision becomes invalid, such provision shall be deemed to be deleted, and the remaining provisions shall not be affected.

25. Lien

25.1 You agree with us that we acquire a lien on any claims which you have or may in future have against us arising from our business relationship with you or in relation to the provision of our services to you under the Terms.

25.2 The lien serves to secure all existing, future and contingent claims arising from our business relationship with you or in relation to the provision of our services to you under the Terms which we are entitled to against you.

25.3 If funds or other assets come into our power of disposal under the reserve that they may only be used for a specific purpose, our lien does not extend to these assets.

25.4 If securities are subject to our lien, you are not entitled to demand the delivery of the interest and dividend coupons pertaining to such securities.

26. Know your Client (“KYC”)

26.1 Our dealings with you will be covered by certain Applicable Regulations relating to client identification and money laundering which may require us to seek further evidence and confirmation of your identity and the business that you propose to undertake with us. In addition, where you act as an agent on behalf of one or more other persons, we may seek confirmation and/or evidence that appropriate evidence of the identity of such underlying clients has been obtained and recorded under procedures maintained by you.

26.2 If satisfactory evidence of your identity and/or the identity of any underlying client has not been obtained within a reasonable period, we reserve the right not to accept or process any Transaction or service or otherwise to cease to deal with you under these Terms.

27. Assignment

These Terms shall be for the benefit of and binding upon you, any Approved Principal (where applicable) and your respective successors and assigns. Neither party shall be entitled to assign these Terms without first obtaining the other party’s prior written consent.

28. Termination for material cause

28.1 Subject to Clause 1.4, termination of the business relationship with you as a whole or cancellation of any outstanding Transactions without notice is permitted if there is a material cause (*wichtiger Grund*) which makes it unacceptable to us to continue the respective business relation with you, having given consideration to your legitimate concerns.

28.2 Material cause is given in particular if:

- (a) you fail to make any payment due to us or to deliver any securities due to us (or to any Associates or Third Parties as arranged by us) or to perform any other material obligation owed to us or any key representation or warranty you make to us proves false or misleading; or
- (b) a winding-up resolution is passed or a winding-up or administration order is made in respect of you or a receiver, liquidator, administrator or similar official is appointed in respect of you or any of your property (under any Applicable Regulations).

28.3 If material cause is given due to the breach of a contractual obligation, termination shall only be permitted after expiry, without result, of a reasonable period of time fixed for corrective action by you or after a warning to you has proved unsuccessful, unless this proviso can be dispensed with owing to the special features of a particular case (Section 323 (2) and (3) BGB).

28.4 You are required to reimburse us for the expenses we incurred up to the point of termination or cancellation.

29. Amendments and Termination

29.1 We may change these Terms and will notify you of such change and the effective date of such change. Any amendments shall be offered to you in text form no later than two months before their proposed date of entry into force. If you have agreed an electronic communication channel with us within the framework of the business relationship, the amendments may also be offered through this channel. You may indicate either approval or disapproval of the amendments before their proposed date of entry into force. The amendments shall be deemed to have been approved by you, unless you have indicated disapproval before their proposed date of entry into force. We shall expressly draw your attention to this consequent approval in our offer.

29.2 These arrangements may be terminated by either you or us at any time upon either party giving to the other written notice of termination (to take effect immediately upon receipt or as otherwise specified in the notice or by Applicable Regulations).

29.3 Termination will not affect any obligation which may already be owed by you or us or have been incurred in respect of any outstanding order or Transaction or any legal rights which may already have arisen. Transactions in progress at the date of termination will be completed by us in due course in accordance with these Terms.

29.4 If Clause 19.7 is breached by you, we may terminate any Transactions or relationship with you by written notice with immediate effect.

30. General

30.1 Our rights, remedies, powers and privileges contained herein are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law. No failure to exercise or delay in exercising the same operates as a waiver thereof, nor does any single or partial exercise thereof preclude any other or further exercise thereof.

31. Governing Law and Jurisdiction

31.1 These Terms and any non-contractual obligations arising out of or in connection with these Terms are governed by and shall be construed in accordance with the laws of Germany.

You hereby irrevocably submit (for all purposes of, or in connection with, these Terms and, unless otherwise agreed between us, for each Transaction) to the exclusive jurisdiction of the courts of Frankfurt/Main.

32. Waiver of immunity

You irrevocably waive, with respect to yourself and your revenue and assets (irrespective of their use or intended use), all immunity you may enjoy in any jurisdiction from (i) suit, (ii) jurisdiction of any courts, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which you or your revenues or assets might otherwise be entitled in any legal proceedings in the courts of any jurisdiction ("**Proceedings**") and irrevocably agree that you will not claim any immunity in any Proceedings.

You consent generally in respect of any Proceedings to the giving of any relief or the issue of any process in connection with such Proceedings, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment which may be made or given in such Proceedings.

Please acknowledge receipt of these Terms by signing below and returning a copy to us.

Please print company name :

Signatory :

Name :

Title :

Date :

Signatory :

Name :

Title :

Date :

Ref:

APPENDIX 1

Glossary

| | |
|--------------------------|---|
| Applicable Regulations | means any applicable laws and regulations, BaFin circulars (<i>Rundschreiben</i>) as applicable for the time being, the customs, rules, guidance and regulations of any relevant exchange, market, authority or association (including, but not limited to, the European Securities and Markets Authority and the International Capital Market Association) and/or procedures of clearing houses and any applicable laws. |
| Approved Principal | is defined in Clause 5.2. |
| Associate | is defined in Clause 4.2. |
| BaFin | is defined in Clause 1.6. |
| BGB | is defined in Clause 14. |
| Durable medium | A medium such as on paper, by way of email, fax, or by inclusion within a secure website area. |
| EdW | is defined in Clause 22.3. |
| Eligible Counterparty | means eligible counterparty as defined in section 67 para. 4 WpHG. |
| MiFIR | is defined in Clause 3.4.1. |
| OTC | is defined in Clause 1.4. |
| Other Financial Products | is defined in Clause 1.6. |
| our | is defined in Clause 1.1. |
| Professional Client | means professional client as defined in section 67 para. 2 WpHG. |
| Retail Client | means professional client as defined in section 67 para. 3 WpHG. |
| Terms | is defined in Clause 1.1. |
| Third Party | is defined in Clause 4.2. |
| Trading Venue | means trading venue (<i>Handelsplatz</i>) as defined in Section 2 para. 22 WpHG. |
| Transactions | is defined in Clause 1.1. |
| us | is defined in Clause 1.1. |
| we | is defined in Clause 1.1. |
| WpHG | means the German Securities Trading Act (<i>Wertpapierhandelsgesetz</i>). |

APPENDIX 2

Risks

1. General

- 1.1 This Appendix sets out a non-exhaustive list of risks which may be associated with particular kinds of investment. This Appendix does not set out all risks arising in relation to all investments and services we may offer, and should not be relied upon as doing so. The risks applicable to any particular investment or service will depend on your particular circumstances and the terms of the relevant transaction. You should not deal in any investment unless you understand the nature of the product you are dealing in (or contract you are entering into), the extent of your exposure to risk, and unless you are satisfied that the product is appropriate for you. You should consider carefully whether or not any product is suitable for you in light of your circumstances and financial position and, if in any doubt, seek professional advice.
- 1.2 All financial products carry a degree of risk and even low-risk investment strategies contain an element of uncertainty. Prices may fluctuate and there is a risk you may lose some or all of your investment. The types of risk that might be of concern will depend on various matters, including how the instrument is structured. The specific risks of a particular product will depend upon its terms and the circumstances of the relevant parties involved.
- 1.3 The nature and extent of investment risks varies with, amongst other things, the type of investment, the location or domicile of the issuer, the diversification or concentration in a portfolio, the complexity of the transaction and/or the use of leverage. The price or value of an investment will depend on fluctuations in the financial markets and current performance; past performance, stimulated past performance or forecast performance are no indicators of future performance.
- 1.4 Types of risk that may have an impact on your investment include (without limitation) liquidity risk, insolvency risk (including bail-in risk), market risk (including volatility risk and the impact of market conditions), credit risk, settlement risk, currency risk, operational risk, business risk, tax risk, regulatory risk, legal risk, interest rate risk, barriers to or restrictions on divestment, risks relating to leverage and margin requirements, risks inherent in “over-the-counter trading” and/or risks as a result of you assuming additional obligations in relation to the investment, including contingent liabilities. These risks may occur simultaneously and may have an unpredictable effect on the value of your investment. The types of risk outlined in this Appendix are not an exhaustive list of the risks which may occur in relation to investments and you should consider any and all additional material provided to you in connection with your investment when assessing your risk exposure.
- 1.5 Risks arising generally in relation to investments include:
- 1.5.1 Risk relating to market conditions: the price of an investment and its disinvestment risk may each be affected by factors relating to wider market conditions, both positive and negative, and such market conditions will affect each investment differently.
- 1.5.2 Disinvestment risk: investments may be affected by impediments to disinvestment, (e.g. investments may prove illiquid or difficult to sell and/or may be difficult to sell at a price equal to or greater than the transaction price at the point in time that you wish to sell).

2. Bonds

- 2.1 Bonds are negotiable debt instruments issued in bearer or registered form by a company, a government body or other entity to creditors and whose par value at issuance represents a fraction of the total amount of the debt. The duration of the debt, as well as the terms and conditions of repayment, are determined in advance. Unless stipulated otherwise, the bond is repaid either at the maturity date, or by means of annual payments, or at different rates determined by drawing lots. The interest payments on bonds may be either (i) fixed for the entire duration or (ii) variable and often linked to reference rates (e.g. LIBOR). The purchaser of a bond (the creditor) has a claim against the issuer (the debtor).
- 2.2 Investments in bonds may involve risks including, but not limited to, the following:
- 2.2.1 Insolvency risk: the issuer may become temporarily or permanently insolvent, resulting in its incapacity to repay the interest or redeem the bond. The solvency of an issuer may change due to one or more of a range of factors, including the issuing company, the issuer's economic sector and/or the political and economic status of the countries concerned. The deterioration of the issuer's solvency will influence the price of the securities that it issues.
- 2.2.2 Interest rate risk: uncertainty concerning interest rate movements means that purchasers of fixed-rate securities carry the risk of a fall in the prices of the securities if interest rates rise. The longer the duration of the loan and the lower the interest rate, the higher a bond's sensitivity to a rise in the market rates.
- 2.2.3 Credit risk: the value of a bond will fall in the event of a default or reduced credit rating of the issuer. Generally, the higher the relative rate of interest (that is, relative to the interest rate on a risk-free security of similar maturity and interest rate structure), the higher the perceived credit risk of the issuer.
- 2.2.4 Early redemption risk: the issuer of a bond may include a provision allowing early redemption of the bond if market interest rates fall. Such early redemption may result in a change to the expected yield.
- 2.2.5 Risks specific to bonds redeemable by drawing: bonds redeemable by drawing have a maturity that is difficult to determine, so unexpected changes in the yield on these bonds may occur.
- 2.2.6 Risks specific to certain types of bond: additional risks may be associated with certain types of bond, for example floating rate notes, reverse floating rate notes, zero coupon bonds, foreign currency bonds, convertible bonds, reverse convertible notes, certificates of deposit, asset-backed securities, covered bonds, sukuk, indexed bonds and subordinated bonds. For such bonds, you are advised to make enquiries about the risks referred to in the issuance prospectus and not to purchase such securities before being certain that all risks are fully understood. In the case of subordinated bonds, you are advised to enquire about the ranking of the debenture compared to the issuer's other debentures. Indeed, if the issuer becomes bankrupt, those bonds will only be redeemed after repayment of all higher-ranked creditors and, as such, there is a risk that you will not be reimbursed. In the case of reverse convertible notes, there is a risk that you will not be entirely reimbursed, but will receive only an amount equivalent to the underlying securities at maturity.
- 2.2.7 Tax call risk: the issuer of the bond may have the right to call the bond should there be an adverse change to the tax laws that affect it. This may mean that the yield on the bond is lower than anticipated.

3. Shares

3.1 A share is an instrument representing a shareholder's rights in a company. Shares may be issued in bearer or registered form and may be certificated or non-certificated. One share represents a fraction of a corporation's share capital. Dividend payments and an increase in the value of the security are both possible, although not guaranteed. The shareholder has financial and ownership rights which are determined by law and the issuing company's articles of association. Unless otherwise provided, transfers of bearer shares do not entail any formalities. However, transfers of registered shares are often subject to limitations.

3.2 Dealing in shares may involve risks including, but not limited to, the following:

3.2.1 Company risk: a share purchaser does not lend cash to the company, but becomes a co-owner of the corporation. He or she thus participates in its development as well as in chances for profits and losses, which makes it difficult to forecast the precise yield on such an investment. An extreme case would be if the company went bankrupt, thereby wiping out the total sums invested.

3.2.2 Price risk: share prices may undergo unforeseeable price fluctuations causing risks of loss. Price increases and decreases in the short, medium and long term alternate without it being possible to determine the duration of those cycles. General market risk must be distinguished from the specific risk attached to the company itself. Both risks, jointly or in aggregate, influence share prices.

3.2.3 Dividend risk: the dividend per share mainly depends on the issuing company's earnings and on its dividend policy. In case of low profits or losses, dividend payments may be reduced or not made at all.

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

3.2.5 Risks specific to certain types of share: additional risks may be associated with certain types of share, for example preference shares, convertible preference shares and shares in real estate investment trusts. For such shares, you are advised to make enquiries about the risks referred to in the issuance prospectus and not to purchase such securities before being certain that all risks are fully understood.

4. Warrants

4.1 A warrant is a time-limited right to subscribe for shares, debentures, loan stock or government securities, and is exercisable against the original issuer of the underlying securities. Some other instruments are also called warrants, but are actually options (for example, a right to acquire securities which is exercisable against someone other than the original issuer of the securities, often called a "covered warrant").

4.2 Investing in warrants may involve risks including, but not limited to, the following:

4.2.1 Leverage risk: warrants often involve a high degree of gearing, so that a relatively small movement in the price of the underlying security results in a disproportionately large movement, favourable or unfavourable, in the price of the warrant. The prices of warrants can therefore be volatile.

- 4.2.2 Loss of investment: it is essential for anyone who is considering purchasing warrants to understand that the right to subscribe which a warrant confers is invariably limited in time, with the consequence that if the investor fails to exercise this right within the predetermined timescale, then the investment becomes worthless. You should not buy a warrant unless you are prepared to sustain a total loss of the money you have invested plus any commission or other transaction charges.
- 4.2.3 Risks specific to off-exchange warrant transactions: additional risks may be associated with the trading of warrants that are not listed on any exchange. These “over-the-counter” (i.e. outside of an exchange or other Trading Venue) (“**OTC**”) transactions may occur electronically or over the telephone. Transactions in off-exchange warrants may entail greater risk than dealing in exchange-traded warrants because there is no exchange market through which to liquidate your position, or to assess the value of the warrant or the exposure to risk. Bid and offer prices need not be quoted, and even where they are, they will be established by dealers in these instruments and consequently it may be difficult to establish what is a fair price.

5. Funds

- 5.1 Funds are collective investment vehicles which pool the funds of investors in order to make investments in accordance with the investment objectives of the fund. Funds can be either open-ended or closed-ended. Open-ended funds are valued on the basis of the value of the assets held. Closed-ended funds are valued on the basis of what investors are prepared to pay/sell.
- 5.2 Investing in funds may involve risks including, but not limited to, the following:
- 5.2.1 Liquidity risk: open-ended funds may not be able to liquidate their assets and return funds to investors in the event that there is poor liquidity in the market generally or in the specific sector in which the fund invests. Ongoing costs to service those investments could lead to increased losses or reduced profits for investors in the fund. Closed-ended funds can be subject to risks of low trading and therefore provide limited liquidity, making it difficult for an investor to realise its investment.
- 5.2.2 Interest rate risk: a leveraged fund will be exposed to interest rate rises. This could reduce the returns investors receive or even lead to losses.
- 5.2.3 Country risk: the value of a foreign investment may decline because of political changes or instability in the country where the foreign investment was issued.
- 5.2.4 Currency risk: if investments in the fund are denominated in a currency other than that in which the investor’s initial investment was made, returns could be reduced (or losses incurred) due to currency fluctuations.
- 5.2.5 Counterparty risk: the insolvency of any institution providing services to the fund such as safekeeping of assets or acting as counterparty to the fund in derivative transactions or other instruments, may expose the fund to financial loss.
- 5.2.6 Derivatives risk: a fund may utilise instruments in the form of warrants, futures, options, forward contracts and swaps to seek to enhance investment returns. While this can potentially have the effect of enhancing the fund’s performance, it can also be detrimental if there are losses on the derivatives.
- 5.2.7 Operational risk: an investment in a fund can involve operational risks arising from a wide range of possible operational errors, including system

breakdowns, human error or external events and errors caused by service providers such as the investment manager, which may affect the value of the fund and (if applicable) its ability to pay redemptions within the scheduled timeframe.

- 5.2.8 Limited diversification risk: unless the fund is subject to investment restrictions and diversification requirements, the number and diversity of investments held by a fund may be limited.
- 5.2.9 Restrictions on subscription: an investor in the fund's units/shares may be prevented from subscribing and redeeming such units/shares, either at the official net asset value (for example, as a result of the imposition of any charges by the fund) or at all, or the prescribed notice period, timing cut-offs and minimum/maximum amounts in respect of subscriptions and redemptions for the fund's units/shares may be changed.
- 5.2.10 Compulsory redemption risk: the fund may compulsorily redeem the shares/units upon the occurrence of certain events (for example, if, following the insolvency of the investment manager, the fund becomes unable to fulfil its investment objectives).
- 5.2.11 Performance risk: no assurance can be given relating to the present or future performance of a fund and any underlying component in which the fund may invest, that any analytical model used by the fund will prove to be correct or that any assessments of the short-term or long-term prospects, volatility and correlation of the types of investment in which a fund has invested or may invest will prove accurate.
- 5.2.12 Changes to portfolio: the composition of the fund's portfolio of investments may change from time to time. Such changes may have an impact on the value of the fund.
- 5.2.13 Sub-fund segregation: the sub-funds of the fund may be segregated as a matter of the law of the fund's home jurisdiction and, as such, the assets of one sub-fund will not be available to satisfy the liabilities of another sub-fund. However, the fund may operate or have assets held on its behalf or be subject to claims in other jurisdictions other than its home jurisdiction which may not necessarily recognise such segregation. There can be no guarantee that the courts of any jurisdiction outside its home jurisdiction will respect the above limitations on liability.

6. Depositary Receipts

- 6.1 Depositary receipts (e.g. American depositary receipts and global depositary receipts) are negotiable certificates, typically issued by a bank, which represent a specific number of shares in a company, and which can be listed and traded independently from the underlying shares.
- 6.2 Investing in depositary receipts will be subject to the same risks as relate to the underlying shares (as set out above) and:
 - 6.2.1 Issuer risk: the bank or other entity issuing the depositary receipts may default on its obligations in relation to the depositary receipts.
 - 6.2.2 Performance risk: the rights of a holder of a depositary receipt may differ from the rights of a holder of the underlying shares. For example, the underlying share issuer may choose to make a dividend payment that is not passed on to a holder of depositary receipts. Differences between the rights of holders of the shares of the underlying issuer and holders of the related depositary

receipts may be significant and may adversely affect the value of the relevant depositary receipts.

6.2.3 Currency risk: if investments in Depositary Receipts are denominated in a currency other than that of the underlying shares, returns could be reduced (or losses incurred) due to currency fluctuations.

6.2.4 Parity risk: as Depositary Receipts may trade at a premium or discount to the price of the underlying share (due to currency risk or other factors), any movement in the amount of the premium or discount may reduce returns or result in a loss to investors.

7. Securitised Derivatives

7.1 These instruments may give a time-limited or an absolute right to acquire or sell one or more types of investment, which are normally exercisable against someone other than the issuer of that investment. Alternatively, they may give you rights under a contract for differences which allow for speculation on fluctuation in the value of the property of any description or an index, such as the FTSE 100 index. In both cases, the investment or property may be referred to as the “underlying investment”.

7.2 Transactions in securitised derivatives may expose you to the following specific risks:

7.2.1 Leverage risk: these instruments often involve a high degree of gearing or leverage, so that a relatively small movement in the price of the underlying investment results in a much larger movement, unfavourable or favourable, in the price of the instrument. The price of these instruments can therefore be volatile.

7.2.2 Loss of investment: these instruments have a limited life, and may (unless there is some form of guaranteed return on the amount that you are investing in the product) expire worthless if the underlying instrument does not perform as expected.

7.3 You should only buy this product if you are prepared to sustain a total or substantial loss of the money that you have invested plus any commission or other transaction charges.

8. Exchange-traded Derivatives

8.1 Exchange-traded derivatives are typically standardised futures or options contracts traded through an exchange or other recognised Trading Venue. Before entering into a transaction, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increase your loss.

8.2 Transactions in exchange-traded derivatives may expose you to the following specific risks:

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

8.2.2 Margin risk: a relatively small market movement will have a proportionately larger impact on the margin an investor has deposited or will have to deposit: this may work against the investor as well as for them. An investor may sustain a total loss of initial margin funds and any additional margin deposited with the firm to maintain their position. However, if the market moves against their position or margin levels are increased, the investor may be called upon to pay

substantial additional collateral at short notice to cover losses incurred under the futures contracts and maintain their position. Failure to provide collateral may lead to the contracts being closed out, which could crystallise a loss position.

- 8.2.3 Changes to exchange or clearing house rules: the terms and conditions of exchange-traded contracts (including the strike or forward price) may be modified by the exchange or clearing house to reflect changes or events in respect of the underlying asset or otherwise.
- 8.2.4 Options: transactions in options may carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks and they should calculate the extent to which the value of the options needs to increase for their position to become profitable, taking into account the premium and all transactions costs. Selling (“writing” or “granting”) an option generally entails considerably greater risk than purchasing options. Although the premium received by the seller is fixed, the seller may sustain a loss well in excess of that amount.
- 8.2.5 Market risk: “stop loss” or “stop limit” orders intended to limit losses may not be effective if market conditions make it impossible to execute such orders. Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or “circuit breakers”) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If an investor has sold options, this may increase the risk of loss.
- 8.2.6 Operational risk: trading facilities utilise computer systems for the order routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. An investor’s ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms.

9. OTC Derivatives

- 9.1 A derivative is a contract entered into between parties for the exchange of payments calculated by reference to an underlying asset, rate or index. A derivative can be traded OTC or on an exchange. OTC derivatives may include options, forwards and swaps.
- 9.2 In general, OTC derivatives involve the following risks:
 - 9.2.1 Counterparty credit risk: where the derivative transaction is uncleared and uncollateralised, the counterparties are exposed to the credit risk of the other party. The customer’s entire investment could be lost in the event of default by or the insolvency of its counterparty.
 - 9.2.2 Loss of investment: there is a risk that the customer will pay an upfront amount, but never receive any benefit from the transaction. An example of this could be if an option purchased is not in-the-money at the time it can be exercised.
 - 9.2.3 Contingent liabilities: derivative transactions such as credit default swaps or options may involve contingent liabilities. This can result in the customer incurring losses much greater than its original investment (if any) or premium received (in the case of sold options) should certain conditions be met, such as the occurrence of a credit event or an asset reaching a strike price.

- 9.2.4 Unlimited loss: losses under certain derivative transactions can theoretically be unlimited. In the context of an interest rate or currency swap, for as long as the interest or exchange rate continues to rise, so too will the customer's loss if it is required to pay the variable rate under the transaction.
- 9.2.5 Leverage risk: derivative transactions may be entered into on a highly geared or leveraged basis. This may mean that even a relatively small movement in the value of the underlying asset or other specified factor(s) could result in a disproportionately large movement, unfavourable or favourable, in the amount payable between the parties to the transaction.
- 9.2.6 Legal risk: if a counterparty goes into default and the derivative is terminated, the ability to recover value from the transaction is ordinarily dependent on netting gains against losses across different transactions and the value of the transactions against the value of the collateral. If the legal netting mechanism is not recognised in any jurisdiction, it may be that losses will be incurred.
- 9.2.7 Collateral risk: parties to derivatives contracts are often required to post collateral to mitigate their credit exposure to one another. If the market value moves against their position, the investor may be called upon to pay substantial additional collateral at short notice. Failure to post collateral may lead to the contracts being closed out, which could crystallise a loss position. There is no guarantee that collateral which is posted by the customer will be returned to the customer. Where collateral is held by a third party custodian, the return of such collateral is subject to the credit and operational risk of that custodian.
- 9.2.8 Basis risk: where a derivative transaction has been entered into to hedge price or other risks arising from ownership of a particular underlying, the performance of the derivative and the performance risk of the underlying may not be perfectly correlated, resulting in residual "basis" risk.
- 9.2.9 Operational risk: losses may occur due to the failures of processes and systems used in monitoring derivative transactions, including calculating and making payments or deliveries, exercising rights (such as options rights) before their expiry, monitoring lifecycle events and delivering notices in a timely manner. Such failures in third party systems may be subject to limitations on liability.
- 9.2.10 Delivery risk: if you have entered into a physically settled derivative, you may be obliged to take delivery of the relevant asset. In respect of commodities and natural resources, this may require significant operational resources to achieve.
- 9.2.11 Early termination: derivative transactions may be subject to early termination due to a voluntary or agreed early termination, "events of default" or "termination events" in relation to the customer or the provider (e.g. failure to pay, insolvency, force majeure, illegality, tax events) or extraordinary events relating to the underlying (e.g. merger nationalisation or delisting of an equity, market disruptions, cancellation of an index, disruptions in the ability of one or more parties to hedge the transaction). Such events (with the exception of voluntary or agreed early termination) may be outside the control of the customer and such termination may, depending on the value of the transaction at such time, result in a substantial payment due from the customer (even where the provider is in default or the termination arises from an external event). Customers may not be able to establish replacement transactions, or may incur significant costs in doing so, such as charges for early termination, even where such early termination is voluntary or agreed between the parties.

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

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

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