RISK DISCLOSURE NOTICE

Effective as of 30th July 2018

This Notice is provided by Saxo Capital Markets UK Ltd (registered in England with number 7413871) whose registered office is at 40 Bank Street, Canary Wharf, London E14 5DA (**we**) to **you** in compliance with the **FCA Rules**. Saxo Capital Markets UK Ltd is authorised and regulated by the Financial Conduct Authority.

All words and expressions defined in the General Business Terms shall, unless the context requires otherwise, have the same meaning in this Notice.

The following statements are intended to make **you** aware of and disclose to **you** the nature and risk of certain investment types and trading strategies and potential for risk and loss that will arise in respect of trading on the financial markets.

This Notice cannot disclose all the risks and other significant aspects of either the investment types such as warrants and derivative products including futures, options, and contracts for differences, or the different trading strategies. Before undertaking any trading you must familiarise yourself with the product that you propose to trade and the way in which the market operates. Please ensure that you read all the information on our Website that is relevant to the trading that you propose to undertake with us. You should not deal in these products unless you understand their nature and the extent of your exposure to risk. You should also be satisfied that the product is suitable for you in the light of your circumstances and financial position. Certain strategies, such as a "spread" position or a "straddle", may be as risky as a simple "long" or "short" position.

Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments **you** should be aware of the following points:

1 SECURITISED DERIVATIVES

These instruments may give **you** a time-limited right or an absolute right to acquire or sell one or more types of investment, which is normally exercisable against someone other than the issuer of that investment. Or they may give **you** rights under a contract for difference, which allows for speculation on fluctuations 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 instrument".

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.

These instruments have a limited life, and may (unless there is some form of guaranteed return to the amount **you** are investing in the product) expire worthless if the underlying instrument does not perform as expected.

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

You should consider carefully whether or not this product is suitable for **you** in light of **your** circumstances and financial position, and if in any doubt please seek professional advice.

2 FUTURES

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The gearing or leverage often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of **your** investment, and this can work against **you** as well as for **you**. Futures transactions have a contingent liability, and **you** should be aware of the implications of this, in particular the Margining requirements, which are set out in paragraph 8 below.

3 OPTIONS

There are many different types of options with different characteristics subject to the following conditions.

Buying options:

Buying options involves less risk than selling options because, if the price of the underlying asset moves against **you**, **you** can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if **you** buy a call option on a futures contract and **you** later exercise the option, **you** will acquire the future. This will expose **you** to the risks described under “futures” and “contingent liability investment transactions”.

Writing options:

If **you** write an option, the risk involved is considerably greater than buying options. **You** may be liable for Margin to maintain **your** position and a loss may be sustained well in excess of the premium received. By writing an option, **you** accept a legal obligation to purchase or sell the

underlying asset if the option is exercised against **you**, however far the market price has moved away from the exercise price. If **you** already own the underlying asset which **you** have contracted to sell (when the options will be known as "covered call options") the risk is reduced. If **you** do not own the underlying asset ("uncovered call options") the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Traditional options:

Certain London Stock Exchange member firms under special exchange rules write a particular type of option called a "traditional option". These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Certain options markets operate on a Margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation **you** may subsequently be called upon to pay Margin on the option up to the level of **your** premium. If **you** fail to do so as required, **your** position may be closed or liquidated in the same way as a futures position.

4 CONTRACTS FOR DIFFERENCE

Futures and options contracts can also be referred to as contracts for difference. These can be options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and **you** should be aware of these as set out in paragraphs 5 and 6 respectively. Transactions in contracts for differences may also have a contingent liability and **you** should be aware of the implications of this as set out in paragraph 8 below.

5 OFF-EXCHANGE TRANSACTIONS IN CONTRACTS FOR DIFFERENCE

These transactions are not carried out on a recognised exchange or designated exchange and this may mean a higher level of risk is incurred by the investor. The betting structure and the betting roles are established solely by **us**. This means, for example, that if **you** wish to close the bet earlier than at the time at which it would otherwise automatically expire, **you** will have to close it at **our** quotation, which may reflect a premium or discount to the underlying market. When the underlying market is closed, **our** quotation can be influenced by the weight of other clients buying or selling. Bets entered into with **us** can only be closed with **us**.
Contracts for Difference and Foreign Exchange are complex products which come with a high level of risk of losing money rapidly, due to leverage. You should consider whether you understand how Contracts for Difference, Foreign Exchange or any of our other products work and whether you can afford to take the high risk of losing your money, before investing in these products with us.

6 OFF-EXCHANGE TRANSACTIONS IN DERIVATIVES

It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction. **We** must make it clear to **you** if **you** are entering into an off-exchange derivative transaction.

While some off-exchange markets are highly liquid, transactions in off-exchange or non-transferable derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may 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. Bid prices 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.

7 FOREIGN MARKETS

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. On request, **we** must provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which **we** will accept liability for any default of a foreign firm through whom **we** deal. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

8 CONTINGENT LIABILITY INVESTMENT TRANSACTIONS

Contingent liability investment transactions, which are Margined, require **you** to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If **you** trade in futures, contracts for differences or sell options, **you** may sustain a total loss of the Margin **you** deposit to establish or maintain a position. If the market moves against **you**, **you** may be called upon to pay substantial additional Margin at short notice to maintain the position. If **you** fail to do so within the time required, **your** position may be liquidated at a loss and **you** may be responsible for the resulting deficit remaining on your account.

Even if a transaction is not Margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when **you** entered the contract.

Save as specifically provided by the **FCA**, **your** firm may only carry out Margined or contingent liability transactions with or for **you** if they are traded on or under the rules of a recognised or designated investment exchange. Contingent liability investment transactions which are not so traded may expose **you** to substantially greater risks.

9 LIMITED LIABILITY TRANSACTIONS

Before entering into a limited liability transaction, **you** should obtain from **us** or the firm with whom **you** are dealing a formal written statement confirming that the extent of **your** loss liability on each transaction will be limited to an amount agreed by **you** before **you** enter into the transaction.

The amount **you** can lose in limited liability transactions will be less than in other Margined transactions, which have no predetermined loss limit. Nevertheless, even though the extent of loss will be subject to the agreed limit, **you** may sustain the loss in a relatively short time. **Your** loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.

10 COLLATERAL

If **you** deposit collateral as security with **us**, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of **your** collateral depending on whether **you** are trading on a recognised or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. Deposited collateral may lose its identity as **your** property once dealings on **your** behalf are undertaken. Even if **your** dealings should ultimately prove profitable, **you** may not get back the same assets which **you** deposited, and may have to accept payment in cash. **You** should ascertain from **us** how **your** collateral will be dealt with. The use of non-cash collateral may not be acceptable in certain circumstances.

11 COMMISSIONS

Before **you** begin to trade, **you** should obtain details of all commissions and other charges for which **you** will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), **you** should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of **your** initial payment.

12 SUSPENSIONS OF TRADING

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit **your** losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

13 CLEARING HOUSE PROTECTIONS

On many exchanges, the performance of a transaction by **us** (or third party with whom he is dealing on **your** behalf) is guaranteed by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover **you** and may not protect **you** if **your** firm or another party defaults on its obligations to **you**. On request, **we** must explain any protection provided to **you** under the clearing guarantee applicable to any on-exchange derivatives in which **you** are dealing. There is no clearing house for traditional options, nor normally for off-exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

14 INSOLVENCY

Our insolvency or default, or that of any other brokers involved with **your** transaction, may lead to positions being liquidated or closed out without **your** consent. In certain circumstances, **you** may not get back the actual assets which **you** lodged as collateral and **you** may have to accept any available payments in cash. On request, **we** must provide an explanation of the extent to

which it will accept liability for any insolvency of, or default by, other firms involved with **your** transactions.

15 PAST PERFORMANCE

You should be aware that the price of the financial instruments that **you** are dealing with depends on fluctuations in the financial markets outside of **our** control and that past performance is no indicator of future performance.

16 NON-READILY REALISABLE INVESTMENTS

We may arrange or enter into transactions in non-readily realisable investments. These are investments in which the market is limited or could become so. **You** may have difficulty selling this investment at a reasonable price and, in some circumstances, it may be difficult to sell it at any price. Do not invest in such investments unless **you** have carefully thought about whether **you** can afford it and whether it is right for **you**.

17 DEALING IN SECURITIES WHICH MAY BE SUBJECT TO STABILISATION

This statement complies with the **FCA Rules**.

We, and/or **our** representatives, may from time to time carry out transactions on **your** behalf where the price may have been influenced by measures taken to stabilise it.

You should read the explanation below carefully. This is designed to help **you** judge whether **you** wish **your** funds to be invested at all in such securities and, if **you** do, whether **you** wish:

(a) to be consulted before **we** carry out any such transaction on **your** behalf;

or

(b) to authorise **us** to carry out any such transaction on **your** behalf without first having to consult **you**.

What is Stabilisation?

Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. The **FCA** allows stabilisation in order to help counter the fact that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found.

Stabilisation is being carried out by a 'stabilisation manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions, which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

The Stabilisation rules:

(a) limit the period when a stabilising manager may stabilise a new issue;

(b) fix the price at which he may stabilise (in the case of shares and warrants but not bonds); and

(c) require him to disclose that he may be stabilising but not that he is actually doing so.

The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, or of the price at which they are prepared to buy the securities.

18 LISTED SECURITIES WHERE GEARING IS INVOLVED

In relation to listed securities where gearing is involved, the gearing strategy used by the issuer may result in movements in the price of the securities being more volatile than the movements in the price of the underlying investments. **Your** investment may be subject to sudden and large falls in value and **you** may get back nothing at all if there is a sufficiently large fall in **your** investment.

19 TRADING FACILITIES

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary: you should ask the firm with which you deal for details in this respect.

20 ELECTRONIC TRADING

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake Transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions, is not executed at all and a lack of capability to keep you informed continuously about your positions and fulfilment of the Margin requirements.

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Although warrants and/or derivative instruments can be utilised for the management of investment risk, some of these products are unsuitable for many investors. Different instruments involve different levels of exposure to risk and in deciding whether to trade in such instruments **you** should be aware of the following points:

1 SECURITISED DERIVATIVES

These instruments may give **you** a time-limited right or an absolute right to acquire or sell one or more types of investment, which is normally exercisable against someone other than the issuer of that investment. Or they may give **you** rights under a contract for difference, which allows for speculation on fluctuations 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 instrument".

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.

These instruments have a limited life, and may (unless there is some form of guaranteed return to the amount **you** are investing in the product) expire worthless if the underlying instrument does not perform as expected.

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

You should consider carefully whether or not this product is suitable for **you** in light of **your** circumstances and financial position, and if in any doubt please seek professional advice.

2 FUTURES

Transactions in futures involve the obligation to make, or to take, delivery of the underlying asset of the contract at a future date, or in some cases to settle the position with cash. They carry a high degree of risk. The gearing or leverage often obtainable in futures trading means that a small deposit or down payment can lead to large losses as well as gains. It also means that a relatively small movement can lead to a proportionately much larger movement in the value of **your** investment, and this can work against **you** as well as for **you**. Futures transactions have a contingent liability, and **you** should be aware of the implications of this, in particular the Margining requirements, which are set out in paragraph 8 below.

3 OPTIONS

There are many different types of options with different characteristics subject to the following conditions.

Buying options:

Buying options involves less risk than selling options because, if the price of the underlying asset moves against **you**, **you** can simply allow the option to lapse. The maximum loss is limited to the premium, plus any commission or other transaction charges. However, if **you** buy a call option on a futures contract and **you** later exercise the option, **you** will acquire the future. This will expose **you** to the risks described under "futures" and "contingent liability investment transactions".

Writing options:

If **you** write an option, the risk involved is considerably greater than buying options. **You** may be liable for Margin to maintain **your** position and a loss may be sustained well in excess of the premium received. By writing an option, **you** accept a legal obligation to purchase or sell the

underlying asset if the option is exercised against **you**, however far the market price has moved away from the exercise price. If **you** already own the underlying asset which **you** have contracted to sell (when the options will be known as "covered call options") the risk is reduced. If **you** do not own the underlying asset ("uncovered call options") the risk can be unlimited. Only experienced persons should contemplate writing uncovered options, and then only after securing full details of the applicable conditions and potential risk exposure.

Traditional options:

Certain London Stock Exchange member firms under special exchange rules write a particular type of option called a "traditional option". These may involve greater risk than other options. Two-way prices are not usually quoted and there is no exchange market on which to close out an open position or to effect an equal and opposite transaction to reverse an open position. It may be difficult to assess its value or for the seller of such an option to manage his exposure to risk.

Certain options markets operate on a Margined basis, under which buyers do not pay the full premium on their option at the time they purchase it. In this situation **you** may subsequently be called upon to pay Margin on the option up to the level of **your** premium. If **you** fail to do so as required, **your** position may be closed or liquidated in the same way as a futures position.

4 CONTRACTS FOR DIFFERENCE

Futures and options contracts can also be referred to as contracts for difference. These can be options and futures on the FTSE 100 index or any other index, as well as currency and interest rate swaps. However, unlike other futures and options, these contracts can only be settled in cash. Investing in a contract for differences carries the same risks as investing in a future or an option and **you** should be aware of these as set out in paragraphs 5 and 6 respectively. Transactions in contracts for differences may also have a contingent liability and **you** should be aware of the implications of this as set out in paragraph 8 below.

5 OFF-EXCHANGE TRANSACTIONS IN CONTRACTS FOR DIFFERENCE

These transactions are not carried out on a recognised exchange or designated exchange and this may mean a higher level of risk is incurred by the investor. The betting structure and the betting roles are established solely by **us**. This means, for example, that if **you** wish to close the bet earlier than at the time at which it would otherwise automatically expire, **you** will have to close it at **our** quotation, which may reflect a premium or discount to the underlying market. When the underlying market is closed, **our** quotation can be influenced by the weight of other clients buying or selling. Bets entered into with **us** can only be closed with **us**.

6 OFF-EXCHANGE TRANSACTIONS IN DERIVATIVES

It may not always be apparent whether or not a particular derivative is arranged on exchange or in an off-exchange derivative transaction. **We** must make it clear to **you** if **you** are entering into an off-exchange derivative transaction.

While some off-exchange markets are highly liquid, transactions in off-exchange or non-transferable derivatives may involve greater risk than investing in on-exchange derivatives because there is no exchange market on which to close out an open position. It may 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. Bid prices 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.

7 FOREIGN MARKETS

Foreign markets will involve different risks from the UK markets. In some cases the risks will be greater. On request, **we** must provide an explanation of the relevant risks and protections (if any) which will operate in any foreign markets, including the extent to which **we** will accept liability for any default of a foreign firm through whom **we** deal. The potential for profit or loss from transactions on foreign markets or in foreign denominated contracts will be affected by fluctuations in foreign exchange rates.

8 CONTINGENT LIABILITY INVESTMENT TRANSACTIONS

Contingent liability investment transactions, which are Margined, require **you** to make a series of payments against the purchase price, instead of paying the whole purchase price immediately.

If **you** trade in futures, contracts for differences or sell options, **you** may sustain a total loss of the Margin **you** deposit to establish or maintain a position. If the market moves against **you**, **you** may be called upon to pay substantial additional Margin at short notice to maintain the position. If **you** fail to do so within the time required, **your** position may be liquidated at a loss and **you** will be responsible for the resulting deficit.

Even if a transaction is not Margined, it may still carry an obligation to make further payments in certain circumstances over and above any amount paid when **you** entered the contract.

Save as specifically provided by the **FCA**, **your** firm may only carry out Margined or contingent liability transactions with or for **you** if they are traded on or under the rules of a recognised or designated investment exchange. Contingent liability investment transactions which are not so traded may expose **you** to substantially greater risks.

9 LIMITED LIABILITY TRANSACTIONS

Before entering into a limited liability transaction, **you** should obtain from **us** or the firm with whom **you** are dealing a formal written statement confirming that the extent of **your** loss liability on each transaction will be limited to an amount agreed by **you** before **you** enter into the transaction.

The amount **you** can lose in limited liability transactions will be less than in other Margined transactions, which have no predetermined loss limit. Nevertheless, even though the extent of loss will be subject to the agreed limit, **you** may sustain the loss in a relatively short time. **Your** loss may be limited, but the risk of sustaining a total loss to the amount agreed is substantial.

10 COLLATERAL

If **you** deposit collateral as security with **us**, the way in which it will be treated will vary according to the type of transaction and where it is traded. There could be significant differences in the treatment of **your** collateral depending on whether **you** are trading on a recognised or designated investment exchange, with the rules of that exchange (and the associated clearing house) applying, or trading off-exchange. Deposited collateral may lose its identity as **your** property once dealings on **your** behalf are undertaken. Even if **your** dealings should ultimately prove profitable, **you** may not get back the same assets which **you** deposited, and may have to accept payment in cash. **You** should ascertain from **us** how **your** collateral will be dealt with.

11 COMMISSIONS

Before **you** begin to trade, **you** should obtain details of all commissions and other charges for which **you** will be liable. If any charges are not expressed in money terms (but, for example, as a percentage of contract value), **you** should obtain a clear and written explanation, including appropriate examples, to establish what such charges are likely to mean in specific money terms. In the case of futures, when commission is charged as a percentage, it will normally be as a percentage of the total contract value, and not simply as a percentage of **your** initial payment.

12 SUSPENSIONS OF TRADING

Under certain trading conditions it may be difficult or impossible to liquidate a position. This may occur, for example, at times of rapid price movement if the price rises or falls in one trading session to such an extent that under the rules of the relevant exchange trading is suspended or restricted. Placing a stop-loss order will not necessarily limit **your** losses to the intended amounts, because market conditions may make it impossible to execute such an order at the stipulated price.

13 CLEARING HOUSE PROTECTIONS

On many exchanges, the performance of a transaction by **us** (or third party with whom he is dealing on **your** behalf) is guaranteed by the exchange or clearing house. However, this guarantee is unlikely in most circumstances to cover **you** and may not protect **you** if **your** firm or another party defaults on its obligations to **you**. On request, **we** must explain any protection provided to **you** under the clearing guarantee applicable to any on-exchange derivatives in which **you** are dealing. There is no clearing house for traditional options, nor normally for off-exchange instruments which are not traded under the rules of a recognised or designated investment exchange.

14 INSOLVENCY

Our insolvency or default, or that of any other brokers involved with **your** transaction, may lead to positions being liquidated or closed out without **your** consent. In certain circumstances, **you** may not get back the actual assets which **you** lodged as collateral and **you** may have to accept any available payments in cash. On request, **we** must provide an explanation of the extent to

which it will accept liability for any insolvency of, or default by, other firms involved with **your** transactions.

15 PAST PERFORMANCE

You should be aware that the price of the financial instruments that **you** are dealing with depends on fluctuations in the financial markets outside of **our** control and that past performance is no indicator of future performance.

16 NON-READILY REALISABLE INVESTMENTS

We may arrange or enter into transactions in non-readily realisable investments. These are investments in which the market is limited or could become so. **You** may have difficulty selling this investment at a reasonable price and, in some circumstances, it may be difficult to sell it at any price. Do not invest in such investments unless **you** have carefully thought about whether **you** can afford it and whether it is right for **you**.

17 DEALING IN SECURITIES WHICH MAY BE SUBJECT TO STABILISATION

This statement complies with the **FCA Rules**.

We, and/or **our** representatives, may from time to time carry out transactions on **your** behalf where the price may have been influenced by measures taken to stabilise it.

You should read the explanation below carefully. This is designed to help **you** judge whether **you** wish **your** funds to be invested at all in such securities and, if **you** do, whether **you** wish:

(a) to be consulted before **we** carry out any such transaction on **your** behalf;

or

(b) to authorise **us** to carry out any such transaction on **your** behalf without first having to consult **you**.

What is Stabilisation?

Stabilisation enables the market price of a security to be maintained artificially during the period when a new issue of securities is sold to the public. Stabilisation may affect not only the price of the new issue but also the price of other securities relating to it. The **FCA** allows stabilisation in order to help counter the fact that, when a new issue comes onto the market for the first time, the price can sometimes drop for a time before buyers are found.

Stabilisation is being carried out by a 'stabilisation manager' (normally the firm chiefly responsible for bringing a new issue to market). As long as the stabilising manager follows a strict set of rules, he is entitled to buy back securities that were previously sold to investors or allotted to institutions, which have decided not to keep them. The effect of this may be to keep the price at a higher level than it would otherwise be during the period of stabilisation.

The Stabilisation rules:

(a) limit the period when a stabilising manager may stabilise a new issue;

(b) fix the price at which he may stabilise (in the case of shares and warrants but not bonds); and

(c) require him to disclose that he may be stabilising but not that he is actually doing so.

The fact that a new issue or a related security is being stabilised should not be taken as any indication of the level of interest from investors, or of the price at which they are prepared to buy the securities.

18 LISTED SECURITIES WHERE GEARING IS INVOLVED

In relation to listed securities where gearing is involved, the gearing strategy used by the issuer may result in movements in the price of the securities being more volatile than the movements in the price of the underlying investments. **Your** investment may be subject to sudden and large falls in value and **you** may get back nothing at all if there is a sufficiently large fall in **your** investment.

19 TRADING FACILITIES

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or member firms. Such limits may vary: you should ask the firm with which you deal for details in this respect.

20 ELECTRONIC TRADING

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake Transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions, is not executed at all and a lack of capability to keep you informed continuously about your positions and fulfilment of the Margin requirements.